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INTERIM PROGRESS REPORT

LATIN AMERICAN FOOD MARKETING STUDY

I. Introduction

This is an interim progress report on a one year study of the Puerto Rican food marketing system which was initiated in late June, 1965. This study is the first phase of a project being conducted by Michigan State University under a contract with the U. S. Agency for International Development (Contract No. AID/csd-786). In the Puerto Rican phase there is supplemental support from the Commonwealth Department of Commerce and the University of Puerto Rico through the Social Science Research Center, the Agricultural Experiment Station and the Agricultural Extension Service.

II. Principal objectives of the Study in Puerto Rico

The goal of this research project is to provide background information and analyses useful in planning marketing reforms that will more effectively coordinate the rural and urban sectors of Latin America countries. The specific objectives of the Puerto Rican study are as follows:

- (1) To measure and analyze the changes that have taken place in the food marketing system serving the San Juan and Mayagüez markets over the past 15 years, 1950-65.
- (2) To develop research methodologies useful in appraising marketing problems in Latin American Countries.
- (3) To draw inferences and to formulate hypotheses concerning the role of food marketing in countries in the early stages of economic development.
- (4) To formulate recommendations for further improvements in the Puerto Rican food marketing system.

III. Project Staff

A. Michigan State University

Dr. Charles C. Slater, Professor of Marketing
Dr. Harold M. Riley, Professor of Agricultural Economics
Dr. John McNelly, Assoc. Professor of Journalism
Mr. John Wish, Research Associate
Mr. Kelly Harrison, Research Associate

B. Department of Commerce

Mr. José Santiago, Economist
Mrs. Idalia Rodríguez, Economist

C. Social Science Research Center of the University of Puerto Rico

Mr. Mario Aponte, Graduate Research Assistant
Mr. Perfecto Santana, Graduate Research Assistant
Mr. Luis Davis, Graduate Research Assistant

D. Other Puerto Rican Staff

Mrs. Carmen Amézaga, Office Manager and Survey Supervisor

(There are one to five secretarial assistants depending upon the work-load.)

IV. Major Activities and Accomplishments

- A. Local Office -- The project office was established in July at 181 Las Caobas Avenue in Hyde Park, an area near the Rio Piedras Campus of the University of Puerto Rico.
- B. Relationship with Puerto Rico Agencies and Institutions -- During July and August working relationships were established with the following:
1. Department of Commerce - Dr. Jenaro Baquero, Secretary of Commerce and Fr. Nicolás Hernández, Head of the Economics and Planning Section committed \$12,000. and two full-time staff members to the Latin American Food Marketing Study. The funds were to be transferred to the Social Science Research Center of the University of Puerto Rico for the support of this project. In addition Mr. Donald Lemons was extremely helpful in providing background information about food marketing development in Puerto Rico during the past 10 years.
 2. The Social Science Research Center of the University of Puerto Rico - Dr. Rafael De Jesus Toro, Director of the Center has committed \$2,000. of the Center's funds to the project and will administer the \$12,000. grant from the Department of Commerce. Some of the funds are being used to support the work of three graduate students, whose research activities are being supervised by the staff of the Latin American Food Marketing Study. The remainder of the funds will be used for data processing, publication and such other costs as may be agreed upon by the project participants.

3. The Agricultural Experiment Station -- Dr. M. A. Lugo, Director of the Station and Mr. Daniel Haddock, Head of the Department of Agricultural Economics and Rural Sociology have agreed to make available information and data from current marketing research projects. They have also provided two individuals who worked three weeks conducting field interviews in the farmer survey phase of this project.
4. The Agricultural Extension Service -- Dr. Robert Huyke, Director of the Extension Service has granted an extension agent, a four month leave with pay to work full time on a master's thesis directly related to this project. In addition, three extension agents were assigned for three weeks to conduct farmer interviews for our staff. Their salaries were paid by the Extension Service during this period.
5. Department of Labor -- Dr. Ruben Vilches, Head of the Division of Labor Statistics, has assisted us by having his staff draw up our household survey samples in San Juan and Mayagüez. The Department of Labor has agreed to make several special tabulations of data from their 1964 household expenditure study.
6. Department of Agriculture -- Mr. Pedro Negrón, Head of the Division of Operations, has provided us with preliminary copies of the regional agricultural development plans for the Mayagüez and San Juan Regions. Through Mr. González Chapel, who is in charge of all agricultural programs in the Mayagüez Region, we now have access to the feasibility studies and the records of the producer marketing associations that have been recently organized. Mr. Raul Tous, Head of the Division of Agricultural Statistics has provided us statistical reports and counsel on the design of our farmers survey sample. Mr. Fernando Valls and Mr. Omar Muñoz, have assisted us by providing background information on the Department's marketing programs.
7. Department of Economic Planning -- Through the assistance of consultants from the University of Puerto Rico, the Planning Department has developed a statistical model of the Puerto Rican economy. Tentative arrangements have been made to utilize this model and to modify it so that the income and employment effects of marketing reforms can be estimated and

7. (Continued)

projected. The University of Puerto Rico faculty members who have developed the economic model will be engaged as consultants to the Latin American Food Marketing Study.

- C. Preliminary Investigations -- During the first two months of this study, the Michigan State University staff concentrated their efforts on approximately 70 personal interviews with key people in government, industry and the university. The purpose of these contacts was to inventory the availability of previous studies and published reports, to identify present programs and activities in food marketing, and to obtain personal observations and evaluations of food marketing developments in Puerto Rico over the past 15 years. The result of these interviews were recorded in memorandums which were filed systematically for later use in preparing the project report. Concurrent with the preliminary interviewing, the staff carried out a search for relevant materials in local libraries.
- D. Preliminary Report Outline and Research Plan -- During late August and early September the staff prepared a preliminary eight page outline of the study report, "An Analysis of Changes in the Puerto Rican Food Marketing System, 1950-65". This outline then became the focal point for the organization of the research program that was detailed in a critical path planning chart showing the scheduling of major activities and the task assignments of individual staff members.
- E. Field Surveys -- Since mid-September, the principal activity of the Latin American Food Marketing Study has been the organization and conduct of a series of personal interview surveys of food marketing participants. Six sub-groups were delineated for study -- (1) Consumers (2) Retailers (3) Wholesalers (4) Processors (5) Trucker-Assemblers and (6) Farmers. The study was geographically focused on the San Juan and Mayagüez market areas. The survey questionnaires consisted of four sub-parts -- (1) Economic Information about the business unit (2) Socio-economic information about the individual being interviewed (3) Communication linkages of the individual to the socio-economic system (4) Attitudes toward modernization, marketing institutions, and investment opportunities.

E. (Continued)

Parts 2, 3 and 4 were designed to permit inter-group comparisons among the six sub-groups surveyed. Part 1, economic information, was designed specifically for each sub-group.

The survey questionnaires and the sampling procedures were developed by the LAFMS staff with assistance from Puerto Rican agencies as indicated in Part IV, B. above. A commercial firm, Key Market Research and Development of San Juan, was engaged to supervise the field interviewing with consumers, retailers, wholesalers, and processors. The LAFMS supervised the farmer and trucker interviews and also interviewed about 25 of the largest wholesalers and retailers.

The field interviewing began on November 8 and is scheduled for completion on January 21. A total of 800 to 850 questionnaires are to be taken, (See Table 1). By December 23, the field interviewing of farmers and consumers was nearly completed. The wholesaler and retailer interviews were about 65 percent completed. The processor and trucker interviews were scheduled to begin in early January.

Table 1. Field Survey in Puerto Rico

Market Group	Approximate No. Being Interviewed	Date Interviewing began	Percent Completed on December 23
Consumers	350	November 27	100
Retailers	150	November 8	65
Wholesalers	60	November 8	65
Processors	40	January 3	--
Truckers	60	January 7	--
Farmers	180	November 29	95

The field survey questionnaires were recorded for IBM card punching. Arrangements were made to have the punching done in San Juan through the CSI Processing Corporation, which is associated with the firm engaged to supervise the field interviewing. Card punching will begin during the week of January 3.

E. (Continued)

Arrangements have been made to carry out the data processing at the Michigan State University Computer Center during January, February and March.

F. Graduate Student Theses -- During the past several months considerable staff time has been devoted to the planning of seven graduate theses to be derived from the Latin American Food Marketing Study. The individuals involved, and their thesis topics are indicated below:

<u>Individual and Institution</u>	<u>Topics</u>
(1) Mr. John Wish, Phd. candidate Department of Agricultural Economics, Michigan State University	Some Economic, Social and Psycho- logical Factors Associated with changes in Food Retailing and Wholesaling in Puerto Rico.
(2) Mr. Kelly Harrison, Phd. candidate, Dept. of Agri- cultural Economics, Michigan State University	Agricultural Market Coordination and its role in agricultural de- velopment in Puerto Rico.
(3) Mrs. Idalia Rodriguez, Master's candidate, Dept. of Economics, University of Puerto Rico	An Analysis of changes in Con- sumer Demand for Food and Food Shopping Habits, Puerto Rico, 1950-65.
(4) Mr. Mario Aponte, Master's candidate, Dept. of Economics, University of Puerto Rico	Los efectos que tienen las Prá- cticas de Mercadeo de la Industria Cervecera en el Mercadeo de Alimen- tos de Puerto Rico.
(5) Mr. Perfecto Santana, Master's candidate, Dept. of Economics, University of Puerto Rico	Analisis Comparativo de los cargos de Transportación y la Estructura Geográfica de precios para un grupo seleccionado de Productos Alimenti- cios en Puerto Rico, 1950-65.
(6) Mr. Luis Davis, Master's candidate, Dept. of Economics, University of Puerto Rico	La diferencia en Margenes de Precios de una Selección de Productos Agrícolas.
(7) Mr. José González Casillas, Master's candidate, Dept. of Economics, College of Agri- culture at Mayaguez	The Marketing of Selected Starchy Vegetables in Puerto Rico.

G. The Economic Model -- During the past four months work has progressed on the elaboration of basic concepts and the organization of data that will permit the disaggregation of the food sector component of the economic model

G. (Continued)

being developed by the Commonwealth Economic Planning group. In early September, Dr. Charles Slater presented a paper at the American Marketing Association's Annual meeting in Washington, D. C., in which he outlined the fundamental hypotheses that might be tested using the economic model. Since that time these ideas have been further refined through consultations with faculty members at both Michigan State University and the University of Puerto Rico.

H. Preparation of Chapter Manuscripts -- There are 17 Chapters outlined for the final report on the Puerto Rican phase of this project. Most of the material has been assembled and manuscripts are currently being prepared for Chapter 2, The Growth of the Puerto Rican Economy; Chapter 3, The Food Marketing System in 1950; Chapter 4, The Efforts to Change the Food Marketing System.

V. Work Planned for the next three months (January-March, 1966)

- A. Completion of field surveys coding, punching, tabulation and analysis of data.
- B. Complete the preparation of manuscripts for Chapters 2 through 6. Prepare preliminary drafts of Chapters 7 through 12, and detailed outlines of Chapters 13 to 15.
- C. Make plans for the symposium to be held in San Juan in May, 1966.

August 20, 1965

A Preliminary Outline of a Research Report to Be Submitted
to U.S.A.I.D. by the Latin American Studies Center of
Michigan State University

AN ANALYSIS OF CHANGES IN THE PUERTO RICAN
FOOD MARKETING SYSTEM, 1950-1965

Part I Introduction

- Chapter 1. Purpose, Scope, and Method of Study
- Chapter 2. The Growth of the Puerto Rican Economy
- Chapter 3. The Food Marketing System in 1950
- Chapter 4. The Efforts to Change Food Marketing, 1950-1965

Part II The Changing Food Marketing System, 1950-1965

- Chapter 5. Changes in Consumer Demand
- Chapter 6. Changes in the Food Marketing Infra-Structure
- Chapter 7. Changes in the Wholesale-Retail Food Distribution System
- Chapter 8. Changes in the Assembly and Processing of Major Commodities
- Chapter 9. Competitive Behavior Within the Food Industry
- Chapter 10. Changes in Market Performance, 1950-1965

Part III Socio-Economic Characteristics and Attitudes Related to
Behavior of Market Participants

- Chapter 11. Producers, Assemblers, and Processors
- Chapter 12. Wholesalers and Retailers
- Chapter 13. Consumers

Part IV The Role of Food Marketing in Economic Development

- Chapter 14. Economic and Social Consequences of Food Marketing Changes
- Chapter 15. A Summary of Evidence and Arguments Concerning the
Role of Food Marketing in Economic Development

Part V Policy Implications

- Chapter 16. Recommendations for Further Research
- Chapter 17. Recommendations for Food Marketing Development Programs