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FOOD MARKETING PROBLEMS

Address by Mr. W.D. Roberts
(Executive Chairman, Agricultural Marketing Corporation, Jamaica)

I am deeply honoured by your very kind invitation to address delegates to this the Tenth West Indies Agricultural Economics Conference on the subject of *Food Marketing Problems* within the Theme of your Conference namely: *Maximising Regional Self-Sufficiency in Food Supplies in the Commonwealth Caribbean*.

I am not sure that the particular subject will offer any assistance to your digestive process but I yield to the wisdom inherent in the request.

As one who has been engaged in the marketing of various products in agriculture for a couple of decades, I think I could more effectively illustrate my ideas if I circulate a photograph of my head - showing the colour of my hair, before becoming involved in Marketing to contrast with the exhibit now standing before you! I think that there would be no more accurate or appropriate illustration of the subject on which I have been asked to speak.

I do not intend to weary you with any definition of marketing except to make two fundamental observations: firstly, that marketing is not a science, it is a natural development; and secondly, you must know your product.

Some of you no doubt have heard the story of a firm that manufactured bathroom scales. The particular firm developed the technique of producing a scale that was within 1 per cent of accuracy but for some inexplicable reason sales were not moving. A firm of advertising consultants came in, had a good look at the scale and observed that the design looked too much like a machine although its accuracy could not be questioned. But they concluded that psychologically the ladies will never buy it because they did not like the appearance of this machine-like piece of equipment in their bathroom. They recommended a re-design of the scale which was now about 5 per cent inaccurate but it was extremely attractive, and fitted nicely into the bathroom. Immediately sales began to move so rapidly that production had a hard time keeping pace with demand, because the ladies not only had an opportunity of purchasing an attractive piece of equipment for their bathroom, but it also flattered them by giving them a wrong weight which was very acceptable to them in the circumstances. Apart from accuracy being a constraint to sales, the moral of course is that you should weigh yourself in any new environment that surrounds you once you are in the area of marketing.

Marketing of course, covers various types of markets and I will not go into details because although their functions may differ their objectives basically are similar.

Bringing the subject nearer to our immediate area of concern, Agriculture, we can appropriately ask the question: "*What does marketing do?*". Marketing like farming covers a great many distinct, but related activities. Basically, marketing does two things. Firstly, it moves the product from

the farmer to the consumer; secondly, it returns money from the consumer through marketing channels back to the producer.

An effective agricultural marketing system is vital to a country's economic development. One or few men cannot develop a modern complex marketing system. It requires the combined intelligence, skill and resourcefulness of many people and organizations to aid in this development.

In dealing with the problem of food marketing I will confine myself largely to the problems as I know them in Jamaica, particularly over the three years in dealing with nearly 80 different types of crops including legumes, root crops, tubers, pulses, fruits and vegetables, involving purchasing, grading, transportation, storing, packaging, distribution and more recently, processing. Of course, there are other intermediate processes. I will omit any reference to sugar in which I was previously involved for some 30 years, because the process of marketing is entirely different to that concerned with perishables.

Much of the general problem of marketing farm products result from the seasonality of agricultural production as related to the geographical distribution of population and demand.

Production and marketing of agricultural products have a seasonal as well as a geographic relationship. Climate frequently decides that certain products can be produced abundantly or economically only at certain seasons of the year. This is particularly so when farming is done without irrigation. But people need to eat throughout the year. Therefore, the ability to store farm products in either raw or processed form determines in many cases the extent to which production is practical and emphasises the importance of the marketing problem.

One of the most important relationships between production and marketing is the supply in relation to demand. No method of marketing will ever be able to ensure producers a reasonably satisfactory price for a larger supply of any product than is warranted by the actual or potential demand. For this reason adjustment of production to demand is at the heart of successful marketing. This of course, is extremely difficult because of the large number of producers involved, uncertain weather conditions, unpredictable economic development and the time involved between planting and harvesting.

This need for adjusting production to demand brings about the necessity of developing some system of collecting and developing information on prospective supply and demand. Reasonably accurate data and effective dissemination of production and marketing information and essential in the effective use of production and marketing facilities. This of course demands considerable planning. The ultimate result of this process is to succeed in getting the consumer to purchase a local farm product in preference to an imported alternative.

It is perhaps appropriate at this stage to take a look at my own organisation, its role, functions, and performance in the context of Jamaica's Agriculture.

The Agricultural Marketing Corporation (AMC) was established on

the 1st December, 1963. To grasp the reason for its establishment it is necessary to examine the background to its emergence which can be best appreciated by noting very briefly both the nature of the agricultural sector and the marketing system which existed prior to the inauguration of the Corporation.

Up until the early 1960's Jamaica was predominately an agricultural economy with a small though nascent bauxite, tourism and light industry. In spite of its importance to the economy however, agricultural production was oriented to a few export crops, e.g., sugar, coffee, bananas, etc. Whilst a considerable amount of capital was directed to the development of these crops and their marketing was well established, the production of food crops for local consumption was inhibited by a lack of capital, technical know-how and a market system unable to handle a large volume of supplies.

The marketing of domestic food crops was handled primarily by the higgler system and the Government Marketing Department. Both these marketing systems proved unsatisfactory as they were not geared to handle large volume of supplies. More specifically, these agencies were not in a position to play an active role in expanding local production. Accordingly, as the population grew and the demand for food increased, Jamaica had to increase its food imports with consequent pressures on the Balance of Payments. Indeed, the marketing expert Finner noted in his report *The Marketing of Domestic Food Crops in Jamaica*, "the principal weakness with both these systems were:

- (i) *absence of a guaranteed market for commodities which can be produced locally;*
- (ii) *inadequate use of the methods available for lowering the cost of markets;*
- (iii) *absence of a co-ordinated approach to production and marketing so that marketing improvements can provide a solid incentive for increased production."*

Following on the Finner Report, along with practical experience of the failure of the market system to expand local food production, legislation was introduced in Parliament and passed in July 1963, providing for the establishment of a Marketing Corporation to develop and maintain an efficient marketing organization for agricultural production grown primarily for local consumption.

The duties and powers were:

- (a) to provide and maintain adequate marketing outlets for agricultural produce;
- (b) to buy and sell agricultural produce;
- (c) to provide for the collection, transportation, storage, grading, packaging and processing of agricultural production; and
- (d) to import and export agricultural produce.

Growth and Performance of the AMC, 1963-1974

I turn now to analyze the growth and performance of the AMC in the light of its original objectives and functions. A closer study of the

duties and functions of the AMC would indicate that they fall into three broad areas:

- (a) purchasing of commodities;
- (b) distribution of commodities; and
- (c) provision of ancilliary market services to enable the functioning of an efficient marketing system.

Purchases

The first stage of operation in any marketing agency involves the purchasing of commodities. For a Government-controlled marketing agency designed to service farmers, this purchasing should be such that the farmers would always have an assured market for their produce in order to provide the necessary incentive for increased production. Indeed, this was the primary purpose for the establishment of the AMC. Analysis of purchases by the AMC and its relation to its objectives and growth will fall under the broad heading of (i) buying policy, (ii) buying prices and (iii) quantity purchased.

(i) Buying policy: The buying policy of the AMC can best be described as one which seeks to provide farmers with an assured market at the best possible prices. Three types of purchases are at present in operation:

- (i) contract at stipulated prices;
- (ii) purchases at absolute guaranteed prices; and
- (iii) open market purchases based on minimum guaranteed prices.

The first two apply only to certain specified crops whereas the open-market operation applies to all domestic crops, with the exception of those coming under the absolute guaranteed prices system. To date, the contract system has not proved to be as effective as it should be due to the fact that in periods of scarcity farmers quite often tend to exploit other marketing channels.

By far, the largest volume of crops are bought through the system of minimum guaranteed prices. It is in this system of purchases that the AMC has perhaps played its greatest role in the stimulation of local food production. At present 35 crops are under this scheme. Prior to the establishment of the AMC, Jamaica was forced to import commodities such as Irish potatoes, pineapples, carrots, lettuce and several others. To date, primarily because farmers have the assurance of a guaranteed market and minimum prices which cover the cost of production and allow a fair margin of profit, the expansion of these crops has led to self-sufficiency except in a few instances. In the case of some crops including Irish potatoes we have for several years passed the stage of self-sufficiency and I shall comment on this in relation to Caricom trading relationship later.

Paradoxically however, whilst this policy has increased production of domestic food crops, it has also led to an undesirable situation of excess supplies in certain periods, resulting in losses of certain types of vegetables through spoilage. Although losses through excess spoilage is undesirable, this situation has in fact forced the AMC to expand its storage capacity, develop wider channels of distribution and finally move into processing. *Indeed, in the most advanced economies, the*

entire marketing process would be jeopardized in the absence of processing techniques.

(ii) Buying prices: The question of buying prices is one of the most crucial variables affecting the livelihood of the farmer as it is the price of his commodity which will directly determine his standard of living. While the buying price paid to farmers by the AMC is influenced by demand and supply considerations, the actual buying price does not however fall below a level which covers the cost of production and a margin of profit not less than 20 per cent. In spite of prices being above the cost of production, a major problem affecting farmers was the fluctuation of buying prices from one week to another with the consequence of farmers operating under extreme conditions of price uncertainty. Since March 1974, prices are established on a monthly basis rather than on a weekly basis. Some commodities are on a crop basis and this has reduced the climate of price uncertainty, thus providing a stimulus for increased production.

(iii) Quantity purchased: One of the major yardsticks which can be used to judge the growth of the AMC is the volume of goods purchased. In 1964, after a year of operation, the quantity purchased was approximately 3,000 tons. By 1974 this was increased to 30,000 tons. The projection for 1975 is 50,000 tons and it is expected that this should reach approximately 90,000 tons by 1977. Several factors can be adduced for this increase. Firstly, and perhaps the most obvious, is that total domestic food production increased over the ten year period. Secondly, the number of Buying Stations has increased from 50 in 1963 to 150 in 1974 along with numerous other buying points en route to ensure that the farmer has an easy and convenient method of disposing of his produce. Thirdly, total purchases have increased because of contracted agreement with Government farms. Reference is made particularly to the land lease farmers who must sell to the AMC 20 per cent of total food production to cover their indebtedness for various inputs provided by the Government. The AMC also has a contractual agreement with the Government Food Farms by which they sell all their produce to the AMC.

Distribution

The second broad area of AMC's operation that I wish to mention relates to the *distribution* of commodities bought from farmers. Here the duty of the AMC is not only to distribute commodities to as wide an area as possible but equally important to see that the prices of goods reaching the consumer are fair and stable.

The AMC has well-established marketing channels in which to distribute its produce. The relative importance of these channels has however, changed over the past ten years as the structure and policy of the AMC changed. Thus, in the first six years of its operation, the AMC concentrated its sales through traditional outlets, namely, higglers, supermarkets, exports, and to a lesser extent its own Retail Stores. This limited distribution channel meant that consumers still had to travel several miles to the parochial markets. Apart from this disadvantage there was the added problem of certain parts of the country being abundantly stocked with food supplies with shortages existing in other areas which grow very little agricultural produce. In other words, the AMC was not maximising the central position it had in effectively channeling agricultural produce into areas of short supply.

This failure was subsequently recognised by the Board of Directors and a renewed effort was made to expand the outlets of the Corporation from five in 1972 to sixteen at present. During this period sales in these stores have increased from \$J500,000 to \$J2,000,000.

By far the most important area of distribution in terms of *social benefit* to consumers is not through the Retail Stores but through the recently instituted *AMC Special Shops* and *Mobile Units*. Here the aim of the Special Shop Programme - a Government Programme - is to sell the same commodities as in the traditional retail outlets along with other staple food but at a reduced price for locally grown produce equivalent to 20 per cent below normal selling price to ease the burden of the lower income wage earner. Twenty-five special shops are servicing some 140,000 people while 26 mobile units are providing services for 180,000 citizens. The success of this programme has resulted in a Government decision requiring the AMC to expand its operations so that by the end of this year, 60 special shops, 20 green groceries and an undetermined addition to the 26 mobile units should be in operation.

Provision of Ancilliary Services

Another vital area relates to the ancilliary services provided by the AMC. Too often it is forgotten that marketing does not merely involve the buying and selling of commodities. Far from being the case, a whole range of services has to be provided for the movement of goods from the producer to that of the final consumer. This includes grading, packaging, storage, transportation, etc.

Three types of services to be provided in the movement of commodities from farmers to consumers can be identified as:

- (i) services provided direct to farmers;
- (ii) services in transit; and
- (iii) services in preparing the commodities just prior to reaching the consumer.

With regard to direct services granted to farmers the policy of the AMC is to render assistance so that farmers become more conscious of the need to have not only a large quantity of foodstuff but equally important commodities of a high standard. It is with this in mind that the AMC has on its staff a person responsible for advising farmers on advanced cultural and scientific practices. Somewhat related to this area are the efforts of the Corporation to encourage farmers to strive for higher and better grades. Towards this end, a booklet on Standard Grades for Crops was published in 1965 and subsequently revised in 1971. Also, in 1972, the AMC employed a Quality Control Officer whose duties include direct and personal discussions with farmers individually and collectively on the necessity for high standard of food.

The intransit service offered by the AMC relates essentially to the transportation and storage of produce. The importance of an efficient transport system is well recognised by the AMC as it has a significant influence on the quality of the product. Although certain constraints exist, the need for adequate and good feeder roads in the farm areas to facilitate speedy transportation is recognised. So too is the need for an increase in the number of refrigerated trucks to transport goods through the Island network of distributive outlets.

Of equal importance is the storage aspect of marketing. This is particularly necessary in Jamaica, as indeed other countries in the Caribbean, where production of many crops is seasonal, resulting in periods of gluts. The AMC has always been cognisant of this fact and as its purchases increase so too has its storage capacity for cold, cool or dry storage.

Specific Marketing Problems

I turn now to some of the problems which face marketing agencies in general, and the AMC in particular, and outline of the methods being used by the AMC in an endeavour to solve these problems.

In any analysis of Agricultural Marketing problems, it must be borne in mind that a Marketing Board is concerned with the marketing of products entirely different from those of an industrial marketing agency. Apart from this difference, three others stand out. Firstly, unlike an industrial marketing agency, the Marketing Board deals with perishable foodstuff which cannot be stored for lengthy periods. The second major difference is that unlike industrial output, agricultural production is influenced to a great extent by the weather, resulting in surpluses in one period and shortages in another.

Thirdly, unlike all private marketing agencies, a Government controlled Marketing Board such as the AMC with a policy to encourage farm production through guaranteed market prices has no direct control over the volume of purchases, and finds itself committed to purchase commodities that sometimes have to be disposed of at a loss.

It is from an understanding of the differences mentioned that one can begin to grasp the nature and type of external problems that the AMC and possibly other Marketing Boards face. For example, although the AMC has increased its sales and retail outlets, the purchases of commodities has increased by a less than proportionate rate, resulting in what at times are inadequately stocked shelves or shelves with insufficient variety at the retail stores. This problem stems from the absence of a direct control over production and the solution lies in long term measures. Here the AMC will have to rely heavily on Government Food Farms and Project Land Lease to obtain a substantial portion of its purchases. Apart from the higher yields attained from these farms, the possibility of integrating production with marketing is relatively easier than with the private small farmer.

Yet another problem facing the AMC which was referred to briefly before is that of surpluses in some commodities. This to some extent has been the result of the minimum guaranteed prices offered to farmers which has stimulated production. Here, however, a policy of removing commodities that are in surplus from the minimum guaranteed price is to revert to square one, that is to remove the initiative of farmers from expanding production. To obviate this the AMC is expanding its distribution channels and is already involved in the operation of a processing factory. There is need however, to expand the capacity of the factory and to develop new product lines.

Finally, one major problem affecting the AMC which is typical of most third world countries is the inadequacy of market intelligence.

Although tremendous progress has been made in this area there is need for improvement. The observation is made with the full knowledge of the difficulties involved in obtaining information from thousands of farmers scattered throughout the Island.

The Challenge

The challenge facing marketing agencies of the Caribbean are numerous though not insurmountable. They find themselves in an industry with thousands of small farmers farming under difficult conditions. It is within this framework that we have to see a marketing agency as one whose function is to create conditions necessary to bring about the conomic transformation of the rural population by assisting in expanding production.

A marketing agency cannot afford to become passive, i.e., waiting on production to increase before it steps into the picture. Instead its role has to be active in encouraging food production. The experience of the AMC suggests that it can play this role through minimum guaranteed prices, minimum amount of price fluctuation and the provision of the necessary ancilliary services. A proper and efficient marketing system is however, only one of the several services required to increase production. Others include credit and finance, extension services, etc. It is therefore, imperative that marketing agencies in their operations do not act in a vacuum. Closer integration has to be maintained with other agricultural agencies if we are to realise our goal of maximizing production to meet the food requirements of the Region.

I should now like to deal with the problem of Marketing as it relates to the Caricom region.

Because of our geographical similarity we produce more or less the same items of food in varying quantities. But let us not be deluded into believing that each territory can be self-sufficient. Because of this, I feel that a closer look is necessary at the Agricultural Marketing Protocol and its effectiveness in intra-territorial trading.

If Guyana is capable of producing all the rice to meet the Region's requirements it doesn't seem to be to the Region's advantage for any territory to be importing rice from a third or extra-regional country. Similarly, if Jamaica is capable of producing all the Irish table potatoes necessary to meet the Region's needs, it seems illogical that so many other countries in the Region should be striving to produce limited quantities and to be also importing from third countries while Jamaica has a surplus. However, I am not here to delve in the operations of the Agricultural Marketing Protocol or trading relationship *per se* within the Caricom territory. But this situation comes to mind in dealing with marketing problems. There are problems of freight, problems of forecasting, problems of distribution, problems of storage, problems of marketing intelligence, problems inter-related by weather and seasonal uncertainties, problems of holding markets, of continuity of supply and innumerable other problems related with marketing particularly in dealing with perishables.

Stated very briefly, I think that most urgent attention should be given to the rationalization of production and marketing in the Commonwealth Caribbean.

It is my opinion that if serious efforts are made to implement a programme of rationalization supported by a genuine willingness of all territories to work together to achieve the objectives of rationalization there will be a significant expansion in the domestic food market within the Region with most favourable effects on the Balance of Payments position of the territories.

To exhaust this subject in the time allotted to me is quite an impossible task. However, if I have touched on any of the problems that have been of real interest to you or which are in common with any that you yourselves have encountered, I shall leave this country feeling that the honour bestowed on me in having been asked to address you on this subject has to some extent been justified.

Finally, may I take this opportunity of wishing your Conference full success. This Conference could not have been held at a more opportune time in our history. I am sure that with the abundance of talent available within the Commonwealth Caribbean itself, we can rise to the occasion and prove that the late Thomas Mathus was not entirely correct by achieving the objective of *Maximizing Regional Self-Sufficiency on Food Supplies in the Commonwealth Caribbean.*