PN-AAK-866

Agricultural Marketing in Rural Development.

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Prepared for the Office of Rural Development

U S A I D

February 1979

BIBLIOGRAPHIC DATA SHEET

1. CONTROL NUMBER: PN-AAK-866

2. SUBJECT CLASSIFICATION (695): AE70-0000-0000

3. TITLE AND SUBTITLE (240)
Agricultural marketing in rural development

4. PERSONAL AUTHORS (100)
Narendran, Vasantha

5. CORPORATE AUTHORS (101)
AID/DS/RAD

6. DOCUMENT DATE (110): 1979

7. NUMBER OF PAGES (120): 18 p.

8. ARC NUMBER (170)

9. REFERENCE ORGANIZATION (130): DS/RAD

10. SUPPLEMENTARY NOTES (500)

11. ABSTRACT (950)

~~Socio-economic development~~

12. DESCRIPTORS (920)
developing countries
agricultural development
rural development
marketing

13. PROJECT NUMBER (150)
931 1192 00

14. CONTRACT NO.(140)
~~DAN~~ DS/RAD

15. CONTRACT TYPE (140)

16. TYPE OF DOCUMENT (160)

AID 590-7 (10-79)

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AGRICULTURAL MARKETING IN RURAL DEVELOPMENT

The role agricultural marketing can play in economic development is the major theme of this paper. This is a relatively neglected area in development planning, in international cooperation and in scientific research. As such this paper has three objectives:

I. To begin to identify what can and is being done to stimulate development of rural market systems,

2. To identify research needs in this area,

3. To suggest tentative policy implications which will benefit the rural market participants while contributing to overall economic development.

Marketing, I shall define as resulting 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 occuring 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 are manifested in trading behavior.

This paper combines into a single framework the notion of an

integrated economy and the market as an articulator of this economy. Briefly stated, the integrated economy calls for looking at a multi-ethnic society as an arrangement of multiple levels in which people circulate between the different levels and sectors of the economy which while complimenting one another fulfill differentiated roles and contribute to a division of labor necessary for exchange to take place.

Many of the studies of the kinds of peasant markets I am interested in have placed inordinate emphasis on the socio-economic personalism prevailing in marketplaces. I want to, on the other hand, propose that markets should be studied within the context of both the production and exchange spheres. The resultant analysis that emerges will help understand how the market articulates between social groups which vary in their productive roles, in their differential accesses to wealth, capital, social status and ethnicity.

In short order then, and as a result of working on marketing projects in A.I.D. I have found it best 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, wholesalers, 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 complimentarity 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 symposium are critical in understanding and 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

development of an effective wholesale institution and the development of such a wholesaler is largely 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.

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 to markets should be the principal focus of the investigation, forcing analysis to relate to all questions of market structures and market participation. 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 loci:

I. 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 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. To take as an example the Guatemalan case - here we have both Ladino and Indian participation. The former, because of their relative position in the social and economic hierarchy are able to control very many resources in the production and distribution spheres. The latter, on the other hand, are subsistence farmers, plantation workers - many of them, in general, provide wage labor. Now, if the target group is the rural poor and one of the strategies for improving the situation is to be initiated through a marketing project, it would serve no purpose at all, if plans are to set up a marketing cooperative: the Ladino's position will only be further heightened. A better strategy then would be to improve the nature of land tenure so that the Indian could be encouraged to cultivate a "surplus" for the market. Following this, the market project should be structured such that more Indians participate as intermediaries in the distribution system of the produce they cultivate or manufacture. All this of course involves a very touchy political issue

and as an academic exercise is far easier to manipulate than when dealing with the actual situation. Be that as it may, being aware of ethnicity and the way it affects and is affected by the economic structure is a good starting point.

Let me give another example. In Malaysia too we have multi-ethnic participation in the economy: A situation which has over the years, been misleadingly labeled as a 'dual economy'. In the market where I did my research, the Chinese provided the capital for the Malay market vendors who were all, with the exception of a countable few, earning marginal profits which on the other hand they were willing to accept. Resources other than capital is extremely limited in Pasir Mas and if a supplementary occupation was not sought in the market or in a market related role, labor would go unused and incomes would not be sufficient. I should also mention that land consolidation in the hands of a few 'noble' families is taking place. This has left people constantly moving in and out of the production sphere. This movement is not a result of the shortage of land for cultivation. There is in fact a good amount of land lying idle. The system of land tenancy, however, leaves much to be desired, if I might say so, being a Malaysian myself. Land tenure is based on the <u>bagi dua</u> in which the tenant pays the landlord half the harvest, as rent. The landlord provides the land and one bag of fertilizer per rice field; the tenant provides the labor, extra fertilizer and all other incidental costs. The bagi dua does not provide the cultivator with even enough of the staple grain which he cultivates.

So the farmer moves into the market, during the off-season when the crop is maturing, sets up a small stall and stocks up his inventory on credit provided by the Chinese retail store outside the marketplace. The market vendor provides the labor to man the additional retail outlet for the Chinese while the Chinese provides, by extending credit to the Malay, an opportunity for the Malay to seek an additional source of income. Now, because of the very structure of Malaysian politics where ethnicity has been extremely sensitized, attempts are being made to reduce Chinese participation in the economy, especially in the rural areas which are predominantly Malay in population. The arguement that is being made is that the Chinese are exploitative and if the rural folk need credit to set up their market stalls, then rural banks should be set up. It is all good and well to set up rural banks and hopefully increase the amount of money in circulation. But, the whole purpose is defeated if the rural bank cannot give out small amounts of say less than fifty ringgit and if collateral securities are needed in all cases. Eliminate the Chinese and the problems will only be shifted to another level.

I hope the above two examples are clear enough to show why it is necessary to carefully think out what the particular problems are. It is only when the problems have been carefully looked into that we will be able to come up with a preliminary strategy for designing market interventions appropriate for improving on the marketing situation.

3. In depth case studies 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. Case studies will also be helpful in explaining the behavioral aspects of the target group.

From time to time, one comes across project proposals calling for the improvement of marketing systems so that more food is channeled into the urban areas. The farmer is not going to increase his production, assuming of course that he has the resources to do so, to feed the urban populace if he feels that he is not getting a fair enough price. Also, as much as these people are in the rural areas where the mass media is not well developed, they are often well enough informed of prevailing market prices. As John Lewis discovered in his fieldwork in Mali the herders in the deserts knew what the selling price of the cattle was across the border in the Ivory Coast. We are dealing with people who rationalize their choices according to their needs and unless we make ourselves aware of these needs and the range of alternatives they are willing to accept, it is pointless talking of developing a marketing system. To give another example, once again from Sahelian livestock marketing: it will be a waste of resources to encourage the Dinka and the Nuer to sell their cattle - even if the price of beef in Khartoum was high enough to provide an incentive - because as we all know, cattle, to these Nilotes, is a very important inflation proof source of property. The only solution in this case will be to develop a market for imported, frozen beef and to encourage the herders to grow sorgum during the rains.

In the above mentioned cases and in every other situation, case studies are important to explain the very being of the target group.

In depth case studies not only provide important information on the cultural and social patterns of the target group, but they also help comprehend the different kinds of relationships that exist and which affect the marketing system. When I set out to study the marketing system in Pasir Mas, I had no idea of the kinds of articulation that exist and which influenced not only the markets and market participation, but also the economic system in general. The relationships that I am referring to are the following:

(i) The relationship between the production and exchange sphere. In the rural sector it is extremely difficult to distinguish between producers, distributors and consumers.

The market is not a purely physical structure where people come to sell their surplus. It is an institutional fretwork which helps maintain the local economy, of scarce resources, from collapsing. When there is a surplus of labor in the production sphere as say during the off season, people will tend to move into the market in search of employment. The market then has the capacity to convert idle labor into wage labor. A market vendor does not need large amounts of capital to set up a business because, (i) the inventory is usually very small, and (ii) informal credit facilities are available.

In nearly all the rural markets in LDCs there is a fair amount of "involution," a process in which one economic role can borrow an

inventory from another economic role without the transaction having to involve any cash flow. Let me give an example. In Malaysia, the wife of the cultivator might go to the market with a few sen, loan an inventory of a few kinds of vegetables from a good friend and sell the stock. The profit she will get will probably be no more than ten percent of the total cost of the inventory. That which is interesting is not the fact that she will be able to earn only ten percent of the total cost as profit but that she was able to make this ten percent without even having made any initial capital investment -- all she needed was her labor, time and a good network of friends who were willing to loan out part of their own stock.

The market is not only able to absorb extra labor but it can also withstand a decline in the number of participants as when people have to return to their fields. At the same time, all these markets in LDCs have a multitude of market roles and people are moving from one role to another depending on the situation and the amount of resources they are able to spare.

Being flexible enough to absorb and dispel labor, the market becomes the primary source of employment for the rural labor force, especially in those areas where out migration is very limited.

Thus, the market is very much part of the production sphere as it is of the distribution sphere. In the case of the Malaysian example, the market not only articulates between production and

distribution but between different ethnic groups too. In addition, it absorbs surplus labor from the primary sector and provides this labor with capital which it receives from the secondary commercial sector as when the market vendor who is also a cultivator sets up a stall which is stocked by the Chinese trader whose economic activities would categorize him as being part of a secondary sector.

(ii) The relationship between the primary sector and the secondary sector - this is why I contend that the market provides the institutional fretwork for combining (a) capital (which as in the case of Malaysia filters in from the secondary commercial sector, usually by way of a loan in kind of the manufactured and non-perishable, non-agricultural items sold in the market), and (b) labor which is provided by people who are from the primary agricultural sector.

(iii) In conjunction with the other two relationships is the relationship between ethnic groups and other different social groups.

(iv) Then of course, there are kinds of relationships existing within the market itself - the kinds of socio economic personalism that affect trading patterns.

(v) The spartial temporal articulation of the different markets within the system itself. It is important to understand the locational arrangement of the markets. To get back to my own field experience, there were 9 markets in the district. In addition, there were 3 other markets which had become defunct because they

were not located close enough to the railway tracks. In Pasir Mas, the major means of transport for market produce is the train. So although the 3 defunct markets were located along the main highway, they were no longer operational because of the higher transportation costs. Thus, in Pasir Mas it was important for the market to be located close to a railway track and not along a main highway. Then, there was the case of one of the markets being located near the national boundary with Thailand. In terms of level of market activity this market was a secondary market but because it was located near the border and there was unchecked smuggling, one could find in this market all kinds of manufactures which were not available in the other secondary markets.

How the markets are arranged in relation to one another also affects the pattern of commodity flows. Contrary to what the locational approach of Carol Smith et al. states, I found a good amount of horizontal exchange between the secondary markets. Generally, in most cases, commodities did not flow in a systematic way through a hierarchy of markets and so it was very relevant for me to map out the position of each market in relation to (i) transportational routes; (ii) points of production; (iii) urban centers; (iv) markets of higher activity and so on.

While working on the arrangements of markets over space, due concern should also be given to the temporal articulation of the markets, (i) what is the nature of periodicity; (ii) whether the

market days are conflictual; (iii) whether the same traders serve all the markets; (iv) what is the nature of the market circuit.

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 our 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 a multi-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 will 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 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.