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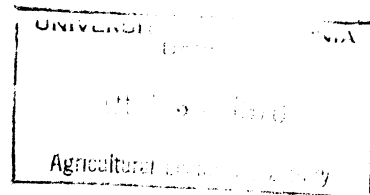
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Marketing
of Farm Products
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Small Farmer Marketing Problems:
Alternatives and Options*

by

Leroy Davis**



My task here today is to high light the issues pertaining to market-
ing problems of small producers with emphasis on "alternatives" and "op-
tions". In my efforts to sort out a clear distinction between "alterna-
tives" and "options", I was left with some confusion. Webster's New Twen-
tieth Century Dictionary Unabridged failed to make a clear distinction
between the two terms. Both alternatives and options refer to making a
choice or having a choice. What is clear is that in most cases, small
farmers do not have a choice, alternative, or option in marketing their
farm products. Small farmers must sell through the existing established
marketing channels at the price that exists in the market place. The
small farmer is operating in a competitive market. His products are un-
differentiated. The small farmer is unorganized and lacks bargaining pow-
er. His quantities are small in volume and are often of lower quality
than the more highly organized large farms. The plight of the small
farmers' marketing conditions is said to be more serious than production.

Professor R.L. Kohls pointed out that..."In analyzing marketing firm
behavior, many of us with agriculturally oriented background have a major

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hurdle. The farm firm is a relatively simple firm organization. It is not difficult to pinpoint the decision maker and to detail the organization around him that will carry out the decision. When we move to marketing, however, we move immediately into the area of more complex business organizations. Probably one of the most important single trends overlooked in agricultural marketing is that these firms are, as a group, large and getting larger in the absolute sense. Our challenge then is to accept the fact of large, complex, managerial units as the subject of much of our inquiry". It is in this type of environment that small farmers find themselves. We, as researchers, are gearing our attentions to the more complex, highly organized marketing institutions. Much of the research is oriented toward the marketing channel after the product has gone beyond the farmers' hands. Little attention is given to the marketing problems facing the small producers. Perhaps, there are insufficient rewards to induce researchers to address these problems.

It is with this background that I approach the issue of small farm marketing problems. I have been properly admonished that the purpose of a symposium is to raise issues. Therefore, I wish to raise the following questions for discussion:

- 1) Are small farmers inefficient because of the size of quantities marketed?
- 2) Are problems of marketing more serious than problems of production among small producers?
- 3) Are marketing cooperatives effective in improving the competitive position of small farmers?
- 4) Does direct marketing offer an effective alternative for marketing the produce of small farmers?

- 5) Does electronic marketing offer any prospects for small farmers?
- 6) Is forward contracting a useful alternative?
- 7) Are small farms institutionally eliminated from futures market operations?
- 8) Do marketing options for small farmers only exist for perishable products?

I will not attempt to answer the above questions. I merely raise them as useful points of departure for discussion.

Much has been said about the inefficiency of the marketing of products produced by small farmers. However, there are few studies which focus on the specific nature of the inefficiency. Research studies are needed to quantify the levels of marketing efficiency at the farm level as well as marketing firm level.

Some economists believe that marketing problems are more serious than production problems. This conclusion is reached basically because much of the production technology has been developed. Therefore, for reasons unknown, small farmers have failed to take advantage of the available well-known production technology. Social conditions are projected as being partially responsible. Yet, the farmer must have sufficient resource outlay in order to take advantage of the technological efficiencies. The issue of adaptability of technology to size of operation is often overlooked.

A number of small farmer cooperatives were developed in the mid-1960's through the Economic Opportunity Program. The cooperatives were to be the vehicles to lift the small farmer into a more competitive position in purchasing inputs and selling his produce. However, in recent years the num-

ber of successful small farm cooperatives has declined. Consequently, the issue of cooperatives as a mechanism for marketing small farm products is reopened. Definitive analyses are needed to determine whether cooperatives can be of use to small farmers; and under what conditions are small farmer cooperatives likely to succeed.

Several projects have been developed and funded to support and introduce direct marketing. Direct marketing is proposed to give the small producer some competitive advantages. But the nature and magnitude of the competitive advantage are not well-defined. There is a definite need for more research in this area. Some studies are already underway, but more are needed.

Considerable attention is being given to electronic marketing in the commercial agriculture sector. Electronic marketing has some unique advantages over the traditional system. But the effects of electronic marketing on the small farm sector are not readily apparent. Will electronic marketing offer advantages to small farmers as well? Or will it put the smaller producers in an even less advantageous position? These are just two of the many questions that need to be resolved relative to electronic marketing.

Forward contracting or contract farming has been a method used to avoid risk of marketing changes. Yet studies show that small farmers utilize the mechanism very little. It is not known why small farmers fail to use forward contracting for marketing their produce. Some studies in this area would be worthwhile.

Many people use the futures market as a method for avoiding risk of price changes over time. However, small producers do not use the

futures market readily. They do not hedge against risks. Some analysts think the futures market increases the competitive position of commodities. Others believe the system only leads to lower prices to the farmers. The impact of the futures market on the small farm plight is not readily apparent. Therefore, some investigations are needed to analyze the effects on the small farm situation. The question of the suitability of the futures market on the small farmer needs to be answered. The question of institutional exclusion needs to be addressed.

Marketing alternatives and options exist readily for highly perishable products. These products are more risky for production and marketing than the non-perishable, storable products. Yet, small farmers who have little financial insurance against risks of biological, weather or market changes are encouraged to produce the more risky products. There are several methods or alternatives for marketing the risky perishable products. These products may be marketed to processors, brokers, cooperatives, roadside stands, farmer markets, etc. But other products are marketed through more well-defined channels. The availability of these channels to small farmers is not clear. Therefore, some research effort in this area is praiseworthy.

Babb pointed out some of the problems with the Land Grant Institutions' marketing research. He delineated the following problem areas:

- 1) lack of critical mass of researchers,
- 2) lack of interest on the part of researchers in marketing problems,
- 3) rigidities of researchers' interests,
- 4) failure to report research results in a manner which is readily useable by clients,

- 5) difficulty of doing marketing research,
- 6) slowness to recognize emerging problem areas, and
- 7) lack of feedback from clientele on their use of research results.

The difficulties with marketing research will continue. There are some serious problems as has been outlined earlier in this paper. It is apparent that the marketing problems exist in and outside the small farm area. Researchers need to be made aware of these problems, and some incentives need to be generated to induce small farm marketing research and problem solving among agricultural economists.

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