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THE NATURE OF AGRICULTURAL MARKETING PROJECTS

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Introduction

It has often been argued that one of the inhibitors of the development of modern marketing systems for agricultural commodities in the West Indies (as well as other developing nations) is scarcity of capital funds to finance the needed marketing projects and programmes. An opposing view is held in other quarters. It is almost a universal feeling on the part of economists and other professionals with experience in the problems of developing financing, that one of the greatest obstacles to agricultural marketing development is the shortage not of funds but of well prepared projects.

It now appears that the capital scarcity argument is no longer tenable with the appearance of the Caribbean Development Bank (CDB) on the West Indian capital market, and with the independent nations² of the Area having access to funds from the CDB as well as to those from international lending institutions such as the Inter-American Development Bank and the World Bank.

We may infer that the scarcity of well prepared projects is the result of limited perception of the universe of agricultural marketing projects, by the responsible agency or unit. On the other hand, the project perception capabilities of the agencies or units may be adequate but there may be serious deficiencies in their ability or capacity to prepare projects. A third possibility which presents itself is that of deficiencies in both project perception and project preparation capabilities by the agencies or units. It follows that one area in development financing which is most in need of improvement is the development of techniques for increasing the perception of the universe of projects and of procedures to increase project preparation capabilities.

Perception of the project universe which is nothing more than a recognition of the set of projects that are technically possible, depends in general on two factors: (1) knowledge of the available resources, human and capital; and (2) knowledge of the production possibilities of these resources. Effective marshalling of these two factors presupposes knowledge of the field of marketing and the nature of marketing projects.

The principal objectives of this paper are: (1) the development of a working definition of the field of marketing which would facilitate the formulation of marketing projects; and (2) outlining of the nature of marketing projects.

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Independent nations of the Area are: Barbados, Guyana, Jamaica, and Trinidad and Tobago.

Field of Agricultural Marketing

In order to minimize the possibilities of widely varied interpretations we will first define the field of agricultural marketing. From the point of view of project formulation, the field of agricultural marketing includes all production and service activities which are required to move agricultural commodities or raw materials from the farm or similar production entity to intermediate or final users. These activities, which must lend themselves to conversion into quantitative capital costs, or the enterprises performing them, all have the characteristics of creating time, form, place and ownership utility.

This definition of the field of agricultural marketing would appear to exclude activities arising out of the exploitation of natural resources such as forestry, fishing and water for recreational activities. It need not, depending on how inclusive is the term Agriculture. While our concern is primarily with marketing, every effort must be made not to concentrate the flow of resources on marketing at the expense of production but balance this flow between these two sectors as the particular circumstances dictate.

Nature of Project

At this stage, we can now consider just what is an agricultural marketing project. From the point of view of either the economy or a government agency, an agricultural marketing project may be defined as the use of scarce resources to create time, form, place and ownership utility during a specific time period by producing an output or providing a service at a later time. In a general sense, the commitment of scarce resources in the present for producing an economic return or output later constitutes the capital formation or investment process.

Nevertheless, it must be emphasized that investment in agricultural marketing is not narrowly conceived as only expenditure on plant and equipment. On the other hand, the definition of marketing projects advanced above is so broad that a clear understanding of exactly what constitutes an agricultural marketing project could only be obtained from some illustrations of different types of marketing projects.

One class of marketing projects would be those requiring tangible investments in capital goods and taking the form of specific physical construction. This group which has been classified elsewhere as marketing hardware we will designate as Group One projects. This class is made up largely of plant and equipment expenditures for performing productive or service activities that create time, place or form utility.

Marketing investments which generate time utility are those which serve to increase the period over which a commodity is available to prospective buyers. Included here are investments in plant and equipment (1) to preserve the quality of the product, for example, drying, treatment and cooling facilities; and (2) to store the product -- such as silos, controlled atmosphere storage and warehouses.

Investments which result in the availability of commodities at points other than the farm gate create place utility. In this category we are including investment in assembly-distribution installations and systems and in transportation. 'Centros de acopio', municipal markets, and wholesale terminal markets, fruit and vegetable packing houses, carriers and terminal facilities are included in this sub-group.

The most easily identified sub-class in Group One projects are those involving investment in plant and equipment for changing the form of agricultural raw material, and which produce an identifiable output. Included here are expenditures in productive enterprises engaged in extraction of vegetable and essential oils; processing; dehydrating; milling; brewing and beverage manufacturing; animal feed; and manufacturing of crating and packaging material from forest products.

A second group of projects are those dealing with reforms of existing marketing institutions or with building dynamic modern ones. The establishment of mandatory marketing cooperatives is a common example of this type of project. Others are the development of wholesale-retail voluntary or cooperative associations, mass-merchandising and food distribution system.

The system for discounting warehouse receipts and expenditures for implementing standardization and grading are two projects that fall within Group Two type of projects. We generally regard discounting of warehouse receipts or grading and standardization as necessary conditions or complementary inputs to class one projects, for example, a grain storage programme. We must now recognise that expenditure on grading and standardization or in implementing and developing a market for warehouse receipts are in themselves projects since they can have a direct or indirect effect on future output. Acceptance and use of grading and standardization, for example, tend to widen the market for a commodity and thus relax any scale constraint on production or marketing enterprises.

An often used approach to institutional building for the purpose of increasing the flow of short term funds is to attach as a loan condition the implementation of a system for discounting warehouse receipts. An alternative which we feel would provide for a better perception of the project components and thus more likely to be successful, is to regard as the real project the implementation of a system for using and discounting warehouse receipts. In this way, we attack the problem of funds flow directly.

Group Two projects contribute more to development than to growth. Development in this sense implies significant structural changes as well as increases in output in both the agricultural sector and in the distribution sub-sector. Since structural change is a desired condition for the emergence of modern marketing systems, the importance and contribution of projects which accelerate such changes must be clearly recognized.

Projects which expand the supply of factors of production other than physical capital may be classified into another group, which we designate as Group Three. This group is dominated by projects involving technical assistance and training which improve management and labour productivity while expanding the supply of these factors. Assistance in managing and operating marketing enterprises is an example of this type of project. Another is administrative, organisational, and financial assistance given to producer or second level cooperatives. Also, in this group would be technical assistance provided in perception and preparation of marketing projects.

A fourth group is composed of projects which tend to expand the supply of knowledge. Market news and statistical reporting services are examples. Projects to transfer technology and advanced management techniques from abroad would also fall in this group. Expenditures on research and development in marketing or for the creation and operation of food technology laboratories also belong to this

group. Marketing research may take diverse forms: It may involve, for example, the development of techniques to preserve natural colour in the canned product; chemical controls to minimize insect damage and loss in fruit drying; research to determine the correct stage of maturity for harvesting fruits and vegetables for export or processing; and the development of techniques for keeping and treating commodities in storage. It is convenient to treat expenditures for export promotion and internal market development as projects which expand the supply of knowledge.

It must be pointed out that these four groups are not mutually exclusive and projects do not necessarily have to fall in only one group. A given project may contain aspects of one, two or even all four groups and by so doing, effectively minimize the problems of "so-called" secondary benefits and interdependency of projects. While ownership utility was not treated explicitly, it would be a characteristic of Group Two projects involving institution-building that facilitate buying and selling and the transfer of ownership.

In summary, we have advanced a somewhat operational definition of the field of marketing. We have also classified agricultural marketing projects in our attempt to reveal the nature of these projects into four groups: (1) those which involve expenditures on plant and equipment and which have the characteristics of creating time, place and form utility, (2) those which involve institutional changes as well as institutional building, (3) those which expand the supply of non-capital factors in marketing, and (4) those which expand the supply of knowledge.