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DOMESTIC MARKETING SYSTEMS:
STRUCTURES, ALTERNATIVES, AND CONTEXTS

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Two types of distributive systems most commonly occur in association with small-hold agriculture. These are regional marketing systems and cooperatives. The major difference between the two systems is who handles the commodities and how. In domestic marketing systems individuals move goods on their own account from producer to consumer through a hierarchy of marketplaces. With cooperatives, agents of the producers or government handle distribution direct from the farm to the consuming center. Other more direct or centralized systems--which are sometimes erroneously considered better organized--exist only in the context of large-hold agriculture. The association between production and distribution system is dramatically illustrated by the Bolivian case. Up to 1952, large estates dominated food production, and the estate owners sold their produce directly, from stores in La Paz (Beuchler 1972:29). After agrarian reform eliminated the large producer in favor of the small-holder, a domestic marketing system rapidly coalesced, in part to provision the capital city (Clark 1967:17; Carter 1971:263). In other words, the nature of the distribution system depends on the organization of production.

In areas of small-hold agriculture, domestic marketing systems are usually more efficient and more equitable than cooperative arrangements. Marketers constantly ferret out new areas of retail demand and new sources of wholesale supply. They move their commodities as quickly as possible, for they can ill afford great loss.

And they work for small sums at razor-thin margins, for they face great competition. Moreover, socially, marketing contributes to the family income of the poor majority, whether they live in the country or in town (Franklin, Appleby and Keeler 1980).

Nonetheless, coordinated distribution through cooperatives is widely believed to promise even greater technical benefits. These benefits are in most cases a theoretical chimera. Centralized decision making is inherently incompatible with the need for constant, changing allocative decisions. The bureaucrat ensconced in his or her office simply does not have, and cannot have, the detailed, current information necessary to route supplies on time, whether the supplies are inputs to farmers or produce for consumers. In case after case, such bottlenecks have had the ultimate effect of depressing farmers' yields and of increasing consumers' prices. Second, cooperatives entail heavy administrative overhead, the salary and offices for the functionaries, who seldom spring from the poor majority of farmers. Even the lower-echelon workers will not, as employees, accept the conditions under which most marketers work. Even more importantly, centralized distribution through public monopolies eliminates many marketing jobs that were filled by the poorest producers. Inasmuch as marketing provides part of the farm family's income, cooperative distribution may well increase unemployment and decrease incomes among the poor majority. This major disadvantage is not offset by the purported increase in returns to favored small farmers. Thus, though cooperatives may be beneficial where they organize a market--or where they eliminate monopolistic middlemen--a fact that must be demonstrated

and not assumed--domestic marketing systems demonstrably are the more efficient and equitable institution. They are, therefore, the institutional structure that should be emphasized in development work.

Domestic marketing systems have arisen spontaneously since the turn of this century in many Third World or lesser developed countries. The scattered studies of individual marketplaces (Hogbin 1969; Handwerker 1979) and of regional systems (Good 1970; Schwimmer 1976; Appleby 1976) all depict a common developmental pattern in the modern period. Retail marketplaces first appear in the major urban centers, which are usually administrative seats. In time, markets with a food-bulking function are founded between every two (or three) of the earlier, higher-level markets. Thus, as Smith observed (1976a:49), domestic marketing systems in the modern era invariably have developed from top-down in initial response to urban food demand. Only once the framework of the system is set does the embryonic marketplace hierarchy fill out, with the florescence of small rural markets. This development typically occurs with a rapid rise in rural income, which may be due either to higher prices for local or export crops or to seasonal labor migration. The developmental pattern thus involves two stages: first, the emergence of the higher-level centers in response to urban food demand; later, the establishment of numerous lower-level rural centers as country incomes and consumption increase. Both of these developments have usually occurred in context of increased transport efficiency with the spread of trucking.

Domestic marketing systems that have coalesced in this century all appear to share a common spatial structure. Let me elaborate that cryptic concept. Marketing systems perform a small set of functions: they move foodstuffs and merchandise from town to scattered rural consumers as well as occasioning so-called horizontal exchange; they move regional staples from rural producers to urban consumers, and sometimes are the entry point for export commodities; finally, and least importantly for regional economic organization, they provide a number of services to both urban and rural consumers--finger foods, repairwork, and entertainment. Particular marketplaces, however, perform only some of these functions and proffer only some of these goods. Marketplaces may, therefore, be grouped according to functional composition--that is, the type and amount of retail and wholesale trade--and commercial volume. Those markets which do both the same things and the same amount of business constitute a marketplace level, in distinction to markets that do more or less business, which constitute higher or lower levels. When this marketplace hierarchy is mapped in space, one "sees" the spatial patterning of centers. Significantly, modern systems all pattern along the same lines. Each lower-level center is sited on the road between two higher-level centers, although, I should mention, only the higher levels of market center in fact pattern regularly in space.

This spatial patterning is but one ideal model that can be derived from a modified central-place theory (Christaller 1966; Marshall 1969). In this theory, ideal models of the spatial distribution of commercial centers are deduced from the interaction

of supply and demand forces, on a homogeneous landscape and in a perfectly competitive environment. Under those conditions, a hierarchy of centers arises, wherein centers of the same level purvey the same goods and conduct the same amount of trade, and higher or lower levels of centers purvey more or less goods and do more or less business. Because centers compete to supply outlying consumers, there are more lower-level centers supplying common basic goods than there are higher level centers supplying more expensive or exotic goods, as well as the basic array. Moreover, the lower-level centers are sited interstitially, between higher level centers, because only here can they successfully compete with higher-level centers in the provisioning of the basic goods to rural consumers. There are in theory several possible regional spatial patterns, each of which has a distinct number of centers in each level. When markets are sited between every two higher-level centers, the ideal numerical pyramid runs 1: 3: 12: 48: 152. This is called the traffic or transport pattern because roads are the determinative factor in the siting of markets. When markets are sited between every three higher-level centers, the ideal numerical pyramid runs 1: 2: 6: 18: 48. This is called the market pattern because more consumers are closer to more higher-level centers.

With but seemingly minor modification, this closed, spatial, microeconomic model of regional urban commercial organization can be adapted to the study of domestic marketing systems. Most importantly, Christaller (1966) assumed that rural consumers journey to central places to buy specific goods and that they bring with them the

produce that provisions those centers. Christaller imposed those conditions in order to restrict his theory to urban retail commerce, that is, to the outward and final flows of merchandise. Marketplaces, however, also perform wholesale bulking functions. Relaxing the assumptions about direct provisioning expands the scope of the theory to include both the wholesale food-bulking and retail functions of domestic marketing systems, without however, changing the normative spatial models.

Nonetheless, the incorporation of a wholesale food-bulking component introduces significant variation in the patterning of economic opportunity within the regional system. The population of the major center sets the aggregate level of food demand, which in most cases is relatively inelastic. Because transport costs rise directly with distance from this center, the urban wholesale price for regional foodstuffs must, under neoclassic conditions, rise to the point where it attracts supplies from sufficiently afar that the center is provisioned. As one consequence, producers in the core area surrounding the major center have access to greater demand and face lower transport costs than producers in more distant, peripheral areas. There is, then, a crucial distinction between core and peripheral subregions within any regional system. For example, in the department of Puno, in southern Peru, where I have worked, markets in the core subregions have a larger wholesale food-bulking function--and consequently a larger retail component--than markets at the same level in peripheral subregions.

Under the assumption of perfect competition, the commercial

value of markets at each level might differ between core and periphery but the functional composition of markets and their spatial patterning should still be similar. In fact, the number and level of markets, their spatial patterning, and indeed the very organization of trade varies across space with the manner in which the assumptions of perfect competition are violated. Furthermore, the organization of core subregions may differ from the theoretical model precisely because of the forms of variation in the periphery.

Carol Smith (1977) has identified two rural marketing structures in the peripheral subregions of highland Guatemala that contrast importantly with the two patterns that have arisen in the core subregions there. In the periphery, a single center dominates a large number of smaller centers; there are no intermediate-level markets. The major difference between the two types of peripheral structures is the level of the dominant center. In the northwestern subregions, one intermediate-level center serves many lower-level centers. Smith terms this pattern dendritic, for its outward, branching pattern of trade. In the south coast subregions, by contrast, one high-level center serves the many lower-level markets. This pattern she terms primate because of the seeming overdevelopment of the dominant center, which performs commercial functions for large-scale agriculture.

Competitive central-place marketing systems developed only in the core subregions of highland Guatemala. Most of the core subregions exhibit a normal, pyramidal central-place structure.

However, one of the subregions, Totonicapan, exhibits an overdeveloped or top-heavy pattern. That is, in the Totonicapan system there are more high- and intermediate-level centers than one would expect in theory, reportedly because people in this subregion dominate certain types of trade in the peripheral areas.

Each of these marketing patterns is associated with a particular local economy. Only the primate pattern occurs in areas of large-hold plantation agriculture, where markets exist exclusively to provision the work force. The other three patterns--the pyramidal, the dendritic, and the top-heavy--are all associated with small-hold agriculture. The normal central-place pattern occurs only where farmers produce agricultural commodities for themselves and for the market. The top-heavy pattern has arisen where people produce foodstuffs for themselves and are also artisans who supply the entire highland core and periphery through the marketplace system. Significantly, the dendritic pattern has developed in the one area where farmers produce largely for themselves. These people are as commercialized as their brethren in the other systems. But here countrypeople engage in seasonal labor migration to earn the money for other necessities, which they buy in the marketplace. In short, structurally monopolistic patterns arise where commercialize countrypeople do not produce for the market, either because they are spatially disadvantaged or do not own the land. Competitive structures arise where countrypeople produce for the market, though here too the nature of the local economy translates into differences in the organization of trade. Obviously, any change in the structure

of marketing in any of these areas would have to deal with the broader factors of landholding patterns, local economy and relative spatial location.

The structure of the marketing system is not only consequence but also cause. The primate and dendritic patterns are characterized by monopoly control by the dominant city and poor coordination among lower-level markets. This situation means that producers in peripheral subregions cannot specialize and therefore, do not market, so that trade is in the hands of outsiders, either resident elite storekeepers or producers from the core subregions. Moreover, the terms of trade to rural producers are here particularly poor, so that there is generally less economic development, whether measured by the number of Indian stores, number of Indian truckowners, or number of alternative economic activities. By contrast, in normal central-place structures, markets are interrelated and competitive, so that producers can specialize, selling their commodities and buying others in the marketplace. In this situation, the participation of the farm family in marketing depends on the role of the commodity in the household economy. Auxiliary commodities like eggs and cheeses are typically wholesaled in local markets, for producers do not have sufficient quantities to warrant a trip to town. Regional staples may be sold in major bulking markets or in the consumption center, depending on supply and the level of demand. Finally, specialized cash crops, such as vegetables, are generally sold directly in consumption centers by traders from the producing villages. Again such specialization is possible only in the core subregions. But

where one sells is important, for prices vary with level of marketplace. In other words, prices--or constraints--are not uniform across space, even within a subsystem.

Clearly, small rural producers are not equally advantaged throughout the entire system. It is less widely recognized that the forms of disadvantage vary systematically across space. The types of programs that one might reasonably suggest thus must be tailored for each area within the same system, not to mention across systems. In core subregions, one might stress production programs, on the grounds that producers and their fellow villagers would reap most advantage. That is, one would use the existing marketing system. In the periphery, however, marketing is so poorly organized that one might suggest upgrading the road and transport systems in order to lessen the disadvantage of distance. For, only once that constraint has been reduced would production programs have any chance of success. Thus, in the periphery, one would improve the infrastructure of the marketing system before instituting new production programs.

Recommendations such as these are only one aspect of a complex problem. The question is not why peasant distribution systems do not evolve into what is wrongly considered superior and more efficient channels--after all, our centralized distributive systems have had particularly deleterious effects on farmers in Ohio and the central valleys of California. Rather, given the political realities of most Third World or lesser developed countries, the question is why more capitalized, large-scale farmers do not take over more of agricultural production, whereupon more centralized systems

of distribution would arise.

The answer here is two-fold. First, demand is low, or at least most urban consumers are so poor. Second, as a most important consequence, the terms of trade are badly skewed against agriculture, and particularly against small-hold agriculture. Governments have subsidized the cost of inputs for agriculture, but those benefits have mostly gone to the large farmer, leaving the majority of poor farmers to compete for the remaining small supply of inputs at, in some cases, prices above the otherwise normal selling price (Lipton 1977:290). Governments have established experimental stations, usually for export crops, but they show little interest in small farmer systems and, for all intents and purposes, provide no effective extension services. Moreover, governments have almost invariably intervened in marketing services with the sole purpose of holding down urban food costs, be it through public distributive systems or maximum urban retail prices. With the terms of trade so skewed against small farmers, the wonder is that they produce for the market at all, not that they produce so little.

Improving the incentives to agriculture poses a serious problem, for large capital may enter agriculture when it becomes profitable to farm. That is an undesirable end, where the aim is to help the small farmer and to feed the national population. It is undesirable because consolidation in agriculture would probably lead to centralized distribution, which changes would together increase rural unemployment, decrease incomes, and likely increase urban

migration, thus compounding the original problem. What we need, then, is an integrated approach that tackles the macroeconomic context, regional distributive systems, and local production systems all at the same time. This approach requires a sincere effort at systematic and systemic regional planning and development. As a former director of the Agency noted in his report to congress (A.I.D. 1976:14), "there are few experts in these areas, the varieties of possible skills are many . . . /and/ there is need for more experimentation and effort." More poetically, as Gregory Bateson noted in Steps Toward an Ecology of the Mind, we see patterns in blowing fields of grain. What we need is a model of the wind.

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