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"Agricultural Marketing in  
Developing Countries" ~~GIANNINI FOUNDATION OF  
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"Agricultural Marketing in  
Developing Countries"

Nation after nation, the rural people who still comprise 50 to 80 percent of the population are becoming restless. They are increasingly aware, as a result of mass communications, of the comforts of life enjoyed by small but affluent segments of their societies. Yet they see no hope for an improvement of their own conditions or those that their children will have, and continued neglect of the rural people will cause unrest, violence and overthrow of governments. Their only realistic hope is through increased income, based on increased productivity. Continued neglect of agricultural and rural development abroad will adversely affect American farms and other businesses, particularly as they involve international trade. Agriculture is the basic industry of most developing countries. Higher food prices worldwide will accompany continued neglect of agricultural development abroad. In the less developed nations, usually those with the lowest income and often with the lowest productivity are farmers. Yet the farm sector while having a low capital investment per farmer, controls a high portion of all the capital resources available. The farm sector uses most of the land resource. Thus we see that farming, often low in output per unit of input, controls and uses most of the total labor, capital, and land resources in a less developed country.

In today's world, people everywhere have expectations not too dissimilar from one another. There are priorities which are common to all nations.

- 1) Improve the nutrition of the population by providing a variety of foods on a low cost basis.
- 2) Improve producer incomes as an incentive to expand on efficient food system.
- 3) Improve efficiency and productivity of the food system.
- 4) Better utilized underemployed human resources.
- 5) Provide special subsidies to low income consumers and producers.
- 6) Land reform programs.
- 7) Develop export markets.
- 8) Provide for crop diversification.
- 9) Move toward more self-sufficiency.
- 10) Improve balance of payments.
- 11) Have access to or develop critical farm supplies such as fertilizer, seed, pesticides and credit.
- 12) Make certain that the system provides for active and equitable participation of producers through support of special laws for cooperatives.
- 13) Develop and train human resources for agri-business.
- 14) Relate food system to the needs of the general economy.
- 15) Improve and develop a fair market and futures market pricing system.

Production and consumption takes place under some sort of economic system. When one looks at any economic system one will observe that there are five main functions for the system to perform.

- 1) The system must determine what goods and services are to be produced to achieve the ends of the people concerned.

- 2) The system must organize resources to produce the goods and services wanted.
- 3) The system must provide ways and means of distribution what is produced among the users.
- 4) The system must provide for the maintenance and expansion of the economy.
- 5) The system must ration production over time, so the users will not suffer from too much at some times and too little at others.

A first step in economic development is to increase agricultural productivity. That contributes to economic well being by:

- 1) Providing more food to meet the needs of a rapidly increasing population or to improve nutritional standards.
- 2) Providing surplus agricultural commodities for export; enabling the nation to earn foreign exchange to buy capital inputs needed in economic development, for example, motor transport equipment, manufacturing equipment, energy, etc.
- 3) Providing a manpower pool to use in developing other industries, transportation, and services.
- 4) Providing capital that can be used in developing other sectors of the economy.
- 5) Providing increased incomes to the farmers who can then buy the output of the newly established industrial plants, thus stimulating industrialization of the economy.

There are three ways to do this:

- 1) By government edict, using direct force if necessary.
- 2) By government guidance, using a price system.
- 3) Or by no government guidance, using a completely free price system.

The experience of every nation in recent history indicates that the middle way, number two, is the most effective. People everywhere must be motivated by some form of economic gain through a price system; yet, people when organized into a nation, must be guided by some degree of government action.

The most important single problem in marketing is the problem of accurate and efficient price making in the market place which is associated with the law of supply and demand.

Marketing is a part of production. Production is obtained by people who control resources (land, labor and capital) and organize resources in such a manner that utility is created. These people are called decision makers. Decisions are made by:

- 1) Government officials.
- 2) Individual businessmen, farmers, marketers and manufacturers.

There is a basic conflict of interest between producers and consumers. Producers want the highest price they can get and the consumers want the lowest price they can get. The price made in the market should reflect the "true" forces of supply and demand. The prime job of a market is to move products at a price. Unless the price at which products are sold does reflect the true market forces, distortion will result which will either cause too little production of what the consumer really wants and high consumer prices, or production of items not so desired by consumers and too low prices to farmers. Marketing problem of price determination is very important.

The whole marketing process involves movement and coordination. It is not only necessary to move the produce but it is necessary to move them at the best time. As we all know the nature of the farm

products are very important. Farm products tend to be:

- 1) Bulky -- large volume in relation to value.
- 2) Perishable -- requires quick handling, processing etc.
- 3) Seasonal production -- variation in quantity and quality.

Farmers should always give attention to quantities and timing for production in order to produce the quantity at the time when they can maximize their income. After the farmers have done this, the job of coordinating the flow depends upon the marketing people. They may have to store, process, grade, transport, in order to serve their best interests and also those of both producers and consumers. This must be done by middlemen knowing that the interests of producers and consumers are in conflict. This function must be performed by the middlemen and cannot be eliminated. The question is, how can these functions be done in the most economical way? Sometimes this may mean adding more middlemen in order to create better competition, sometimes it may mean reducing the number of middlemen. The government has a very important role to play in marketing of agricultural products. Its role is especially important in the areas of grades, grading, weights and measures, transportation, storage facilities and credit. Many of the most important marketing problems will not be solved unless the government takes an active and constructive part.

There are millions of producers in the country. The first process then is to collect the production of these millions of farmers into quantities large enough to make for efficient handling. Farmers either bring their products to local markets or else buyers go more or less directly to the farmers to buy the products. The process of

concentration becomes more important as farmers' products are shipped to consumers in more distant markets. As production increases, facilities for concentration will have to be created. This will mean that transportation facilities, warehouses and roads to connect the farming areas to the existing markets will have to be built.

Equalization means equalizing the flow of production with the rate of consumption. Marketing people perform a great service if this equalization can be done efficiently, for it means that waste will be reduced. Again this equalization is largely done by the price system. In addition, marketing people can prevent either surpluses or shortages by advising both producers and consumers in ways that might reduce over production or under consumption, then all people will be better off. One way this can be done is for marketing businessmen to advise farmers about what, how and when they should produce and promote by advertising merchandizing methods products that are plentiful. It is also much easier for marketing men to advise the government than the farmers. The third process is dispersion; distributing goods and services to the millions of consumers in very small quantities and doing this everyday.

A smooth, efficient operating marketing system depends to no small extent upon adequate and timely information. It is very important that farmers have some idea about what to expect. Also, once products are produced, there is a problem of where, when and in what form to market.

The government can help in this process by establishing a market news and information services. Market news tells what's happening in the markets today. It tells farmers what they might expect after production is completed.



The function of standardization and grading is classified as one of the facilitating functions. It simplifies and makes it easier and less costly to move the goods through marketing channels.

Standards are yardsticks of measurement and are of two types: 1) Standards for weights and measures and 2) for quality. Grams, kilograms, gallons etc., are examples of weights and measures. These should be the uniform for the entire country. Grading is the process of sorting production into various categories established by the standards for quality. Standardization according to quality is easy to say and hard to do. Quality must have economic significance, as well as physical significance. The highest quality should bring the higher price. In order to have satisfactory standards and grading, the government must take the lead and must see that they are used properly through a grading and inspection service.

We can summarize this knowledge in the functional approach. The marketing of farm products can be divided into the following functions:

- A) Exchange
  - 1) Merchandising
  - 2) Selling
  - 3) Buying
  - 4) Price setting
- B) Information
  - 5) Market news and information
  - 6) Grading and description of products
- C) Physical Supply
  - 7) Transportation
  - 8) Storage
- D) General Business
  - 9) Financing
  - 10) Risk taking

The development of a country surely depends upon giving up satisfaction today so that tomorrow's production will be greater and more satisfaction will result. The market can only provide the necessary food if those engaged in marketing keep on the job and keep the goods and services flowing. This means that marketing people must gather up relatively small amounts of produce from the millions of farmers and transport, process, store, etc., the produce through the marketing channels to the millions of consumers in even small quantities. This must be done every day and night and requires a great amount of energy.

Technology, we have learned has certain characteristics that may explain why sharing it has not been easy or always successful.

First, technology is location specific. For example, a wheat variety does best under certain soil and climatic conditions. A variety developed for one place will not do equally well in another.

Second, technology is cumulative. As it is passed from generation, a base for new technology is established. The broader and deeper the cumulative base, the easier it is to develop and to use new technology.

Third, there is a time lag between the time of discovery and adoption on farms. In the less developed countries, farmers must have successful experiences with innovations before they become rapid adopters of technology.

Fourth, there is a significant difference in the rate of technology within nations. Factors affecting the rate of diffusion include: the receptivity of the society, level of education of the people, efficiency of the communication system, how well the tech-

nology considered meshes with the culture of those considering it, and the level of capital available to finance technology.

There are several ways of doing business:

- 1) By individuals
  - a) Individual proprietorship
  - b) Partnership
  - c) Corporation for profit
  - d) Cooperative corporation - (for profit of members but not cooperative)

Since developing countries are already familiar with the first three institutions and the majority of their people are disappointed with the lack of participation those institutions allow, I will not go into much detail; but, it would be a great mistake not to study the cooperative form of business organization.

In traditional societies, face to face relationships are extremely important, as were the ties to family and clan. Men tended to be bound together and to be valued by one another in terms of such intimate connections rather than because of their ability to perform specific functional tasks. It is very rare that the average person will have dealings with anyone he doesn't know quite well. Human relations which in modern societies have been guided by functional considerations of economic benefit, political advantage, and technical exchange, are much more influenced by codes of friendship, family and tribal loyalty in traditional developing societies.

For this reason cooperatives are the most suitable form of business organization for developing countries. There are three fundamental concepts that help differentiate a cooperative from other forms of business enterprises. The first of these distinctive concepts is that the ownership and control of the enterprise must be by those who utilize its services. The second distinctive cooperative concept is

that the business operations shall be concluded so as to approach a cost basis and any returns above cost shall be returned to patrons on an equitable basis. And the third distinctive cooperative concept is return on the owners invested capital shall be limited. Behind every successful cooperative endeavor there has been an educational program. In developing countries, cooperatives will have to be organized simultaneously with the improvement of general education facilities.

There is nothing magical about a cooperative, it is a business and must be operated in a business like manner. For example, there must be:

- a) a need
- b) adequate capital and financing
- c) capable management
- d) legally sound
- e) membership interest
- f) proper methods of operation
- g) appreciation by members as to what a cooperative really is
- h) good record keeping

Through cooperatives:

- 1) They can standardize and stabilize production.
- 2) They can advertise and widen distribution and develop new markets.
- 3) They can improve grading, packaging and storage.
- 4) They can help to improve distribution between existing markets.
- 5) They can buy collectively most of our needs.
- 6) If the government allows, they can contract and integrate.
- 7) They can finance marketing operations.
- 8) They can employ expert grader and packers.
- 9) They can eliminate competition between local organizations.
- 10) They can decrease wasteful practices.

- 11) They can eliminate a large percentage of middlemen dealing with agricultural commodities.
- 12) They can become a significant influence in the political arena at the local and national level.
- 13) They can make a cheaper credit possible.
- 14) They can make cooperation in preparation for market.
- 15) They can more easily secure shipping point inspection.
- 16) They can get a quality price for a quality product.

Cooperatives are not a means of reform; rather, cooperatives are a business primarily. They also have the added ingredient of having social significance. When people work together the total result of the joint effort can exceed the sum of the parts. When people put their heads together they rise to greater heights than when they try to work alone. A final note, if the members do then it is a true cooperative, if the government does then it is not a cooperative.

If the United States has any interest in the expansion of world markets, in the retention of open markets for U.S. products, in the preservation of individual freedom, and in the maintenance of food prices at reasonable levels, it should turn more seriously to the task of assisting nations to improve their agricultural productivity and increase the prosperity of their rural people.

One of the things that people overlook and with the energy situation it will get even worse, is that it takes money to buy food. One of the reasons we have 500 million people in the world suffering from malnutrition is that the inability to distribute food is tied directly to a lack of purchasing power. The poor are simply harder

to reach. The United States can get at this problem, but only if there is a commitment in the underdeveloped countries to deal with the population problem and to put a priority on nutrition and agriculture in their own countries. Unfortunately, too many countries seem to be worried about weapons and jets than agriculture.

The problem is too great to say that long term financing cannot be done. If the Congress cannot make a long term commitment for direct foreign aid, it should do whatever it can do on an annual basis through existing organizations such as FAO, CAS, Rockefeller Foundation, World Bank, IADB, etc., which can make long term commitments.

Before any technical assistance can be meaningful it must start with the way things are in the receiving nation. After the long term commitment and related to it, the most important point is that assistance which generates effective change is that which the natives really do themselves.

But any foreign assistance or investment will require the following guidelines:

- 1) The emerging nations must be able to maintain their independence, especially from powers who are hostile or potentially hostile towards the United States.
- 2) It is in America's interest to see the emerging nations maintain effective and orderly governments without resorting to totalitarian controls.
- 3) Evolutionary and balanced progress toward modernization, leading to a better distribution of wealth, less corruption among officials and honest elections.
- 4) Respect for humankind, based not on the values of the United States but on the values of that particular nation.