

AGRICULTURAL MARKETING SYSTEMS:

A CONCEPTUAL FRAMEWORK

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PART I

INTRODUCTION

The important role that periodic and daily markets play in economic development and social integration is becoming increasingly evident: developmentalists are in general agreement that marketing systems are critical bottlenecks to sustained growth of the small farmer sector in most LDCs. Small farmers generally lack access to a continuous, efficient, and viable outlet for their surplus¹ production and lack of access to a reliable economic source of farm inputs. Low volume of production per farm unit and geographic isolation has led to the development of inadequate marketing systems characterized by sporadic availability of market intermediaries, little competition, high unit costs of market functions and lack of information.

While marketing is generally recognized as a major problem inhibiting development of the small farm sector and while many interventions in LDC marketing systems have been made in the past, the specific parameters of the problem and alternative solutions are poorly understood. In particular, little is known regarding existing rural market structures serving the smallest farmers

¹In many of the peasant economies of the kind I am interested in, agricultural production is generally geared towards subsistence cultivation. The surplus then, refers not to the amount in excess of personal needs of the cultivator and his family, but to that amount which has to be converted into cash so that debts incurred during production can be paid back or converted into reinvestment for future production.

and the potential of interventions that might be made to induce desirable changes in existing structures.

In the light of the above mentioned difficulties and with the growing interest for improving the standard of living of the rural poor, the concern of this paper is three-fold: the point of departure in this exercise shall be a critical review of the relevant marketing literature. Having reviewed the literature I would then like to generate my own model and concepts. The framework of analysis that I shall propose will look at the market as an articulator of the integrated economy². The final exercise will be to collate the different approaches and place them within the perspective of development. There is an immediate need for a research approach that can help policy and program officials to identify present and emerging marketing problems and to understand the intricate, changing linkages binding agriculture and marketing together.

Before proceeding to a review of the literature, I think it is important, at this point, to establish the need for studying rural markets since any project on rural markets should be seen as an attempt to obtain insights into the role of marketing in economic development and to evaluate efforts to foment changes in marketing as part of economic development programs.

²Briefly stated, the integrated economy comprises multiple levels and sectors of the economy complement one another while contributing to a division of labor necessary for exchange to take place. The function of the market in this integrated economy will be to inter-connect the different segments of the economy such that they are all part of the same economic process.

Marketing consists of a vital set of activities which serve to coordinate production and consumption. It embraces all operations and institutions involved in moving farm products from farms to consumers, in providing production and consumption incentives to producers, marketing firms, and consumers and in distributing farm supplies. Thus, marketing covers assembling, transporting, processing, storing, packaging, wholesaling, financing, retailing, market information, pricing, market organization, competitive relationships, bargaining, selling, procurement, product and process innovation, and exporting of products of farm origin. It also covers the similar counterflow of farm supplies to farmers. In summary, marketing is the performance of business activities that directs the flow of foods and services to consumer or user; there are technical functions - of transport, storage, processing, etc. - as well as economic and commercial functions whereby the value of the product marketed is determined and ownership transferred. Thus the marketing process reallocates scarce resources, sets signals about changes in supply and demand and guides future economic activities. Marketing has a mobilization as well as a coordination function, steering production and supply with respect to place, time, form and ownership utilities.

Indeed, marketing is one of the dynamic forces in facilitating technological change and productive institutional arrangements for coordinating and organizing economic activity. Be that as

it may, much of the theoretical framework of economics tends to assume away the dynamics of institutional and technological innovation which is central to economic growth. This suggests the need for greater understanding of the complex roles of marketing in development planning and programming: the role of the market is a complex one and the various components of the production-distribution systems become increasingly sophisticated with development processes.

In general there are a number of ways marketing can contribute to development (Moyer 1965). Firstly, the marketing system can reduce risks by providing more adequate information flows among participants in the system. In addition, it can provide the organizational framework necessary to coordinate production and consumption and to ration the supply of commodities to consumers in response to their expressed needs and wants. The marketing system, while drawing subsistence producers into the exchange economy, may generate pecuniary and technological economies, both internal and external, for producing firms as a result of the extension of their markets. Marketing institutions can lower consumer costs by improving distribution efficiency through technological innovation, more intensive resource use and less spoilage. We should not also forget that marketing institutions can be a major source of entrepreneurial talent and capital for other sectors of the economy. At the same time, marketing institutions can increase the elasticities of supply and demand by making available new or improved products which buyers may find desirable.

Last but not least, the marketing system can reduce transaction and exchange costs between producers and consumers.

More specifically, marketing is related to the process of development in three important ways. Firstly, the marketing system serves as a major channel for capital movement. At early stages of development, capital in terms of food and commodities, flows from the traditional to the advanced sector, allowing for accelerated growth rates of industrialization. At later stages, capital moves back into the agricultural sector in order to raise its productivity and level of output. Still, the next capital surplus has to be drained for fostering economic growth. Secondly, the marketing system is a major tool for integrating the farming community into the market economy. It links various rural and urban areas with a network for communication and exchange which forms the basis for coordination of social and economic activities. Thirdly, marketing becomes an important economic subsector itself. The average marketing margin is, even in developing countries where limited services are offered, between one-third and two-thirds of the consumer price. As the marketing system expands, it provides opportunities for increased employment and the development of an entrepreneurial spirit. The absorptive capacity of labor can grow because of the extension of the marketing system with development. At the same time, the comparatively low labor productivity increases in the service sector as a whole.

In organizing the focus on rural marketing studies I shall begin by reviewing as much of the literature on markets as will be allowed by time. There is a large inventory of market studies which can be identified but which unfortunately have not been systematically assessed. For purposes of this paper, but with no particular criteria in mind, I have selectively reviewed different research approaches which I have then categorized into broad groupings.

PART II

DEFINITION AND RESEARCH APPROACHES TO THE STUDY OF MARKETS

A. LOCATIONAL APPROACH (Spatial and temporal interrelationships of markets):

1. Spatial Interrelationships

A number of researchers working especially in Mexico, Guatemala and the Andean communities have attempted to describe market systems in terms of a hierarchical structure of central places and service areas (McBryde 1940, 145; Beals 1965a, 1965b, 1967; Hanneson 1969; Diskin 1969; Durston 1970; Nash 1966; Smith 1972; Symanski 1971, 1975). These studies focus upon the location and size of market centers, the range and number of economic functions available and the interactions among centers as measured by trader and consumer movements. In short order, this approach focuses on the size, location and periodicity of interrelated markets and market centers, or on the commodity flows, trader movements, and consumer movements which link the various markets and market centers together.

Nash (1966, 1967) looks at the Guatemalan marketing system in terms of solar structures. Marketplaces are surrounded by varying 'satellite' villages whose inhabitants carry on their primary selling and buying activities in the marketplace and various marketplaces are related to the central or primary market-

places. The hierarchy of marketplaces is then assumed to parallel a hierarchy of classes with peasant producers 'feeding' the smaller markets, which constitute the final unit in the class structure.

Most researchers working on the locational approach have attempted to make classifications of markets centers. Hanneson (1969:48) for example has introduced a four-fold classification for his Colombian case. He also introduced the notion of (i) incipient centers which have only a minimal trading activity; (ii) social centers which have small Sunday markets for petty trading; (iii) aggregation centers primarily oriented towards the wholesale buying of local produce for transport to large market centers and; (iv) complex market centers which combine the functions of all other types of market centers, concentrating heavily upon both retail and wholesale functions.

Ortiz (1963; 1967; 1973), also working in Colombia, has noted a fifth functional market center type. She recognizes a market type in which local exchange and the bulking or aggregation of local products are unimportant; instead, market activity is oriented towards the sale of goods brought in from outside the local area by outside traders.

Diskin (1969:1091-95) reporting on the Oaxacan markets distinguishes two functional market groups³. There are (1) network

³The terminology has been borrowed from Wolf (1966:40-48)

markets which are integrated into a regional system and which have substantial numbers of trading intermediaries and; (ii) sectional markets which function mainly for local inter-community exchange and where most of the traders are also producers of the goods they sell. Diskin has also constructed a three-level hierarchy based on four criteria: (a) cultural boundaries; (b) sociopolitical structures; (c) production organization and; (d) ideology (Diskin 1975). The articulating units in the market system, each possessing a different structural configuration correspond to the distinction between villages, towns and cities.

Beals (1967) who did his research in the same Oaxaca Valley area as Diskin has divided the market centers into (a) local markets and (b) regional markets. A similar classification has been developed for Haiti by Moral (1965) and Mintz (1960); the latter however has established the basis for a more complex classification of the Haitian markets. Johnson (1970) relying heavily on information provided by Mintz (1960) has come up with a dendritic marketing system for Haiti. In this system peasant produced goods flow directly from rural areas to urban centers or major ports and in the process leave the domestic/peasant economy poorly serviced and undersupplied.

2. Market Evolution

There are two standard views of market origins. One school contends that market trade is universal; scarce goods are always allocated in such a way that supply and demand are

brought into equilibrium by the relative values attached to goods of different scarcity. Marketing systems (which can be explained in terms of developmental stages), then develop through changes (population pressure, social stratification, technological change etc.) which are largely internal to the system.

The Polanyi school on market evolution, on the other hand, takes the substantivist stance that marketing systems are, necessarily, post-industrial phenomena.

In any case, using this temporal perspective in market development, three theories have been deduced from the models of Christaller, Losch and Vance. In Christaller's model, rural markets are seen as being generated by urban growth. Thus the first major center is an urban center; smaller centers are added on to the landscape in a concentric system. The model introduced by Losch implies that small centers are established first; the larger ones locating in new industrial places, are created as demand intensifies. Finally, Vance suggests that the first center is an entrepot city with the next centers being either points of attachment or depots for collection staples.⁴

⁴Examples of the 3 different models which come to mind are: Hausa, Inca (Christaller), Yoruba, Maya (Losch); and Aztec (Vance).

Working on an extension of the Vance theory and using data from a newly settled forest region of Southeastern Ghana, Schwimmer's (1976) evolutionary sequence begins with an external market. Added on, next, are small local markets followed by a local urban center and finally ending with the establishment of intermediate markets, a display of a regular central-place hierarchy.

In the case of Puno, Peru, Appelby (1976) discovers an evolution which begins with several urban marketplaces in administrative centers. There then develops an urban hierarchy (stimulated by external wholesale trade) followed by small local markets.

Forman and Rigelhaupt (1970) have proposed a five-stage model for the development of regional marketing systems in northeastern Brazil. The model predicts a general increase in the importance of large scale producers and wholesalers, professional trading intermediaries, and urban consumer's markets, a relative decline in the importance of small-scale producer-traders and small rural markets, and an increasing substitution of capital for labor in the marketing process. The marketing chains linking producers to customers become longer and more complex in the early stages of the model, and then gradually become simpler in the later stages.

Carol Smith (1973) proposes a three-stage model of development. In the first stage, market location and type are deter-

mined by the sites and functions of the colonial capitals. The system is elaborated in the second stage with Indian bulk-ing centers. The third stage, or wage labor plantation era, is characterized by the establishment of many small, retail oriented centers.

The above two approaches to the study of the spatial and temporal relationships of markets, I think, reflect the way in which the empirical approach of microeconomic studies combine with the systematic approach of microeconomic studies thus helping bridge the gap between the two main economic analyses.

The approaches involve the utilization of regional spatial models of economic systems to understand the workings of particular real world systems for which there are empirical data. It involves refashioning theory where necessary to account for the kinds of economic relations and behavior found. What gives the ability of the spatial-temporal approaches to market studies to develop general models from specific cases is the regional economicies recently developed in economic geography to bring theory down to a level relevant to data on empirical cases and using field data gathered on regional economies to bring data or empirical cases up to a level relevant to economic theory. This matching of theory and data helps incorporate sociological variables into economic models. To give an example. An analysis of how different market systems are patterned within each other and how each center is related to the other center(s) such that the regional integration of the economy is affected,

is a result of a set of empirical questions. But the way in which the system is integrated influences the functioning of the economy system. Thus, while studying the economic structure one does not lose sight of the local-level processes within this structure: this complementing of local level (micro-level studies) and macro-level approaches provides one the mechanism to attend to noneconomic variables while studying economic problems.

B. STUDIES ON MARKET PERIODICITY

In relation to the above mentioned Locational Approach there have been a number of studies concerned with the timing of the periodic markets. Symanski (1973), for instance, working mainly on Colombian and Jamaican data suggests that most market centers have a particular busy market day, each week, which can be called the major market day. In addition there is a minimum market day, occurring with maximum or near maximum temporal separation from the major market day.

Extending on his hypothesis, Symanski maintains that when a new periodic market is founded in an area which already has periodic markets, two contrasting approaches can be adopted in the choice of the market day for the new market. These, Symanski describes as the "conflictive approach" and the "integrative approach." By adopting a conflictive approach the organizers of a new market deliberately choose its market day to clash with some or all of the neighboring markets. Here proximity is

space is related to proximity in time. By adopting an integrative approach, the organizers of a new market choose its market day to avoid clashes, and to maximize temporal distance from neighboring markets. Proximity in space is inversely related to proximity in time. For any area, it is possible to assess the degree of spatial and temporal synchronization or integration of periodic markets.

Since the publication of Steine's (1962) seminal work on the economic locational factors underlying trader mobility, a notable debate has ensued on the reasons for the existence of part-time and mobile traders and periodic markets. Until 1972, the major works were all by Africanists and Asianists. Since then, however, Latin Americanists have entered the debate to emphasize and explain agglomeration tendencies of mobile and part-time traders in periodic markets (Webber and Symanski 1973); the evolution and development of periodic trading systems (Plattner 1973); the role of social and cultural historical factors in the origin and persistence of periodic markets (Symanski and Bromley 1974; Diskin 1975); the survival of periodic markets in large cities (Bromley 1974); and the cognitive structuring of market space using information theory and a gravity model formalation.

C. MARKETING CHAINS AND COMMODITY FLOWS

A number of people have examined the marketplace principally

in terms of the role that it plays in the marketing chains linking producers and consumers (Foster 1948; Mintz, Forman and Rigelhaupt 1970). Primary attention has been given to the processes of bulking and distribution in the marketplace; to the position of the marketplace; and the number of marketplace transactions in the marketing chain. Some of the research has concentrated on the inter-regional trade, while others have dealt mainly with the flow of rural products to major urban centers. Most of these studies show considerable concern with public policy on marketing and with the possibilities for marketing reforms and programs to assist the flow of products, to improve storage and processing and to prevent the occurrence of monopsonies, monopolies and other commercial malpractices.

In most marketing chains, fewer than half the total number of commercial transactions take place in marketplaces. Large-scale producers (especially in the case of plantations) can by-pass the collecting wholesalers in the marketplace and sell directly to distributing wholesalers. The main producers to sell their products in the marketplace are small farmers and artisans who sell either directly to consumers or other professional market vendors and wholesalers.

The bulking of local products in the marketplace is more important in densely populated areas with large numbers of small scale producers and an equally large number of market intermediaries. In sparsely populated areas, and where large-

scale production predominates, most wholesalers obtain their products by traveling to the points of production, or by receiving them in urban warehouses. This is not only a function of volume, but also of organization and coordination. Products intended for export overseas are rarely bulked in the local level marketplace which often services only for subsistence food items and other daily necessities. On the other hand, there is usually a tendency for local level village markets located along the national boundaries to play a major role in overland commodity flows between neighboring countries (Whales and Preston 1972; Narendran 1979).⁵

The market⁶ plays a major role in wholesale and retail distribution than in the bulking of local produce. In some areas - especially in the case of Southeast Asian periodic markets - almost no wholesale buying occurs in the local marketplaces, and the markets are used mainly or entirely for retail distribution. Most markets cater primarily to consumers of perishables foodstuffs, and to lower class and lower middle class consumers of such durable products as clothing and hardware. Markets are very often also the medium for the distribution of local craft production, thus contributing to the existence of native cottage industries.

⁵ Much of the trading in these frontier markets is illegal, but the authorities concerned generally turn a blind eye and an open palm to the illicit international commodity flows which are involved.

⁶ The marketplace refers to the physical location which provides the context for the conduct of trade; it also refers to a transactional state of affairs.

D. FOOD SYSTEM - SUBSYSTEM RESEARCH FOCUS

Combining concepts of production and distribution into a systems framework, the Latin American Market Planning (LAMP) center of Michigan State University has introduced the Food System approach. Central to this concept is the integrated approach to diagnose problems and reform actions. Marketing processes are thus seen as economic coordination activities at various stages in a production - distribution channel. Market coordination is defined as the "process in an exchange system whereby producers, distributors, and consumers interact to exchange relevant market information, establish conditions of exchange, and accomplish physical and legal transfers of economic goods (Harrison 1966).

In diagnostic studies, LAMP is concerned both with the micro (firm level) behavior of participants in agricultural production-distribution systems and the macro consequences that occur over time and affect the well-being of various participant groups. The approach then, includes (i) an examination of the food production-distribution-consumption system in a selected market area, (ii) a description and analysis of the urban food distribution system and related commodity supply subsystems to identify potential opportunities for improvement, (iii) preparation of similar diagnostic studies directed toward farm input and consumer goods distribution, and selected public aspects of marketing concerned with laws and regulations, information systems and credit policies, and (iv) and evaluation of marketing system

performance that is both normative and relative (Harrison et al. 1974).

E. DESCRIPTIVE STUDIES OF MARKETING SYSTEMS

Traditionally this approach has been the domain of anthropologists who have produced a fairly large body of literature on peasant marketplaces and traditional marketing systems (Tax 1953; Mintz 1955, 1957, 1959, 1960, 1961; Katzin 1959, 1960; Bohanan and Dalton 1965; Dewey 1962; Delshaw 1965; Wolf 1966; Davis 1973; Szanton 1972).

Anthropologists, with the exception of those who stress the importance of studying rural markets in terms of a locational process and as components of local socio-economic systems, deal with markets as major focal points of regularized social activity for large segments of the rural population. The market is therefore an indispensable mechanism for social articulation. The exchange system regulates itself through exchange ratios (prices) and the marketing system in general has different forms of articulations with the national economy. Within this framework are included the functions of the market and the structure of market operations, i.e., the nature of personalism in social relations; role differentiation (Dewey 1962); and social differentiation (a sophisticated analysis of social differentiation is contained in Sol Tax' Penny Capitalism).

Descriptive studies have also been conducted by individuals from various social science disciplines on existing arrangements for marketing specific commodities or carrying out selected marketing functions. Most of these studies have been carried out by professionals in academic institutions and their students. These studies have provided useful factual information about existing marketing arrangements but limited accessibility has been a major factor restricting their use by government agencies and the private sector. In addition, many of the studies done by economists and agricultural economists are based upon rather simple conceptual perspectives of market organization dominated by the perfectly competitive theoretical model of economics. And much of the research has been concerned with macro issues involving the testing for conditions of structure, conduct and performance predicted by the perfectly competitive model. A major problem with this relatively static and macro framework is that it underplays the potential dynamic impacts of marketing institutions in achieving development goals regarding efficiency, growth, employment and nutrition.

There have also been useful and insightful descriptive studies carried out by researchers that represent other social science perspectives. Geographers with their interest in the location of economic activities have undertaken a large number of descriptive studies of marketplaces, periodic markets and itinerant traders in rural areas of developing countries.

This research is important for the development process because it provides knowledge of how these traditional trading institutions function. Unfortunately, by geographers' own assessments, much of this research suffers from the inability to offer normative solutions to questions concerning policy and planning of marketing systems.

F. MARKET TYPOLOGY

This has once again been the realm of anthropologists, and at that too, Africanists. The typology that I am referring to here is not similar to the one that I have already discussed in the Locational Approach. Instead, what I have in mind is the classification of economic structures, if you will, into marketless, peripheral markets and market societies (Bohanan and Dalton 1962). The thrust of this approach has been on dividing communities into market or marketless societies by seeing if the market is indeed a transactional area where supply and demand converge or if it is a center for social interaction for people from different neighborhoods. If the function of the market is seen as tending towards social, recreational, religious and politico-administrative activities, with the main modes of exchange being barter, then the community is assumed to be marketless.

Peripheral markets are those where the transactions are based on both barter and money and where the market takes on limited economic functions in addition to being an important social institution.

Finally, a full fledged market principle is one where the individual actors involved in it work within a market rationality, aimed at maximizing profits and minimizing costs. And, money of course is the mode of exchange.

G. STUDIES ON ITINERANT MARKET TRADERS

In most market systems, professional, co-commercial intermediaries play a major role (Dewey 1962; Mintz 1965; Katzin 1958; Narendran 1979; Underwood 1960). A substantial proportion of these commercial intermediaries work in two or more different markets, or engage in collection and distribution activities away from the marketplace. In most cases, these mobile traders are urban dwellers, but there may be rural traders, often from specialized rural producing communities. In Ecuador, for example, Chota Valley Negro women sell the avacodos from their valley in many of the towns of the northern highlands (Klumpff 1970) and Otovalo Indiana traders sell textiles produced in their home area over most of Ecuador as well as in foreign countries (Preston 1963).

Detailed case studies of individual mobile traders have been made by Beals (1946) and Durston (1970) in the Tarascan area of Central Mexico; by Chinas among the Zapotecs of the Isthmus of Tehuantepec (1975); by Plattner in Chiapas, Mexico (1972); and by Katzin (1978, 1959) in Jamaica. These studies emphasize the elements of hardwork, professional experience, skill, social contacts and sheer luck which are required for successful mobile trading.

The spatial pattern of the mobile trader movements has been examined by McBryde (1947), Symanski (1971: 105-127); Smith (1972: 57-134) and Bromley (1974). Movements between coordinating ecological area and production zones are particularly important, and substantial numbers of graders combine non-market collection and distribution operations with market trading. Most traders who work in a local market system do not travel around in a circular itinerary, sleeping in a different market center each night. More commonly, they return to their homes each night and travel out early the next day to another market center. Thus their pattern of movement is essentially radial - outward from their home communities - rather than being circular. Small groups of traders from the same community or those dealing with the same type of merchandise travel together, but periodic markets cannot be interpreted in terms of traveling troupes of traders which move together from place to place in a regular cycle; they divide their own cyclical itineraries on the basis of their perceptions of opportunities and constraints and on cost benefit considerations (Plattner 1973).

In addition to studying the market circuit of traders, there is yet another approach which examines market traders. Mintz (1959), in a most interesting, if not useful study, looks at the ways in which market vendors articulate the different social levels as they function to distribute agricultural commodities from the rural to the urban areas.

H. PRICING AND MARKETPLACE TRADE

There are two responses to this approach.

1. In some instances, the marketplace is seen as providing a classic microeconomy for the study of the interaction of supply and demand. This interesting in pricing is the result of prices in marketplaces being rarely fixed, with short periods of bargaining normally preceding any transactions. Among other things, research of this kind focuses on buyer-seller relationships in the market and the extent to which socio-economic personalism affects the price structure (Davis' Suki' Mintz' Pratik); the nature and extent of bargaining (i.e. whether bargaining is over price or quantity; the nature of transactions); the impact of ethnicity and any other social group on trade and transactions.

A lively debate exists among economists and economic anthropologists studying marketplace trade regarding the extent to which these markets are "perfect". Because the market-

place is based upon large numbers of simultaneous person-to-person transactions, there is potential for freely competitive trading. Where the marketplace is atomistic, open, free and rational, prices are thought of as being fixed by the unimpeded interplay of supply and demand. "Atomistic" implies that there are a large number of independent, small-scale buyers and sellers with no monopolistic associations. "Open" indicates that as many buyers and sellers as wish to do so may attend the market. "Free" means that prices are fixed by supply and demand forces, and that there is an absence of oligopolistic and oligopsonistic practices. "Rational" implies that all participants have one basic aim in view, profit maximization. Tax (1953), for instance, believed that Guatemalan markets possessed these characteristics and were almost perfect. Katzin (1958) made a similar interpretation of Jamaican markets. Detailed counter-arguments have been advanced for Guatemala by Church (1970) and Swetnam (1973) and for Jamaica by Norvell and Thompson (1968). Cook (1975), working with metate producers in Oxaca Valley, finds that marketing is monopolistically competitive at the inter-market level but more closely resembles perfect competition at the intra-market level of analysis. At the inter-market level, the marketing process is monopolistically competitive because of production differentiation (each area might be agroclimatically and socio-culturally suited to producing only one class of commodities), while at the intra-market level,

competition tends to be perfectly competitive at least in terms of trading behavior (as measured by the degree of control over prices exercised by sellers or buyers, which depends on the number of traders, the uniformity of products, and the freedom of entry for potential traders. As Nash points out, the intra-market level, the process is perfectly competitive because trading activity "rests on the free interplay of buyers and sellers, with price established through the interaction of buyers who do not buy enough to set price with sellers who do not control enough of the supply to set price (1966: 70).

2. The role of market price as a critical force influencing the economic mobility of rural development projects is, for some, a subsidiary focus on the study of rural markets (King 1974). In contrast to the usual treatment of market price as a "spaceless" phenomenon, this approach emphasizes the space, form and time dimensions of market price that play an important role in farmers' response.

The assumption the model makes is that of the perfect market which is described as follows. Prices in different geographic areas of a country will differ by not more than the cost of transfer from one point to another. Within a given market area, prices will differ exactly by transfer cost from point of production to point of consumption. Where this condition does not hold, multiple markets are said to exist.

Similarly, prices at one point in time will not exceed prices in a previous point in time by more than the cost of storage. Failure of this condition to hold is evidence of distinct markets in the time dimension. Finally, the price of a product will differ from the price of another product derived from the same raw product by no more than the cost of processing. Thus the model describes price relationships among geographically separated points in space, among different points in time, and among alternative forms of a common raw product. But then one is left with the nagging question of whether this model is an adequate representation of the product markets observed in developing countries: it is highly possible for the decision making processes of producers and marketers not to be price oriented.⁷

I. INDIVIDUAL COMMODITY STUDIES

As much as grouping the different approaches into different disciplines is largely unsatisfactory as an analytical device, studies on individual commodities have, without fail, tended to be the growing concern of agricultural economists who evaluate local marketing conditions; analyze costs and returns of local marketing activities and generally collect information and observations that permit the description and diagnosis of marketing

⁷A self sufficient agriculture is substantially different from an agriculture in which farm products are produced primarily for exchange. Similarly, in a handicraft industry artisan goods may be sold on order instead of being mass produced for the general purchaser. In these two situations it is quite possible that price would play a minor role in short-run decisions.

problems by the agricultural commodity. In addition, in constructing a framework for an approach of this kind, consideration is given to efficiency versus equity of local marketing systems, and the costs of performing marketing functions such as storage, transportation, exchange, etc.

J. INCIDENTAL STUDIES

This category covers the role of marketing in economic development. Much of the work is on feasibility studies providing information needed by government agencies, national financial institutions and private sector investors regarding capital investments in marketing infrastructure - processing plants, grain storages, transportation facilities and such like. Such studies usually vary in scope and quality of analysis with much of the research being carried out by private consulting firms or professionals associated with university-based research institutes. Due to severe time constraints heavy reliance is placed on the use of available secondary data, engineering estimation procedures and other kinds of qualitative information obtained through interviews. The usual problem with such studies is that the analyses have tended to endorse capital-intensive technologies in situations where labor-capital costs are such that more labor-intensive technologies would be more appropriate (Timmer 1972). At other times these feasibility type studies have sometimes misjudged the compatibility of new capital-intensive infrastructure with existing patterns of production, distribution and consumption (Lele 1975).

PART III

REVIEW OF DEFINITIONS

The previous section elaborated different approaches to studying rural markets. I fully realize that there is a certain amount of continuity or overlap between some of the proposed definitions: the overlap is inevitable; yet, the approaches have to be separated out because each reflects a unique attempt at obtaining insights into rural marketing systems in different LDC's.

In the next few pages I want to review the specific parameters of the above approaches with the aim of establishing the extent to which such approaches are indeed useful or, may be, lack the necessary potential for enabling a concise and well planned market research task. The point that has to be kept in mind throughout this entire paper is that we are gearing ourselves to looking at the marketing system as a dynamic force for rural development, not merely in terms of an academic exercise of description and analysis.

So as to make it easier for the reader and for me, I shall systematically review each of the approaches in the order given above in Part II. Here it will also be correct for me to point out that being trained in anthropology my view of those approaches which are predominantly agricultural economics in nature, may not

be quite correct and I might not do them correct justice. Be that as it may, I shall aim at an explanation which is not biased.

A. The Locational Approach conceives of marketing systems as emerging from the internal dynamics of the peasant economy and as integrating peasant communities into the regional economy, it places heavy emphasis on the spatial structure of an economy and is concerned with demonstrating the complex, but what is considered to be the essentially integrated nature of economic activity within economies at widely differing levels and scales. For this reason, the approach emphasizes the structure, component parts and interaction between the markets in the economy.

A locational analysis of markets, therefore, focuses upon the location and size of market centers, the range and number of economic functions available, and the interactions among the centers as measured by trader and consumer movements.

The approach is extremely useful in terms of identifying market morphology and the functional classification of markets: at one level it helps recognize the type of the market while at another level it explains the function of the market. It is important to understand the pattern in the arrangement of markets in the system because it is this pattern and its economic concomitants which affects the ways in which commodities are

circulated throughout the area. In short order, a locational analysis of marketing systems will provide necessary information on the economic geography of the region, the types and nature of exchange systems in the region, the different economic levels and their locational relations.

In as much as it is useful, if not necessary to have a full understanding of the location and arrangements of the markets in the system, the locational approach makes a number of unrealistic assumptions in order to propose some general relationships. Among the assumptions that trouble me are (1) an isotropic landscape, (2) perfect competition among suppliers (3) threshold governance of supplier location (4) single suppliers for each good at each center and (5) single purposed trips by consumers.

My difficulty then with the locational approach stems from the proposed arrangement of the marketplaces into a hierarchy which emphasizes vertical integration. I admit that there is, undoubtedly, varying intensities of market activity. This is evident in the size of the market and the number of vendors and customers attending the markets. Establishing the different levels of market activity is important because among other things it reflects on the nature of settlement patterns, the importance of the market, the functions of the market and so on, but as I discovered from my own research (Narendran 1979),

as much as there are different levels of market activity, a hierarchy cannot be assumed in terms of commodity flows. It cannot and should not be assumed that all commodities will flow through the hierarchy: the flow of one commodity need not necessarily coincide with another. And, if each commodity has a different channel of flow, the marketing area for a commodity can turn out to be discontinuous. Instead of moving from A to B to C, a commodity might move from A to C, by-passing B.

Another shortcoming of the locational theory as it is often used is its emphasis on vertical aspects of marketing systems. My contention is that if communications and distance are feasible, it is most likely that much of the market trade would be horizontal with producers themselves electing to sell in marketplaces serving distant market areas.

Also, the hierarchical market structure is seen to coincide with a class hierarchy. The marketing system is seen to be stratifying people spatially in terms of their location in the system. Places with the highest population concentrations have the highest purchasing capacity and the largest market centers; centers are evenly distributed and production intensity follows both market development and population concentrations. Theoretically, it is difficult to refute these assumptions. High population concentrations no doubt imply high purchasing capacities but in the real world, in LDC's, a large percentage

of the population has a very low earning capacity in which case then the level of market activity is not proportional to the size of the population.

As regards the evolutionary approach to market development, it is rather suspect because each marketing system will undoubtedly develop on its own accord and its evolution will depend on variables which are unique to the situation. Furthermore, there need not always be a unilinear development from smaller centers to larger centers. In some situations markets arise because they are located in the confluence of important trade centers while in other situations markets are set up for political/administrative reasons. It is therefore useless to come up with a single evolutionary model for market development.

B. The Locational Approach stresses the spatial articulation of markets; market periodicity, on the other hand, stresses the temporal nature of the system - it provides information on the way in which a market places are coordinated and on the marketing circuit of the traders who serve the market places. But, in as much as an analysis of this nature reveals the ways in which the different markets in the system integrate with each other in terms of temporal synchronization, it fails to inform on the functioning of the market itself. We are then faced with a number of questions, one of which is: "Of

what importance is market periodicity if we do not know what the nature of market activity is; what kinds of commercial relationships exist between the markets in the system or, even simply, the internal structuring of the market?"

Information on market mobility is useful because it explains the fluidity of the marketing system such as it allows for traders to serve the different markets. It also means that the marketing system allows for commodities originating from beyond the area to be circulated within it. This fact alone has a number of implications - I shall however leave this to be discussed later on in the paper. Nonetheless, I would like to point out that if a locational analysis is combined with a study of market periodicity we will have a very dynamic explanation of the ways in which markets in an area are systematically integrated with each other and a broader economy - the way in which the system is integrated will influence the operation of the economic system as a whole.

C. In studies of Marketing Chains and Commodity Flows the market is seen as the way station in the flow of commodities between producers and consumers - it is an articulating mechanism. Viewed as such, research can then be focused in terms of the kinds of transactions that occur within the marketplace. Also, the kind of processes that occur within the market reflects the social and economic environment of the population

it serves. If the marketplace serves primarily as a retail center, it could, among other things, mean that the level of market activity is low or that the population is either mostly subsistence or cash oriented. In the case of the former it should not be surprising to find low levels of market activity because the populace is self sufficient and markets only that amount which is the surplus or that amount which needs to be converted to cash to pay debts. The market serving an area which specializes in cash crops will function mainly as a retail center because most of the daily requirements will have to be brought in from elsewhere. On the other hand the market could be large enough to be able to serve a hinterland population in which case the market will, in addition to begin a retail center, also be a redistribution center for other secondary markets in the area.

In any case, an analysis of marketing chains and commodity flows provides a medium for understanding more comprehensively, if not more accurately, the makings of a rural marketing system. It, however, lacks dynamism as a total approach to studying the rural markets of LDC's because by emphasizing only on commodity flows and food chains it overlooks:

1. The importance of the spatial location of the markets in relation to other markets; (2) the function of the markets beyond simply being nodes in the commodity flows and; (3) the

behavioral characteristics of the participants in the marketing system. These are but only three of the many issues which the marketing chains and commodity flows approach, unfortunately, de-emphasizes or makes no mention of. Thus, it has very limited use and when strategizing for market development the usefulness of the approach can be appreciated only in conjunction with a number of other ways of looking at markets.

D. LAMP's integrated approach is one of the best approaches I have seen thus far. Combining concepts of production and distribution, the conceptual framework provides for studying rural food distribution as components of regional and national food systems. Marketing and geography principles are also identified and this is helpful in focusing research on relevant variables and critical linkages.

There are however a few problems which put limitations on the approach. First, the approach proposes that the focal point of analysis be shifted from farms and firms acting as individuals to one of them acting as a group exchanging products and services in order to satisfy a final channel demand. If, on the other hand, emphasis is on an integrated research methodology and the analytical framework is organized to permit a clearer understanding of the interdependence of closely related activities, then the emphasis should be on showing the variability that exists between individual participants and not treat all the

participants as a single homogenous entity. This problem becomes even more complex in the rural situation where the producer is often the distributor and consumer all at the same time. So, what the approach should include is information about participants, functions performed and the importance of the services provided: marketing activities are performed by large numbers of independent agents widely separated through space and time. Those who perform marketing activities are bound together in a highly complex and dynamic system of interaction and reaction.

A principal goal of the LAMP research is to discover existing barriers to more effective vertical coordination. This overshadows the interesting, if not more important, coordinations that exist at the horizontal level - the movement of food between secondary markets in the region, for instance. The assumption that all food will move from the rural area to the urban area is a false assumption. Also, as much as there are constraints to vertical coordination, there are constraints on horizontal coordination too - constraints which are ecological, social and in some cases, even cultura.⁸

⁸It cannot be assumed that the region under study is homogeneous - productive arrangements, for instance, might vary because of different ecological influences.

This marketing research framework identifies commodity and distribution subsystems within a national geographical context. From my own experiences I have found that food chains are not bound by a geographical area. This becomes especially apparent in markets located along a national boundary. Inherently there will be a fair amount of exchange - granted, illegally - between such strategically placed markets. Furthermore, even if the approach specifies components of the economy as production, transfer, utilization and distribution, and provides an analysis in terms of output and pricing, it does not provide the means for looking at economic relationships between various groups of people who facilitate in the production and circulation of commodities.

All in all, the analysis is useful in defining market studies vis-a-vis an integrated systems approach. It can be made even more useful if additional focus is on the micro behavior of the participants in the marketing system. Only then, to my mind, can the aggregate functions of the market be more fully understood.

E. Descriptive Studies provide explanations which are colorful accounts of the marketplace but hardly explains the processes involved in the interaction between production and exchange spheres. The description and analysis of the markets usually begin at the marketplace itself and very little informa-

tion is provided as to from where the commodities sold in the market arrive, and who are responsible for channeling them to the market. Thus, while the approach is important and useful it does not quite deal with such problems as need to relate restrictive focus on markets and marketing to broader concerns of economy - social articulation and socio-economic development. Even if the approach specifies the components of the economy at production, transfer, utilization and distribution, and provides for a framework for analysis in terms of output and pricing, it does not provide the means for looking at economic relationships between various groups of people who facilitate in the production and circulation of commodities. It is my contention that these economic relationships are important because in any economy there is multi-ethnic (multi-class) participation and each group tends to dominate a different economic sector. The nature of this important relationship will affect the structure of the economy in general and the market in particular.

F. Market typologies, I am afraid, do not have any functional uses beyond being academic exercises which very often become ideological commitments of some anthropologists, and for that matter some economists too. I have difficulty with classifying economic structures in relation to a limited number of variables. To assume that in a fully developed market the only mode of transaction is money is wrong because, as we all know,

in a market situation it is not unusual to have barter exchanges. Also, not all exchanges take place within the marketplace - there can be all kinds of economic transactions between social units functioning beyond the marketplace.

Typologies can be problematic in terms of definitions too. A market situation in one community might not be so in another community. It would not be so use defining markets in abstract terms because such abstractions do not explain the variations and the uniqueness of each market in the system. On the other hand a typology can be useful in terms of conceptualizing the marketing system. It should, however, be used only for an analysis in terms of output and pricing; it does not provide the means for looking at economic relationships between various groups of people who facilitate in the production and circulation of commodities. It is my contention that these economic relationships are important because in any economy there is multi-ethnic (multi-class) participation and each group tends to dominate a different economic sector: the nature of this relationship will affect the structure of the economy in general and the market in particular.

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only mode of transaction is money is wrong because, as we all know, in a market situation it is not unusual to have barter exchanges; an exchange of gifts, for instance. Also, not all exchanges take place within the marketplace - there can be all kinds of economic transactions between social units functioning beyond the marketplace but which affect commodity flows.

Typologies can be problematic in terms of definitions too. A market situation in one community might not be so in another community. It would not be of use to define markets in abstract terms because such abstractions do not explain the variations and the uniqueness of each market in the system. On the other hand a typology can be useful in terms of conceptualizing the marketing system but it should be used only as an analytical tool, a conceptual framework. The task then is not to fit a particular market situation into the typology but to extract out those variables in the real market which are not found in the typology and to provide an explanation as to why these variables make the market unique. As such then we should be able to get added information on the way in which these traditional trading institutions function.

G. Like most of the approaches I have discussed above, studies on itinerant market traders provide only a fraction of the total picture. First of all, the analysis is limited only to market traders who travel on a circuit. This unfortunately

limits the analysis to periodic markets. As much as periodic markets are of more frequent occurrence in the rural areas, there are daily markets too, and in such markets a good many of the vendors are professional and stationary and they perform important functions - breaking bulk, for instance. The tracing of the commercial routes of the market traders provides factual information on commodity flows, but to understand the commodity flows we also have to know where they originate from and how they reach the hands of the market traders.

H.I.J. I shall defer a review of these last three approaches till after I present my own thoughts on rural marketing systems. Also, the reviews will appear more meaningful in the section on agricultural marketing in development.

Now that I have presented approaches to the study of rural marketing systems, I would like to generate my own model which, I shall be quick to point out, is in no way unique or novel; it expands on and includes the different approaches that have been discussed above.

Among other things, I am proposing an integrated approach⁹ which regards the marketing system as a primary mechanism for coordinating production, distribution, and consumption activities. When viewed in this manner, marketing would include the exchange activities associated with the transfer of property rights to

⁹An approach similar to the "Systems Approach" introduced by Michigan State University

commodities; the physical handling of products and the institutional arrangements for facilitating these activities.

Hence, marketing should be considered as part of the set of activities coordinating various stages in a production-consumption-distribution channel. In this context then, it is useless to try to establish an arbitrary definitional division between "production" and "marketing".

My model focuses on the market within the context of both the production and exchange spheres which from my own research experience and from the literature on rural markets in third world countries, is controlled by different ethnic groups. Because of the intricate mix of economics and ethnicity, the model will have relevance to an analysis of the nature of incorporation of the different segments of an economy as well as the nature of integrative and conflictual relationships between the ethnic groups participating in the economic system. The resultant analysis that emerges from the study should help in the understanding of how the market articulates between social groups which vary in their productive roles, in their differential accesses to wealth, capital, social status and ethnicity. At the same time, an analysis of the market within the context of an integrated economy with different segments tending to be controlled by different ethnic groups throws light on the nature of regularized socio-economic activity in the locality.

As I had mentioned earlier on in the paper, I propose to look at the market as an articulator of the integrated economy, a notion which I introduce to emphasize the interplay between ethnicity and economics. In this integrated economy then, all categories in the economy, irrespective of ethnicity, are combined to form a single continuous process with the market articulating the categories. These economic categories will compliment one another, fulfill differentiated roles and contribute to a division of labor necessary for exchange to take place.

The market articulates between the economic categories in the integrated economy such that the categories are part of an economic process which creates and maintains a chain of economic roles. These roles function predominantly in the marketing system where they are responsible for the flow of commodities, i.e., consumer goods and resources between the different economic sectors. Thus built into the theory of the integrated economy will be an analysis of spatially and temporally organized sets of marketplaces which channel the flow of goods and services, both horizontal and vertical through different sectors in the economy. The market is the transactional area where the forces of supply and demand converge and are manifested in trading behavior. The market area is the way station in the flow of products between producers and consumers in different socio-economic

levels. The marketing system on the other hand, results in material flows propelled by a series of acts of communication and decision making: people and commodities move between different sites and different socio-economic groups in the area in measurable quantities but not in patterned ways; it is generated through a series of multiple buyer-seller transactions occurring in marketplaces and resulting in distribution in various marketplaces. Theoretically, however, a market for a particular commodity can be posited independent of either marketplace or market area, i.e., simply as a transactional area where the forces of supply and demand converge and are manifested in trading behavior.

If marketing is the major focal point of regularized social activity for large segments of the rural population of developing nations, then it is an indispensable mechanism for social articulations; it serves as an arena for interaction between members of various ethnic groups and classes. The marketplace is not the only mechanism for distribution, but is important enough to reveal the form in which people make products available and acquire products for consumption and embodies the economic organization of each district and locality. But, I should be quick to point out that in as much as there can be an integrated economy with the market articulating the different sectors into a dependency relationship, the entire economic system can be discontinuous, because the economy has different

modes of production as well as different means of channeling the flows of commodities. At the same time, outside the economic sphere, or even the marketing system, processes of articulation and interaction between the different social and ethnic groups can be and are in fact conflictual.

Since a spatially stratified marketing system clouds the heterogeneity that is bound to prevail in a community while also assuming, rather misleadingly, I am afraid, a systematic and patterned flow of goods and services through these markets, the model of marketing which I generate does not posit a hierarchy of marketplaces. Instead, it constitutes a market circuit through which commodities move horizontally and vertically, eventually arriving at urban concentrations through the continual change of hands of a variety of middlement (Mellr 1966: 341; Chayanov 1966: 258; Dewey 1962). There are distinguishable levels of market activity, but the marketplaces are not laid out in a "nested" arrangement where the goods move in a step-like fashion from lower to higher levels of market activity and integration as they approach urban centers. The tracing of commodity flows together with a detailed analysis of the marketing system of an area will provide a focus on the convergence of the interests of social and economic classes and their representatives. It provides a device for looking at the nature of commercial exploitation of one class by another or one ethnic group by another

while also shedding light on the nature of economic mobility for members of different groups. The market system may serve to level or make classes and ethnic groups more distinct.

Having defined the integrated economy and the marketing system, the implications of the definitions are that the models which they generate are not static, structural descriptions of peasant economies and economic exchange (cf. Davis 1973; Dewey 1962; Szantar). Such explanations while providing colorful accounts of the marketplace hardly explain the process involved in the interaction between the production and exchange spheres (the description and analysis of these markets usually being at the marketplace itself and very little information is provided as to from where the commodities sold in the markets arrive and who are responsible for channeling them to the market), the processes and people involved in the circulation of commodities, the nature and amounts of commodities available from within the community and from outside, etc. Improving on the earlier market studies, my model of the marketing system and the integrated economy as processual mechanisms defined the on-going process between separate social groups which vary in their productive roles in their differential accesses to wealth and capital, social status and in political power too. The kinds of economic relationships that result from an analysis of marketing and the flows of goods through sets of sets of economic practices that ensure and maintain production and distribution. The nature of

articulation will help define the community in terms of occupations, productive arrangements and also, the distributive system through which needed commodities are allocated.

The marketplace which is the primary locus of trade, provides an arena where the diverse interests of the peasantry, traders and officials are pitted against each other and exposed. Through marketplaces, certain economic processes are definitely visible and approachable empirically. The commodity flow is a process of socio-economic formation that integrates local and supra-local levels of integration. And the significance of the market lies in the relationship it reinforces in its capacity as a mechanism that facilitates the commodity flows while articulating the different economic sectors into an integrated whole. The concept of commodity flows is not a new one. I borrow the idea from Skinner (1964) and central place theorists (cf. Smith 1975) among others, all of whom look at economic exchange as being processual. Unfortunately, as much as these people are concerned with the movement of goods and services through networks and modes, their conceptual framework of the spatial arrangement of the marketing system immediately assumes commodity flows which are patterned, moving in a systematic, vertical way from lower order markets to higher order ones and vice versa - the movement being determined by the nature of the commodity. It is

my contention however that commodities do not necessarily flow in patterned ways and not all commodities will flow through the same channels. Also, different classes of commodities are demanded in different markets. Thus, my reason for not wanting to look at markets as being arranged in some kind of hierarchy.

In the light of the above discussion and wanting to emphasize the economy as an ongoing process, I propose the model of commodity flows, marketing systems and the integrated economy. This model should be able to guide research into the series of regularized relationship - both conflictual and integrative - between groups of people and levels of institutions of the society. Hopefully, the model opens up new areas in the study of an economic system as a process which helps stress at the analytical level, differences which at the empirical level may be slight.

The research should aim at isolating and then analyzing different kinds of trade - commercial ties, in terms of the kinds of goods moving in and out of the market and the hinterland of an ethnically plural town. We have to ascertain which goods enter the system through production and which are important and the extent and nature of the transactions by which they move through the system to the point of consumption. Here we will have to identify the people who participate in the system; their varied roles as producers, intermediaries, vendors and consumers. At the same time we will identify the various locations of market-int activities.

PART VI

CONCLUSION

This paper has gone too long and the arguments are becoming blurred for that reason. Also, since everything I want to say has already been said, it now leaves for me to say that the best way to handle a marketing research is to regard the marketing system as a primary mechanism for coordinating production, distribution, and consumption activities. When viewed in this manner, marketing would include the exchange activities associated with the transfer of property rights to commodities, the physical handling of products and the institutional arrangements for facilitating these activities. Hence, marketing should be considered as part of the set of activities coordinating various stages in a production-distribution channel. In this context it is useless to try to establish an arbitrary definitional division between "production" and "marketing." For this reason alone, I would rather not subscribe to definitions of agricultural marketing that are limited to the activities that occur after the products pass through the "farm gate."

In the light of the above mentioned, I shall suggest that in strategies for market development in LDCs we must concern ourselves with the micro-behavior of participants in agricultural-production distribution systems and the more macro consequences that occur over time and space and which affect the well-being

of various participant groups, such as consumers, retailers, wholesales, processors, assemblers and farmers. I am not suggesting that the performance of agricultural marketing systems is more important than the performance of many other aspects of the economic system. In fact it is my belief that a substantial complementarity exists within the economy: poor performance in one subsystem of the economy limits the potential performance of another. Thus the interrelationships among the subsystems of the economy becomes very important, and meaningful analysis for planning is not easily bounded. Recognizing this I have adopted the integrated approach.

Much of the research that has already been done in rural development has convinced me that the interdependency considerations that are being proposed in this paper are critical in understanding the improving the performance of the marketing system in particular and the agricultural production-distribution system in general. For example, the development of low-cost food retailers in low income neighborhoods is dependent on the assurance that a market will exist for his services. Thus, neither the lower cost retailer nor the wholesaler institution is likely to develop in isolation. Both must move together, although either may initiate the movement toward an organized wholesale-retail chain.

Future Research Needs

There are several areas that can be identified for greater attention in future research. Probably the most fundamental issue that has captured the attention of the international development community centers around the observed ineffectiveness of past development programs to improve the relative, or in some cases, the actual well being of the poor majority in the LDCs. In the poorest countries there is a high concentration of the poor in rural areas and the rapid migration of the rural poor toward urban centers creates serious employment and related social and political difficulties. As a result, there has been a significant policy reorientation in international development assistance agencies and in many of the less developed countries. And while there is a continuing debate over the appropriate strategy for promoting the desired rural development, there is general agreement that the fundamental issue is how to promote both growth and equity.

In this context the question arises as to how changes in marketing institutions might make greater contributions toward improvements in economic and social conditions in rural areas while also contributing to broader goals of holding down food prices to families in rural and urban areas. To support such an objective, additional field research is needed to identify

alternative opportunities for improving the effectiveness of rural marketing systems within more comprehensive rural development programs designed for particular country situations. Primary emphasis is needed on better understanding the micro relations of both agricultural production and marketing in rural areas, and to explore the equity and efficiency implications of alternative marketing arrangements. It is essential to better understand how the effectiveness of marketing services influences supply response. For example, what effect does market information have on market risk and uncertainty associated with both small and large farmers' adoption of new agricultural production technology and farm level enterprise selection? There is the critical question of understanding the role of local input marketing services in reducing costs, as well as risk and uncertainty, associated with obtaining and correctly using new agricultural production inputs. There is also the question of learning how to better coordinate planned output expansion with market demand potential, even though there is generally very inadequate information regarding characteristics of demand. This is particularly important for many of the rural development schemes which seek to raise small farmer income via high level crop production such as fruits and vegetables, and meats. High marketing costs, risky market transaction channels, and under-specified quality characteristics for these products can quickly dampen price and other demand incentives for farmers, especially for smaller ones who tend to have less individual control over marketing methods and higher marketing costs due to smaller unit sales.

In order to develop the broad analytical framework which is needed to understand the equity and growth concerns, it is necessary to focus on the operation of the marketing system in terms of the distribution of wealth and income; access to government services, and political power; social status and organization; geographic considerations; and technical performance.

There is a growing interest among other social science researchers (geography, anthropology, sociology and political science) in exploring various aspects of the rural community that might be relevant to the development of more realistic and effective development efforts. This suggests an opportunity for increased collaboration or at least a greater degree of communication and coordination between marketing economists and other social science researchers attempting to deal with the very complex rural development issues which include marketing institutions.

Another area of relative neglect is the back flow (or within rural area flow) of food, other consumers goods and agricultural inputs through a hierarchical set of trading arrangements which link individual farmers and small villages to larger villages, and to major urban centers. The effectiveness of this portion of the agricultural marketing system can have a major impact on the well-being of rural people and on the growth and development of economic activity in rural areas. For example, there is a

need to understand how the type and effectiveness of marketing/distribution services influences the mix and quality of foods marketed in rural areas, and how these services influence farmers' ability to specialize in fewer enterprises. Recently, researchers have begun to focus on understanding rural demand and consumption linkages for nonfood inputs and consumer goods. These are an important source of demand for industrialization if products are well matched to local effective demand characteristics. However, more research is needed to understand how to promote the organization of lower cost mass distribution services of these products to rural and urban consumers.

Yet another area for future research is exploring the relationship between nutrition and marketing services, and their combined effect on the welfare of different consumer and producer groups. Nutrition studies are increasingly being redefined to include a broader set of variables instead of the isolated factors of health or macro food supply. When subsistence rural households are encouraged to increase their cash incomes by producing food and/or cash crops for sale, improved nutrition may be achieved only if necessary foods are available at reasonable costs, and in nutritious and consumable forms for purchasing by these households. Obviously, the extent to which rural food distribution services are in effect and high cost will influence both the quantity and quality of products available locally as well as reduce the real purchasing power of rural consumers.

At the same time, it is well established that the large and rapidly growing group of low income consumers in major urban centers of the LDC countries allocate high portions of their cash income to purchased food which they tend to procure from small scale urban retailers located in marketplace stalls and neighborhood shops. Among all urban food retailers, however, these smaller scale merchants tend to have higher costs of operation and more difficulty coordinating with urban and rural wholesale suppliers for the provision of the mix of foods demanded by their customers. Unfortunately, this group of small urban retailers have not received adequate research and development program assistance, while the urban marketing reforms undertaken have tended to benefit larger scale retailers and wholesalers who serve middle and high income consumers. There is a need for research to determine how small scale food retailing in both rural and urban areas can be improved through managerial and technological innovations which reflect each country's labor and capital endowments and which contribute to more effective vertical market channel coordination linking small scale merchants and farmers.

Public and semi-public enterprises play an important role in the agricultural marketing systems of many less developed countries. Their functions often involve the purchase, storage and distribution of large volumes of domestically produced staple food commodities and the importation of additional food supplies. In several instances, parastatal enterprises have a central role in the development of export oriented agricultural commodity

systems. Due to size and nature of these public enterprises it is difficult to achieve and maintain high levels of economic performance. There are the usual internal organization and management problems that should be attended with a continuing applied research and educational program. But there are larger, more troublesome problems regarding the appropriate role of the public agency in relation to the private sector, the distortion of real price-cost relationships through the use of taxing and subsidy powers and the ever present possibility of political manipulation and corruption where large amounts of money and commodities are being handled. This is an area that needs careful evaluations through a series of case studies from which a set of guidelines might be derived for the organization and operation of parastatal enterprises within a more global food system development strategy.

It is obvious that everything cannot be taken into consideration in analysis and planning; there must be some bounds. To start of then, the system should be first defined in terms of direct market participants (consumers, retailers, wholesalers, assemblers, processors, truckers and producers). The research can then be expanded, depending on the country studied, to consider external elements which are felt to most directly affect the performance of traditional marketing participants. Within this framework, the relevant objectives for market development work would be:

1. To achieve an abundant nutritious and reliable food supply at economical prices. A variation of this objective is to stimulate food production and distribution to provide nutritionally adequate diets for all,
2. To promote and facilitate the production and distribution of the combination of foods and related services that best reflect consumer performance and the relative production costs,
3. To stimulate the development and adoption of appropriate technologies and organizational arrangements that will lead to increased resource productivity in all aspects of food production and distribution,
4. To stimulate the creation of productive and remunerative employment opportunities,
5. To increase the level of farmer income,
6. To create the conditions necessary to ensure the development of equitable and competitive exchange relationships in agricultural markets,
7. To discourage the uneconomic uses and spoilation of natural resources and the environment.

The question of small farmer access of markets should be the principal focus of the investigation, forcing analysis to relate to all questions of market structures and market participa-

tion. As such then, what is desired is a shift away from pure market efficiency questions to equity questions from the point of view of the disadvantaged small farmer and the rural poor.

Within the above mentioned analytical approach, research should be directed to the following:

1. An analytical description of the purpose and output of the marketing project - i.e. whether, for instance, the aim is to set up a marketing cooperative and if so, what kind (A.I.D. for example is trying to work out on a livestock marketing cooperative in Sudan; there is another project going on in Thailand on setting up a rural financial market which will provide the small farmer with credit facilities),

2. A roster of the marketing problems to be considered. From experience I think one of the serious problems marketing projects are facing is the lack of any focus on the kinds of problems that prevail. It is here that I have found it most useful to think of the integrated economy and the market as an articulator of the integrated economy. It is no use talking of how poor the infrastructure is and how an improvement of the infrastructure will help ease small farmer access to the market if we are not concerned with, say, the nature of ethnic participation in the marketing system,

3. In depth case studies which will provide the data needed on existing marketing problems and patterns. In addition, case studies will help fill the gap in information available through existing literature and studies and projects.

The data thus generated, combined with available existing information will provide the foundation for the development of a set of useful generalizations about social and economic trade-offs inherent in alternative marketing systems implemented in the various socio-economic environments.

As an extension of the integrated approach, the complexities of the marketing system and the interrelationships between economic activity, the legal system, the culture, communications, etc. leads to the concept of an inter-disciplinary team approach for research organization. There is, at the same time, a need for the simultaneous presentation of data. Economists, for example, often say that they cannot use the microscopic data of the anthropologist for policy purpose; likewise the anthropologists tend to ignore the macro effects of the marketing system. In both cases, each discipline has tended to reject a useful body of knowledge for understanding the needs of the small farmer. When forming a team therefore, each discipline should make an impact from the beginning of the project design stage.

The choice and size of the task force will depend on the budget and the specifics of what is to be studied. Nevertheless, experiences show that often a newly created institution develops its own interests, quite different from those who it was designed to serve.

In formulating marketing policy, I suggest that a target group or groups be identified (eg. the small farmer versus the large farmer). Each group has different types of problems. In addition, national goals and objectives would vary from group to group. Once it is known what a government wishes to accomplish, with say small farmers, the possible contributions of the market systems towards the fulfillment of these objectives can be spelled out. When designing market policy, the existing traditional institutions and their functions should be understood and accounted for in any proposed change.

In terms of project intervention we have to probe the marketing process at different levels of operation with different tools of analysis seeking insights into the operation and structure of the system and its resulting performance. Suggestions of the different levels are:

- (i) The task environment of the small farmer - here we use case studies and the anthropologist.
- (ii) A profile of the small farmer in relation to a system bigger than his community itself. A case study should be able to provide this information but at the same

time we will need the help of the political scientist to focus on the kinds of power relationships between the community and larger national institutions. The agricultural economist can focus on the impact of production on the markets.

- (iii) Marketing institutions. At this level we need the combined effort of the entire task force. The anthropologist shall look into the different kinds of relationships between market vendors, between the different markets in the system and in the region; the political scientist will still focus on power relationships but at a broader and higher level; finally, the agricultural economist will show the way in which the entire marketing system works.

Forcing analysis at different levels we are able to see how the market articulates itself with the region, the nation and even the international scene. This then will provide information on constraints to the marketing system and/or how to plan out the appropriate strategy for intervention i.e., do we concentrate on the level of the local markets and try, for instance, to provide credit facilities to the small market farmer/market vendor or do we instead plan to integrate the local market to the larger economy so that the farmer has access to a bigger demand for his produce.

All said and done, the problem of market development is not a simple one. Comprehensive marketing reform programs like many other basic economic development activities can only be achieved over a long period of time. Also, a meaningful market reform is no easy task, a substantial intellectual commitment has to be made by everyone concerned. Scarce human, financial, and political resources must be allocated to programs which are often institutional, rather than physical in nature. Continuity and commitment are critical. The task is challenging, but the rewards, I believe, are exciting.

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