

West Bank, Gaza Cooperative Development Proj.
Contract Number ANE-0159-G-SS-6020-00
Marketing Training Consultancy
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Agricultural Cooperative Development Int'l.
September 1987

PN-AY-604

KN 53022

Consultancy Report

M A R K E T I N G

Education, Training and Market Development

April, 1987

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- No 10 - Major Products Produced in Jordan and West Bank which are in Over Supply
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A. Introduction

This consultancy, authorized by Agricultural Cooperative Development International, is directed to assist the Cooperative Development Project serving the Occupied Territories known as West Bank and Gaza. This assignment was initiated January 11, 1987. The consultancy report is directed to review progress on the following terms of reference.

1. Assist selected cooperatives to develop and implement a more effective approach to local markets.
2. Prepare complete training design and necessary materials for courses in marketing.
3. Carry out training courses as requested.

The activities of the assignment did not fully conform with the terms of reference due to a number of developments within the Project and the organizations with whom the Project is associated. In general the activities of the consultancy were denoted to three general programs. The first consisted of an attempt to develop a pilot market operation within the West Bank domestic market area as a demonstration and a training and education exercise. The second activity was the development of education and training material to be used in marketing seminars for the agricultural cooperatives. The third activity was the

preparation of information essential to the development of market operations by the cooperatives pursuant to recommendations contained in the marketing consultancy report dated September 1986. In general these activities serve to address the terms of reference and will be discussed in the text of this report under the headings of Domestic Market Operations, Market Education and Training and Updating Cooperative Marketing Development.

An addendum titled "Cyprus - Cooperative Marketing and Training" is enclosed. This study conducted April 13 and 14 is an evaluation of the agricultural cooperatives and their operations. They are engaged in a successful marketing program and have offered to provide a visitation and training program for people from the West Bank representing the cooperatives who will become involved in a marketing activity.

B. Domestic Market Operations

In reference to the Marketing Report of September 1986 it was suggested that the West Bank domestic market offered an opportunity for a cooperative market operation. This remains a most valid recommendation. The first activity of this consultancy was to determine what cooperative or cooperatives could be involved in this program. Meetings were held with leaders in the agricultural organizations of the West Bank. Discussions were developed on a specific retail market operation. Also considered was the organizational structure, how it would be funded and how it would be managed. Material was developed on each of these subjects. Refer to appendix No. 2 parts 1, 2 & 3.

Midway in these discussions four small cooperatives were selected to consider a retail market operation. Bethlehem was chosen as the market center to serve the interests of these associations. The cooperatives were selected in such a manner that products they produced could provide a maximum selection of products for the customers and a wide range of seasonal production. It was also planned that other cooperatives would be invited to furnish products on a "custom" basis that would provide an even greater range of selection and season.

All of the operational procedures were discussed as well as the physical facilities that may be required. It was agreed that the operation should have a modest beginning in order that financial requirements could be kept to a minimum. Important also would be a need to train and educate all who would be

involved. This would apply as much to the few employees and their performance as it would to the farmer members.

At present, the individual members and their families are generally selling their own products. Thus a cooperative market activity was a new concept. Questions had to be answered how each member would be treated in order to get a fair recognition for the quality of the product and a fair accounting for the sale proceeds. They recognized the benefits of the cooperative market. The members are in the habit of starting very early each day to prepare their products and arrive at the market and be prepared to sell when the market opened. This involved primarily the women of the family. The members realized that if the marketing could be done for all members by one or two people the women could remain at home and tend to household and family work. Some could help in the fields, especially if the man of the family had a job in the village.

The most significant benefit that the retail market project offered was a full time professional sales person who could grade and attractively display the products and sell at the full market price. The individual members doing their own selling are in competition with each other. Further there has developed a general practice of customers waiting till late afternoon to make their purchases. At this time the women selling the family produce are obliged to sell at any price in order to go home and tend to their home responsibilities. They could not take with

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them their product which has already lost much of its fresh quality.

Two representatives from each of the four cooperatives were involved in the first meetings. Specific material was prepared for their consideration. As noted it was agreed that the retail market operation would be established at Bethlehem. The representatives decided to hold a meeting with each cooperative and involve the full board in the discussions. The meeting with the first cooperative was positive and constructive. The second meeting, however, was attended by a merchant living in the village. He discouraged the project, claiming the members were getting a satisfactory marketing service by selling to him. The members did not wish to alienate themselves from that marketing service. They perhaps could not fully appreciate the value of their own marketing service. Some political relations could also have been involved in their decision.

Thus after thirty days of effort the retail market project was placed on "Hold". This does not mean that the concept of a cooperative retail market in the West Bank is not valid. It does mean that very careful advanced planning is essential. It also must be recognized that nearly all levels of the market operation are now served by merchant buyers, wholesalers, and other middlemen. They are well established, well financed and are influential people. They are experienced, professional and in a position to provide the farmers credit and a full line of input supplies. They have a very profitable business and are unwilling

to relinquish their position. More will be developed on this subject later in this report.

The next effort to consider a cooperative market operation has been initiated with one of the larger cooperatives that has been established for many years. It was organized as a marketing cooperative but has never engaged in a marketing function. Initial meetings with the management and board members have been held. They have been most positive in their interest to engage in specific operations that would involve shipments to several market outlets. They want to have all market activities conducted in the name of the cooperative and by the cooperative. They wish to have the CDP provide market training seminars for their members and help to establish a system of grades and standards for their products in conformity with market requirements. They are in the process of building two small grading and packing centers. Hopefully the two grading centers will be completed in 1987 and ready for use starting January 1988. This will provide ample time for a thorough development of grades and standards and the training programs in grading, market procedures and market disciplines.

As noted, the plans are to undertake initial market operations at different levels. One would be in the domestic market of West Bank. Another would be an international shipment to the European market. The third may be a market operation by the cooperative in the wholesale market of Amman. There is a no better medium of training than an actual market operation. It

is, however, imperative that the operations be successful. This will require very careful preparation and planning. This will also involve detailed instruction and training. In this report CDP will have a major responsibility.

C. Market Education and Training

One of the major objectives of this consultancy was to develop some market information material that could be used in the market training seminars. This material has been prepared in nine segments and is included in appendix No.1 parts 1 to 9. Each part or subject can be the basis of a seminar session and a training exercise.

In the marketing report submitted September, 1986 it was emphasized that the marketing training seminars should follow the training programs on cooperative corporate organization and cooperative operations. These seminars have been in operation since the beginning of January 1987. They have been presented to the directors and managers of selected cooperatives. These seminars have been very successful and will be continued and extended to all cooperatives who desire to have this training.

The success of the training programs has been due to careful preparation of the material and the professional manner it has been presented. Mr. Daoud Istanbuli and Mr. Omar Daoudi are the two Palestinian men who are conducting the seminars and who assisted in the preparation of the materials in Arabic.

As soon as the director and manager training programs are presented to a cooperative it is important that they be followed by the training programs on marketing. The organizational and operational seminars assists in the development of a corporate vehicle and its operation. The next step is a commercial use of

the vehicle such as to engage in a marketing program. It follows, therefore, that the marketing training material prepared for this report will need to be carefully prepared in Arabic and adapted to the specific seminar presentations.

The congested schedule of CDP activity during the period of this consultancy has not allowed time to prepare the marketing material in Arabic and to carefully adapt the training aids. The audience participation exercises need also to be developed. A Palestinian person needs to be designated to assist in the presentation of the marketing seminars. It would also be recommended that a fulltime expatriate marketing specialist be added to the CDP staff. The marketing specialist in cooperation with the Palestinian counterpart would function to guide and assist the cooperatives in their marketing operations and perform studies of the overall marketing problems. He and his counterpart could assist in the development and coordination of a unified marketing strategy for the West Bank and its relation to the Jordan marketing activities. The specialist could also assist in the development of the infrastructure of an overall marketing program. These could be product grades and standards, packaging, market information, intelligence, communication, new product introduction, perform economic feasibility studies for new programs of facility operations, investigate market development opportunities, prepare advanced training programs and arrange out of country training programs in market operations.

In general the development of a successful cooperative

agricultural industry will depend upon a continuous and long range program of education, training and operational assistance. Conditions in the market place are never static. Adjustments need to be made in cooperative operations to meet these changes. This requires modification in production, operations and market strategies.

D. Updating Cooperative Marketing Development

In the Marketing Component report dated September, 1986 it was noted that data was obtained from the Ministry of Agriculture and the Ministry of Occupied Territories concerning the production of agricultural crops in Jordan and the import and export of crops into and out of Jordan including from the West Bank and Gaza. All this data was included in the appendix of the report. In this consultancy some of this data was analyzed and prepared for a consideration of the marketing problems of the West Bank and Jordan. Reference is made to appendices No's 4 through 10 of this report.

Shipments to Jordan from the West Bank for the years 1981 to 1985 and the percent of the Jordan consumption these imports represent are presented in appendix No. 4. This data suggests that except for citrus, watermelon, melons, grapes, onions and banana, the West Bank products represent less than 10 percent of Jordan consumption on an annual average. Some of the major crops mentioned above show a declining annual volume exported to Jordan (citrus, melon). Only watermelon indicates an increased volume.

Appendix No. 5 indicates the volume of product from Gaza imports into Jordan. This is primarily citrus. The volume of this product is about three times the volume exported from the West Bank.

East Bank and highland production in Jordan is tabulated in appendix No. 6. This data is presented in dunums (4 dunums per

acre) and production in tons for the selected years 1981 and 1985. The change in dunums and production in this four year period is indicated numerically and as a percentage. The number of dunums increased dramatically except for cauliflower, chickpeas, fava beans (dry) and tomato. The rest of the crops showed increases up to 78%. And except for peppers the increases were substantial for all crops.

The production data is even more significant. Only okra, fava beans (dry) and chickpeas showed a decline in production. All other crops registered changes from 12.8% to 81.9%. Melon, garlic, potatoes, watermelon, tomato, peppers and green beans increased in volume over 50%. Current data for 1986 indicates both increased dunums and production.

Appendix No. 7 shows the importation into Jordan of fruits and vegetables other than from the West Bank and Gaza for the years 1981 through 1985. Except for turnips, melons, sage, apples, peas, cherries and apricots the imports are declining. The only significant increases were for peas, cherries and apricots. Irrespective of increases or decreases the only large volume products are apples, potatoes and onions, all others are less than 5000 tons per year.

Appendix No. 8 is a further view of agricultural products imported into Jordan for the years 1981 through 1985. Also presented is a comparison of imports to domestic production. Significant in this data is the inclusion of cereal grains to be used for human consumption and feed grain for livestock. Wheat,

corn, and barley are in major volume and only modestly offset by domestic production. There is also a significant importation of red meat and live animals (not shown). Related to agriculture there is reported an import of 95,000 tons of sugar per year.

Appendix No. 9 is a summation of fruit and vegetable exports from Jordan for the years 1981 through 1985. During this period there was a consistent volume of product exported to other countries, primarily to Arab states. The volume of product is also significant. Citrus, tomato, cucumbers, eggplant, pepper (sweet), zucchini, lettuce, cauliflower, melon are all major products that represent many of the items grown in the West Bank.

Appendix No. 10 is a view of some of the major vegetable crops produced in Jordan and the West Bank which are in over supply of the normal demand for both domestic use and export from Jordan. This data is for the years 1981 through 1985. For all these products, except tomatoes, the Jordan production is the major supply. In fact the West Bank did not export any pepper or zucchini to Jordan. The data showing the percentage increase in production, comparing 1981 with 1985, indicates a major increase in the Jordan production and a decrease in West Bank export to Jordan. The 1986 crop data further accentuates the increase in Jordan production.

The data presented in appendices No. 4 through No. 10 has been presented to indicate the changes taking place in the production and marketing of agricultural products of West Bank, Gaza and Jordan. The data also indicates the problems now facing

the West Bank and Jordan and emphasizes the fact these problems are going to become more acute. Many people are aware of these facts and have a genuine interest in considering how they may be approached.

A visit to Amman was made March 23 through 26. Conferences were held with officials of a number of government agencies and private merchants that are directly involved with agriculture. Refer to appendix No. 11 for the agenda of the Amman meetings. These conferences identified the major problems and suggested some basic conclusions. They also indicated some courses of action. It was gratifying to note that action has already been taken on several issues.

There is common agreement on a number of facts. Since 1970 there has been a continuous development of the Jordan River East Bank area. Starting at the Jordan Syrian border a comprehensive irrigation and land reclamation system has been undertaken by Jordan. The project has now reached a point opposite the north shore of the Dead Sea and the main canal is being extended further. The lands placed under irrigation have been planted to many crops. Some of the land is in full production, but most of it will continue to contribute to an increased production for many years.

There has also been a general program of development of the Highland areas both north and south of Amman which will add significantly to traditional lands already in production in these areas. Water for irrigation of much of these new lands has

been developed.

New irrigation and production technology has been added in recent years to all of the production areas. Production projections for the future will have to be adjusted.

On the West Bank of the Jordan river and in Gaza the opposite story is being developed. Land suitable for agriculture is declining. Major factors contributing to this reduction in productive capacity would be (1) land confiscation and development by Israel, (2) water sources from wells and springs acquired by Israel, (3) no permits granted for new wells or water development, (4) restrictions placed on amount of water to be taken from wells still in use, (5) encroachment of salinity in many soil areas due to scarcity of water for flushing out salts from the soil and, (6) restriction of market and low profitability. These factors and more will continue to restrict and erode the production of agricultural products in the West Bank.

As each year passes the West Bank and Gaza production will also find it more difficult to insert their product into the Jordan market which is facing a rapid increase in Jordan production. Already some commodities are not granted entry permits. However, the Amman conference did confirm there is a general agreement that the West Bank is still considered a part of the Hashemite Kingdom. All of the government agency spokesmen agreed that there is an obligation to be involved in the marketing of West Bank products.

This leads to the general premise that the marketing of the

products of Jordan and the West Bank is one problem and must be jointly addressed. Helping to solve the marketing problems of Jordan will also serve to solve the West Bank problem. This is encouraging, for the West Bank has the added problems caused by the absence of a government, no marketing organization, and no infrastructure of industry assistance at the present time. There is an urgent need for the prompt development of the marketing cooperatives and the organization of a representation to the marketing discussions with Jordan.

The market strategy for the West Bank will have to be a multiple of activities. The first will be a complete cooperative participation with Jordan in all phases of their plans and programs of adjusting potential. Only in this way will the West Bank production be properly recognized and accommodated.

The next West Bank activity must be an immediate program of developing the cooperatives' capability to engage in a marketing operation. This will require education and training of each cooperative to be involved. Included in this program should be the objective that the cooperative must be an effective and professional commercial enterprise. They will be participating in markets that are now served by a well developed market structure and where the competition demands a high degree of proficiency. From the standpoint of the Cooperative Development Project, this implies the capability to provide adequate support for training, education, and technical assistance.

E. Summary

The summary of this report must first identify the major marketing problems facing the cooperatives of the West Bank. The solution of these problems will be difficult and will take many years of dedicated effort. The Cooperative Development Project can play a major role in the approach to some of the problems. Its stated function is to provide training, education and technical assistance. It has already demonstrated the essential value of this assistance and the manner in which it can be provided. It is still to be determined if its capacity will be sufficient to meet the needs.

The problems of West Bank agriculture and in special reference to cooperative development can first be introduced by stating that even though land and water resources have been seriously reduced since 1967, the production of agricultural products is in excess of domestic use. Much of it must seek an export market.

Export markets to Jordan are controlled by quotas, dates of entry and procedures of entrance. There has been a decline in the total amount allowed to enter for some crops. Based upon production trends in Jordan it is to be expected that there will be a continued decline in the volume of exports to that country.

Exports to other Arab countries are also declining for both Jordan and the West Bank products. Exports to markets other than the Arab states, such as to Europe are difficult and politically complex markets to serve. Although some improvements in the

accessability of their markets are indicated, there must be developed a high degree of cooperative performance and capability to serve these competitive and world class markets.

Exports of West Bank products into the Israeli market or through Israel to the export market is prohibited except for occasional shortages in Israel production and except for a minor amount of West Bank product that may be allowed to be included in export shipments under Israeli label and documents (Agrexco).

Israel is free to import products into West Bank domestic markets without any restriction of price or volume. Many of these Israel products have the benefit of subsidies while West Bank products have no price support.

The agricultural products of the West Bank are being marketed by a system of private Palestinian merchants, wholesalers and various middlemen. All of these factors operate without any regulation or discipline. This applies to both the domestic market and the export operations. Only a very minor amount of product is sold by a producer and his family direct to the customer at roadside or in the village. As a result the average producers have no option in the marketing process. At the present time there are no cooperatives that provide a marketing service to the producers except in only a few instances. There is no significant element of competition that would result in a fair price of the product at the producer level. The same middlemen system also has a major control of the supply and the price of the inputs of agricultural production.

In reference to the wholesale supply of agricultural inputs, most such products must be purchased from Israel. There is also a restriction on the development of manufacturing by the West Bank of agricultural supplies or equipment.

Generally this identifies some of the major problems and restrictions facing West Bank agriculture and specifically the West Bank producers.

Traditionally in the agricultural economies of most countries there are cooperative organizations of farmers which represent a significant percentage of the farmers and a significant percentage of agricultural products marketed. There is always present the option for farmers to choose between non cooperative and cooperative forms of business. This option provides an opportunity for the farmer to take advantage of the business that gives the best service and yields the best return for his product. The competition is an inducement to the highest possible efficiency of both business enterprises. In the West Bank this competition is not fully provided and high efficiency at a reasonable cost is not achieved in either service to the producers or the highest possible return for the products. This forms the basic objective and benefit of the Cooperative Development Project.

Looking to the present performance of the Project to date, relative to marketing, there has been only a minimal achievement. No training sessions have been held and no marketing operations by a cooperative has been performed. Only the English version of

training material has been prepared. Translations and adaptation of the material is yet to be accomplished.

There is a critical need for the appointment of a Palestinian marketing specialist and a long term expatriate marketing specialist to the staff of the Project as soon as possible. The first effort should be the adaptation of the market training material to the market training seminars to be offered as soon as possible to the cooperatives planning a market function for 1988. The extension of this training activity will be a continuing program on a long term basis. In fact there will always be a need for training and education.

A second and most important function of the Palestinian marketing specialist will be a program of implementation and perfection of the marketing operations. This also will be a very long term service essential to successful market operations by cooperatives.

The function of both the Palestinian and the expatriate marketing specialists is a highly coordinated and integrated service. The expatriate specialist will study market opportunities and develop the programs and procedures to extend and improve the market operations. The Palestinian specialist will implement these programs within the cooperative structure. Only thus will be achieved a viable and effective marketing service to West Bank producers. Hopefully the Project and its successor will be a permanent institution that can be the service arm of the cooperatives.

F. Addendum

Cyprus Cooperative Marketing and Training

A trip was made to Cyprus April 13 and 14 to explore the possibilities of developing a training program for marketing of agricultural products. Cyprus has a highly developed system of agricultural cooperatives which are engaged in domestic and export programs of marketing. They have also developed a sophisticated program of infrastructure that supports the agricultural cooperatives as well as the private sector of agriculture.

There are many cooperative societies involved in all phases of the agricultural industry. Many of them have been in operation for many years. Since 1960 when Cyprus was granted an independant status by the British Mandate there has been a general program of cooperative development sponsored by the Cypriot government. This program was interrupted in 1974 when the Turkish armed forces invaded Cyprus. Nearly half of the cooperative societies lost all of their assets and became dormant or were discontinued.

At the cessation of the invasion 40% of the island was given over to Turkish occupation. This resulted in a loss of much of the fertile farm lands. Nevertheless the cooperative movement was reactivated and today it has reached a high state of performance. Supporting this development was a program of financial assistance which has evolved into a cooperative credit system. The apex of this program is the Cooperative Central Bank

which lends money to the local cooperative societies, who in turn loan the money to their members. Short term credit for crop production as well as intermediate and long term credit for equipment and fixed assets is available. The local societies can also use the Central Coop Bank for their operational and term asset needs.

The Cooperative Central Bank also has a "Supply Department" which pools purchases of all the input supplies for the local societies and their members. Significant savings are earned by large volume tender bids for all items as supplies for grading, packing, and storage operations.

In other areas of support services cooperatives have been established. Important among these are transport, storage, grading and packing, and processing. In effect these are forms of vertical integration. Generally the local societies have formed a union which in turn own and operate the support services. In one important instance the vertical integration involves a marketing union for both processed and fresh product and serving both domestic and export markets.

In all of the support services there is a need for operational and facility needs. Again the Cooperative Central Bank is prominently involved. It is emphasized, however, the participating cooperative societies must be prepared to provide a substantial portion of the funding and support the proposal with carefully prepared feasibility studies that prove a viable, economic and competitive operation.

In reference to cooperative marketing the principle market is Europe especially for fresh fruits and vegetables. The competition is very keen and this requires critical disciplines in regard to grading, packing and product care in storage and transit. Aggressive market relations must be maintained and careful attention must be given to all arrangements. In order to facilitate these arrangements they established a terminal market union called "Cyco-ops" in London in 1970 which handles market relations for Europe and the U.K. This direct relation in the terminal markets greatly facilitates the prompt handling of all deliveries, quick communication, settlement of claims and provides a personal and direct relation with brokers and buyers.

It should be mentioned that the cooperative transport service, called "Comarine", greatly facilitates export shipments of products to market but also returns to Cyprus the supply inputs of production and other items.

Another valuable support service is the Agricultural Research Institute. This a government function but is actively supported and augmented by the cooperative organization. Agricultural research forms an integral part of the government development plan. In operation it serves all levels of the agricultural industry from production to marketing and for all crops and livestock.

While cooperatives are successfully engaged in all levels of agriculture and represent a majority of total agricultural product there is a very active and efficient non cooperative

commercial sector of the agricultural economy. It is served by private banks and there are privately owned industries serving the farm community such as grading, packing, storage, transport, processing and marketing. This results in a very competitive and efficient relationship and acts as a discipline for cooperative as well as the private sector.

Meetings were held with the following officials:

Mr. Sypros Stavrou, Asst. Manager
Economic Research Dept.
Central Bank of Cyprus

Mr. Andreas Tofides, Manager
Cooperative Central Bank L.T.D.

Mr. Costas Petrides, Senior Chief
Cooperative Office
Cooperative Development Commission

All meetings were very supportive of their willingness to provide training programs on cooperative operations that CDP would like to have them provide. The following Procedures were agreed upon.

1. CDP will determine the content of the training program.
2. Notify the Commissioner of Cooperative Development, attention Mr. Costas Petrides 30 days in advance of the training dates the CDP desires.
3. CDP provides names of participants and their areas of special interest and training emphasis.

4. They suggest that the training session be limited to one week.
5. The commissioner will arrange the schedule of instruction and the participants who will offer the training.
6. There will be an initial session of orientation and an overview of their cooperative system. The rest of the program will be specific to their special interests.
7. CDP will provide all costs of airfares, housing and food. Liability insurance should also be arranged.
8. CDP will provide a fee for the training program that will cover the cost of materials, local transportation, and compensation for the trainers involved. The fee will be agreed to for each training participant.
9. It was suggested that the training directors, expatriate and Palestinian, be sent to Cyprus prior to the training programs to discuss the specific arrangement in greater detail.
10. It was also suggested that each group be accompanied by a Palestinian training supervisor or coordinator to

participate in private seminars to interpret and to discuss the application of the material to the West Bank operations.

It was considered that these training sessions would last over a long period of time. Some of them could be duplication for additional people.

A number of agencies can be involved in the programs including the local societies, the unions of societies, the infrastructure operation such as packing and grading, the cold storage operations, the product transport, credit agencies, market services, the education & extension support, the research activities, the processing of products and operational procedures.

In almost every respect the program could find immediate use. It is essential, however, that each session must be carefully planned and totally supported.

Training Program Format

Objective: Study a successful cooperative society that is actively engaged in the production, grading, packing, storage and marketing of agricultural products.

Specifics:

- A.
1. Thoroughly study the corporate structure of the cooperative. Document the relationships of members, directors, management, including responsibilities, authorities, communication, reporting, etc. Develop an organizational chart or diagram indicating the above relationships.
 2. Thoroughly study the cooperative operation. Note the procedures relating to product production, harvesting, transport, grading, packaging, storage, and marketing. Note also all of the records that are essential for each of the operations and the use of these records. Note all of the service charges made to members for services performed and records of charge.
 3. Study and document all of the financial

functions and transactions of the cooperative. Note all of the records attending each operation. Also note the financial relations with other organizations that relate to the cooperative operation.

4. Make a complete study of the cooperative marketing operation. Prepare a procedural outline of product movement and product ownership and documentation from product preparation to the ultimate consumer. Describe the records and documents attending the product to market and the accounting of product proceeds back to the producer member.

5. Describe in detail each of the physical operations, in the marketing process - grading, packing, storage, transport, processing, etc.

6. Study the system of internal communication and reporting, giving attention to relations with a- members, b- directors, c- management, d- supervisory staff, e- operating employees.

7. Study the system of market communication. This includes the whole scope of market

information and intelligence. This would include information from the corporation to the market elements and from the market elements back to the corporation.

8. Study the program of market research, market development, product promotion and advertising.

B. Documents, records, forms attending each phase of the study - (sample forms & documents)

No. 1 a- Articles of Incorporation
 b- By-laws
 c- Membership Agreement
 d- Policies of Operation
 e- etc.

No. 2 a- Member charge record for inputs
 b- Member record for product delivery
 c- Member record for product grade
 d- Member record for service charges
 e- etc.

No. 3 a- Corporate budget of operations
 b- Corporate operating statement
 c- Corporate financial statement

d- Corporate agreements and contracts
(supplies, borrowings, contracts with
processors, transporters, buyers, etc.)

No. 4 a- Product grades and standards

& b- Package specifications

No. 5 c- Product marking and identification

d- Product pack-out records

e- Product inventory records

f- Product sales and shipping records

g- Product shipping documents

h- Product payment records

No. 6 a- Corporate policies

b- Memorandums, bulletins, newsletters

c- Operating reports - members,
directors, employees

d- etc.

No. 7 a- Corporate bulletins to the market

& b- Market reports to the members

No. 8 c- Advertising and promotion material

Marketing Components

A. What is marketing

1. Marketing defined

Performance of all business activities in the flow of product from producers to the consumer

2. Market Examples

Simple system - a. Roadside sale, direct sale to consumer

Complex system - a. International Markets, multiple ownership and transactions

What is a Market?

1. Place - The Amman market
2. Price - The market for grapes today is
3. Exchange - sale of products - to market a product

What is a Price?

1. Offer to buy - low
2. Offer to sell - high
3. Exchange - actual
 - a. person to person
 - b. group of buyers - group of sellers
 - c. price range

B. Components of Marketing

1. Physical components

Production - produce for a market demand

Harvesting - quality vs. convenience

Grading - uniformity of product

Packaging - product transport, protection, identity and promotion

Transport - logistic, product protection

Processing - change in form of product

Storage - control of product supply

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2. Complementary components

Financial - costs, credit, collection

Legal - grades, packages, insurance, transaction documents,
laws

Regulatory - disciplines of grading, packages, transport,
storage, advertising

Market Intelligence - information

Administrative - management, operations, sales, records,
accounting

Advertising - promotion product identity

Research - new knowledge at all levels of marketing

3. Ownership and Representative Components

Producer

Merchant Middlemen.

- 1- Wholesalers
- 2- Retailers

Agents Middlemen

- 1- Brokers
- 2- Commission men

Speculative Middlemen

Auctions

Processors and Manufacturers

Consumers

C. Business of Marketing

1. Costs of marketing

Transactions - all have a cost. Most of them add to value of product

Services - all have a cost. Most of them are incurred to enhance the profit potential or to increase demand

Payment of costs - all costs must be paid by the consumer. Losses in the marketing process may be absorbed by intermediate owners on the basis of each transaction. Final payment to the primary owner, in the long term, will be the remainder of the consumer transaction after all marketing costs have been paid.

Profits of Marketing - all transactions, functions and services are based upon a profit motive, either direct or speculative

2. Business Structure

Corporate organization
objectives
operating policies
relations - internal
relations - external

Corporate capability - education, training, experience

Corporate function
performance - operation
accountability
integrity
financial stability & liquidity

3. Physical facilities

Production of product

Grading - packaging

Transport

Market facility or arrangement

D. Demand and Price Discovery

1. Supply and Demand Relations

Supply factors - weather, season, damage, transport, price supports, imports, etc.

Demand factors - number of consumers, buying power, competitive or substitute products, product quality, advertising, packaging, change in preferences, changes in anticipated supply

2. Speculation

Each factor in the marketing process, including the producer and the ultimate consumer, is influenced by speculation. The whole function of marketing is based upon what the ultimate consumer will buy, what the consumer will pay at a future time and place. In fact there is an element of speculation as each intermediate transaction of ownership is completed

3. Pricing

Price is based primarily upon a relationship between the supply of a product and the demand for that product

Ultimately the price of a product at the consumer level will determine the quantity of product produced and delivered

An equilibrium between supply and demand will develop stability to the marketing process and will sustain a constant supply and a constant demand

Many artificial and non-economic factors may influence both supply and demand

Relation of Demand, Supply, Price

Demand

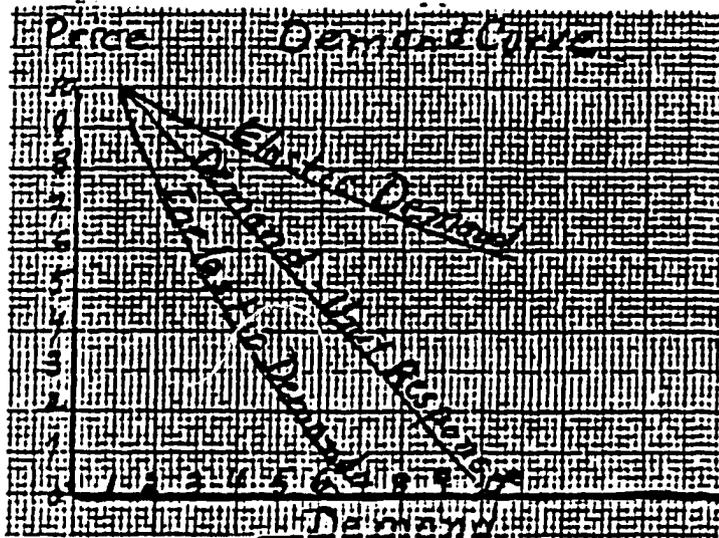
Demand for a product and the supply of product offered for sale is affected by many factors. These are noted:

1. Price of product
2. Economic buying power, primarily the consumer
3. Time and place of sale
4. Option of competing products
5. Cost of producing the product

Demand is only expressed accurately in a free, competitive economy. Non-economic factors can greatly distort demand. Examples of non-economic factors are as follows:

1. Monopoly
2. Collusion
3. Support prices
4. Volume controls - political
5. Tarriffs & duties, embargoes

Demand is related to price. Generally the higher the price the lower the demand and the lower the price the greater the demand. A demand curve can illustrate this relationship.



Demand can be expressed as "Effective" demand or "Derived" demand. Effective demand can be defined as the amount of product that will be purchased at a specific time, place, price and customer. Derived demand can be defined as the amount of product that will be purchased based upon a different time, place, price, form or customer.

Supply

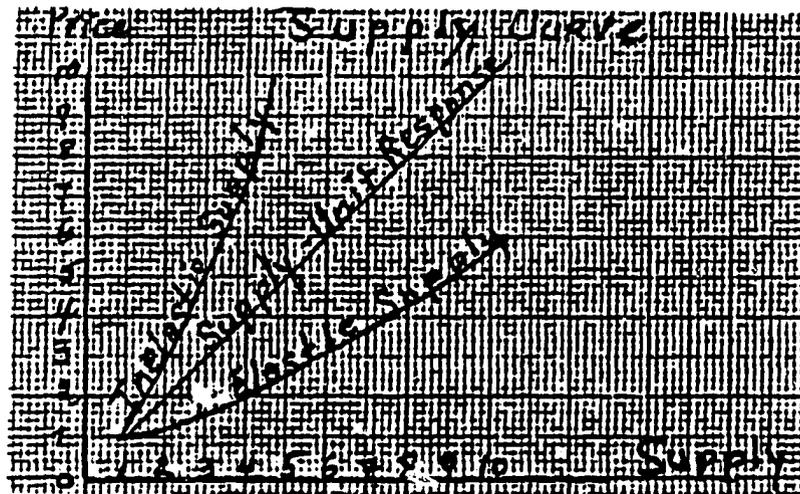
Supply of a product offered for sale is also affected by many factors. These are noted:

1. Price
2. Economic buying power, primarily the consumer
3. Time and place of sale
4. Option of competing products
5. Cost of producing the product

Supply of a product also is expressed accurately in a free competitive economy. Non-economic factors can greatly distort supply. Examples are as follows:

1. Monopoly
2. Collusion
3. Support prices
4. Acreage and volume controls
5. Tarriffs, duties, embargoes

Supply is related to price. Generally the higher the price the greater the supply and the lower the price the lower the supply. A supply curve can illustrate this relationship.



Supply is related to periods of time.

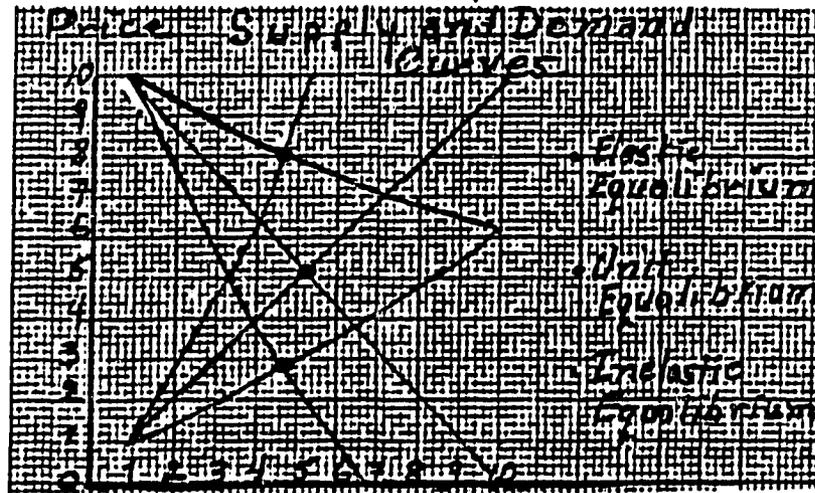
- | | |
|---------------------|---|
| Short term - | supply of product that is in the market "pipeline" |
| Intermediate term - | The supply of product that can be produced by existing plantings, facilities, etc. |
| Long term - | The supply of product that can be produced by increased plantings, facilities, etc. |

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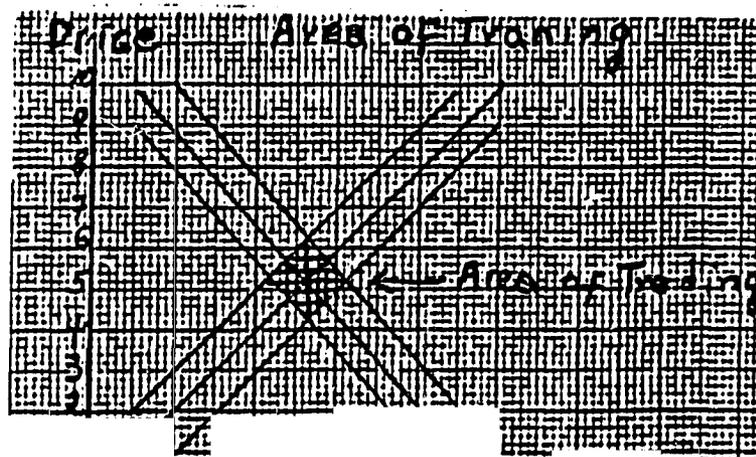
Supply must also be considered in relation to the time lapse between price stimulus and supply response. Supply cannot react immediately to a price increase or a price decrease. The time lapse again is either short term, intermediate term, or long term.

Supply and Demand

The relation of supply and demand to price can be considered in the same exercise. Remember that the higher the price the lower the demand and the lower the supply. Conversely the lower the price the higher the demand and the higher the supply. This can be illustrated by the demand and supply curves placed in the same chart.



The area where the demand and the supply curves intersect is defined as an equilibrium between supply and demand. The lines denoting the demand curve and the supply curve in most market situations represent many buyers and many suppliers. Each has a slightly different reaction to the price in relation to supply and demand. Thus the single line becomes a broad "band" with the most traders in the middle of the band and decreasing numbers of traders approaching the outer limits of the band. This can be illustrated by widening the demand curve lines. This results in an increased area of trading.



A market is seldom a static situation. It is sensitive to many factors that constantly change. It is typical that the status of the market is reported on a daily basis and significant changes can take place during each day.

The reporting on the status of a market is usually on the basis of a price which reflects the equilibrium between supply and demand. Along with the price information will be noted volume and quality of product delivered and such other significant factors that would explain changes in price.

Buyers and sellers are anxious to get this information each day in order to help them on the next day's trading. This is known as market intelligence. Many factors can effect the relation of supply, demand, and price. Some are short term, some are long term and others are historical patterns. To note only a few:

Long term

- Changes in number of producers and buyers
- Changes in size (volume) of producers and buyers
- Changes in organization of producers and buyers
- Changes in climate - water supply
- Changes in population - demographics
- Changes in the political factors
- Changes in the economic conditions
- Changes in technology production, storage, packaging, transport, processing
- Changes in health standards and information
- Changes in product substitution
- Changes in grade standards

Short term

- Changes in product supply due to varieties of product, kinds of product, weather, seasons
- Changes in quality of product
- Changes in regulation - permits, quotas, inspections, packaging, currency exchanges

Expanding Demand

The basic objective of expanding demand is either to increase the quantity of product that will be purchased or to increase the price that will be paid for the product. It may be an objective to both increase the quantity of product purchased and the price paid for the product. Expanding demand is not a simple or an easy objective, especially when the product is an existing commodity and is being marketed in a competitive environment.

In the marketing of agricultural products, which are food products, there is a limit to how much food the consumers as a group can use. There can also be a limit to the amount of money the consumers can pay for food. To a certain extent this limits the amount of expansion of demand that can be expected by lowering the price of a single product. Lowering the price of a single product may increase demand for that product, but it may occur only as the customers substitute that product for another. Product substitution by the customers may not mean an increase in total consumption. Irrespective of this conclusion the element of competition within the market structure demands that the producers should employ all possible means to expand the demand for their specific product. Let us examine the means by which this can be accomplished.

Product Quality: Buyers and consumers prefer products of superior quality. This can be accomplished by a system of grades and standards. If there is separation of the product into several levels of quality and standardization, all of the

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customer preferences can be better satisfied. Thus the total demand and product use can be expanded. Also a product that is uniform in quality, maturity, size and other respects is much more attractive, and waste is reduced.

Product Packaging: Products that are packaged to protect the quality and appearance will reduce waste and loss to the consumer. Packaging can also present the products in a more attractive and eye appealing manner. The object is to distinguish the product as superior to other products offered for sale. Product image can often be a major factor in the marketing effort.

Product Identity: If a product can be identified easily and consistently by the buyers and consumers there is an opportunity to promote and to develop a direct relationship with the market. Product identity which promotes the producers, owner or shipper of a product also provides an element of discipline in the quality and presentation of the product. Most certainly if the seller's name is on the product it is assumed there is a desire to create a favorable image and to supply a high quality product. It creates confidence by the buyers and consumers that they can depend on the product for consistent supply and quality satisfaction.

Product Advertising and Promotion: It is possible to expand the demand for specific products by advertising and other forms of promotion. In order to gain any significant benefits from advertising the basic criteria of proper grades, standards, packaging and product identification must be perfected. These

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proprietary owners or developers of the new products hope to create a profitable business.

There are many forms or ways of advertising such as newspapers, magazines, radio, television, billboards, signs, pamphlets, newsletters, etc. There are special contests, samples, testimonials, research reports and direct contacts to the customers. The most important medium, however, is the product itself. It must please and satisfy the customer and encourage repeat purchases.

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must also be combined with product availability and consistent supply.

While the initial impact of advertising is to capture the attention of buyers and consumers the basic element of any program is to inform and persuade the potential buyers and consumers.

First it must be noted that advertising can be expensive, and the benefits of advertising are difficult to determine. All of the costs of advertising must be recovered from the ultimate consumer as an increased cost of the product. However, the advertising of agricultural products is big business costing hundreds of millions of dollars every year. Most of the leading agricultural products that are enjoying a profitable business are engaged in programs of advertising and promotion.

As stated the basic element of advertising is to inform the potential buyer or customers. This takes many forms. It attempts to recite the beneficial qualities of the product. It emphasizes the factors of healthful effects, the nutrient qualities, the convenience of use, the dependable quality, the consistent supply, and its superiority to competing products. Perhaps one of the major benefits of advertising is in the introduction of a new product. This may be a new variety, a different kind of fruit or vegetable or a new form of a product. In the processing of agricultural products new technology and new processes create products that need to be promoted to the potential customers. They need to be advised the new products are available and made aware of their qualities. Of course the

Supply Adjustment

Market Price

It was stated that supply response to demand and the resultant price of the product can be divided into short term, mid term and long term. It is appropriate to discuss the options that may be available in each of these instances and the important factors to be considered.

Short Term:

It was stated that in the "short term" the supply is not responsive to changes in price, either higher or lower. This is especially true of perishable agricultural products. Short term applies to product supply that is already harvested and is in the process of being marketed. To a lesser extent it also applies to products in the field and which are approaching maturity. In both instances it is difficult to withhold or increase the supply of product to the market irrespective of price. Thus the response is inelastic.

The options of producers are limited but they must be considered. The following are some examples to reduce supply in response to a lower price.

1. Defer harvest of products in the field but the delay must not jeopardize the market quality of the product
2. Arrange to store the product under conditions that will protect the product from deterioration. Depending upon the kind of product involved the storage conditions and

the duration of storage, must be carefully considered. For example potatoes, carrots, turnips, and such crops can be stored for several months if the correct storage conditions are observed, ie. temperature, humidity and sanitation. Other products such as, lettuce, spinach, eggplant and other products which are highly perishable have a very short storage life regardless of the storage conditions. Some products can be stored for long term by low temperature storage if properly prepared. Storage of perishable products is an extra expense. It also involves the risk of product loss and in most cases an extra cost of product preparation. This cost of storage must be justified by an anticipated increase in the market price or by avoiding a further decline in the existing market.

3. Arrange to divert the product to a different market where a price is being maintained at a more attractive level and where supply is more in balance with demand. This usually will involve the extra transport costs and in some cases expose the product to further deterioration and extra handling.
4. Divert the product to another market involving a change in form. This would mean processing and the product would usually be sold to the processor. This option would be available for only those crops that can be processed and for which a processing facility is available.

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The following are some examples to increase supply in response to a higher price.

1. Increase harvesting of the crop without departing from acceptable standards of quality as related to product maturity or growth development.
2. Remove product from storage or other holding facilities and direct the product to market in order to take advantage of a higher price.

It is important to note that if there is an increase in price the short term response is such that the price and demand is inclined to increase rapidly. This is due to the fact that the inelastic supply cannot equal the demand. Prices can go very high.

The opposite effect can be expected if there is a decline in price. Thus there is often no relation between the price of the product and its cost of production.

Mid Term:

It was stated that in the "mid term" the supply is responsive to price only as product can be produced from existing facilities. This means the amount of land that is presently devoted to this crop and the present capability to harvest, grade, pack, and transport the product to market.

The options available to adjust supply in the "mid term" are not so limited, especially for annual crops which are seasonal in harvest. The following are some examples to reduce supply in response to a lower price.

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1. Reduce supply by using the land for a different crop. In this exercise we will consider land as a fixed facility and it will not be increased or decreased in area.
2. Consider land as a factory of production. Manage it to reduce the supply of products that appear to be in over production. Keep in mind, however, what the demand and or price may be when the product is available for market.

Long term:

It was stated that in the long term there will be a more active response to price and that it would involve the creation of more facilities of capacity of production in response to a higher price or an anticipated higher price. This would mean more land and or more technology for greater production per dunum.

In response to a lower price or an anticipated lower price, it would involve a reduction of production facilities or capacity. Less land and less emphasis on the crop as a major source of income.

There is another facet to the discussion of supply adjustment to price that has not been discussed. Within the intermediate and longterm adjustment period, the degree of elasticity or response can be affected by several factors in addition to price. All of these factors tend to refute or deny the statement that long term adjustment to a price change is more

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elastic. The first would be the influence of the costs of increasing or reducing production capacity. Some of these would be the cost of acquiring more land and equipment or the cost of diverting land to another use. Also would be the cost of exchanging production equipment suitable to a different crop and a different cultural practice. The less the costs of increasing production capacity or the cost of changing to a different crop the supply adjustment, increase or decrease, will be more elastic.

Another factor affecting supply elasticity would be the kind of crop or the class of crop involved. Compare citrus and tomatoes or compare grapes and eggplant. In general, supply is much more elastic for annual crops than for perennial crops. The length of time to establish a new planting of grapes, or a new planting of citrus takes many years and requires different equipment as compared to annual crops. This generally means that the elasticity of response of long term or perennial crops is much less than for short crops.

Still another factor that affects long term response of supply to price is the necessity to evaluate the stability of price over a long period. The establishment of a grape vineyard as compared to the production of annual vegetables is a case in point. A grape vineyard takes five years to bring into commercial production and it requires a substantial investment. The production also continues over many years. Thus the decision to plant grapes requires confidence that the price of grapes is going to remain stable over a long period of time. The result is

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a slow response (inelastic) to an increase in price.

It must be noted that a decrease in the price of perennial crops such as citrus, grapes or plums is also slow or inelastic to the "short term", meaning several years. Producers of these crops are reluctant to destroy a planting and the investment it represents. They are inclined to wait several years to test the permanence of the price decline. They may also wait in the hopes other producers may remove their plantings and thus decrease total supply of the product and improve the price relation.

The cost of converting to another crop has been noted as a general factor relating to a reduction or an increase in supply. It is important to relate this to the individual producer. The individual producers are not all alike. They differ greatly in their capability as producers. There is a wide difference in the native productivity of their soils. There is a difference in their ability to produce and harvest high quality product. There is a difference in their yields per acre and the production costs per unit of product. There is a wide variation in the financial capability of producers. All of these and other factors have a direct bearing on how a producer responds to a change in product price. It is understood that some producers can still make a profit while others may be losing money.

The result is that the response or elasticity of supply to price may be determined on an individual producer basis and not as an industry. As the marginal producers decide to change there results a change in the supply of product. It is significant to point out that some changes result from economic necessity and

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some change is due to an anticipated price that will yield a higher profit. This will apply to a change to reduce the supply of product or a change to increase the supply of product.

Supply Exercise

You are a producer of the following crop

- 1- there is a decline in the price of the product for one year, why?
- 2- There is a decline in the price of the product, why? for five years
- 3- What changes will you make in your production

Strawberries

Potatoes

Grapes

Marrow

Bargaining Power

Traditionally, successful marketing programs depend upon a high degree of organization in order to obtain what is known as bargaining power. We have already suggested under the topic of Market Intelligence that an organization would be essential to gather, analyze and distribute market data. The same philosophy and requirement applies to all other phases of the market process. The degree of organization usually is an indication of the strength of the marketing effort.

In the beginning the large marketing structures were private commercial businesses. Under this form of organization the interests of the farmers were neglected. In fact they were suppressed and most other, profits of agriculture were being kept by the owners of the private businesses.

It became evident to the farmers that they must organize in order to protect their interest. Thus the cooperative movement with farmer ownership was created. Today, worldwide, a high percentage of agriculture products is marketed by farmer cooperative. They have achieved the objective of protecting the interest of the farmer producers and they have inserted a discipline in the total marketing process that assures a competitive and efficient performance by all factors in the marketing operations.

This traditional operation and function of producer cooperatives is important to consider in the West Bank agricultural scene. The key is the degree of organization, and

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the capability of their function. The emphasis on education, training, and technical assistance is the basis of the CDP operation. The objective is to build the appropriate philosophy within the existing cooperatives from producers to managers and to create the capability to market the agricultural products they produce.

After accomplishing this objective the cooperatives will face the problem of inserting themselves in the existing marketing system that is dominated by private commercial interests. The primary tool for this effort is the continued emphasis on organization and more organization and the perfection of performance. It will be accomplished a piece at a time and years will be required. Small successes will be combined and will enlarge the effort. Eventually cooperatives will join together to accomplish other objectives, such as noted "Market intelligence". Again each success will create other objectives and experience will build greater capability. With this will also be created a stronger unity of organization.

As experience and organizational capability develops and as cooperatives coordinate their activities they will recognize the need to create options they can exercise in the marketing process. The first will be to adjust production to coincide with demands that will yield the highest possible returns. Possible production adjustments could mean different kinds of products, different volume of product, different quality of product and a different season of product harvest requiring a different season of planting.

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The next market option adjustment could be to develop improved market relations. This may involve direct selling, an ownership of an auction or commission merchant services or some other program that will yield a more direct control of the market function.

Another option would be a search for and the development of additional markets. This may mean new relationships of market factors requiring refined grade and packaging standards or modified business procedures. This will test the business capability of the cooperatives and their flexibility to adjust to different market requirements.

Additional options that are typical of a more advanced marketing development could include arrangements for storage facilities that would assist in orderly programming of the supply of product to the market. Another could be the use of a viable processing program that could be used to divert a percentage of the production to a different use. Under most circumstances the product diversion would take such qualities that are least acceptable for the traditional fresh market. In many instances such as potatoes, onions and oranges this has amounted to 30 to 60 percent of the total production. The remaining product sent to the fresh market is the best quality and the total return for the crop has been greatly increased.

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the capability of their function. The emphasis on education, training, and technical assistance is the basis of the CDP operation. The objective is to build the appropriate philosophy within the existing cooperatives from producers to managers and to create the capability to market the agricultural products they produce.

After accomplishing this objective the cooperatives will face the problem of inserting themselves in the existing marketing system that is dominated by private commercial interests. The primary tool for this effort is the continued emphasis on organization and more organization and the perfection of performance. It will be accomplished a piece at a time and years will be required. Small successes will be combined and will enlarge the effort. Eventually cooperatives will join together to accomplish other objectives, such as noted "Market intelligence". Again each success will create other objectives and experience will build greater capability. With this will also be created a stronger unity of organization.

As experience and organizational capability develops and as cooperatives coordinate their activities they will recognize the need to create options they can exercise in the marketing process. The first will be to adjust production to coincide with demands that will yield the highest possible returns. Possible production adjustments could mean different kinds of products, different volume of product, different quality of product and a different season of product harvest requiring a different season of planting.

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The next market option adjustment could be to develop improved market relations. This may involve direct selling, an ownership of an auction or commission merchant services or some other program that will yield a more direct control of the market function.

Another option would be a search for and the development of additional markets. This may mean new relationships of market factors requiring refined grade and packaging standards or modified business procedures. This will test the business capability of the cooperatives and their flexibility to adjust to different market requirements.

Additional options that are typical of a more advanced marketing development could include arrangements for storage facilities that would assist in orderly programming of the supply of product to the market. Another could be the use of a viable processing program that could be used to divert a percentage of the production to a different use. Under most circumstances the product diversion would take such qualities that are least acceptable for the traditional fresh market. In many instances such as potatoes, onions and oranges this has amounted to 30 to 60 percent of the total production. The remaining product sent to the fresh market is the best quality and the total return for the crop has been greatly increased.

Market Intelligence (Information)

It is an axiom of marketing that good decisions are only made with good information. When we say "good information" we mean we imply that the information is reliable, accurate, up to date, and prepared in a usable form. Market information comes from many sources. It may be historical, going back over many years. It may be current information, even daily, hourly or by computer satellite, instantaneous. Some information may be based upon future estimates of production, quality of product and source of supply. Other information comes in the form of proposed or actual regulatory or legislative matters affecting commerce of agricultural products. This is a complicated and many faceted subject and must be discussed in a logical manner.

The degree of complexity of the information increases with the complexity of the marketing process. However, even a local market serving a retail area, or an individual retailer making his purchases, or farmer making plans to plant, harvest or sell his produce needs to have reliable, accurate and up to date information.

Buying and selling is the heart of the marketing process. As noted before the price at which buying and selling takes place provides the basis of many decisions. It also guides the direction of the production and marketing process that strives to get the right products (volume and quality) to the right place at the right time.

With this introduction in mind let us outline the market

information that is considered essential.

Production Information

Historic Records: The production information is compiled each year in such form and detail that it can provide a background of knowledge for future use. This data is available over many past years. It provides information on the total production and use of all agricultural crops. Over a period of years it will provide trends or changes in production. This information can be reduced to any area desired. By country, by region or to local areas. The historical information will also show progress of new products, new varieties and new areas where they are produced.

Production Estimates: For each crop season estimates of production are available or can be made available. These are expressed by land area planted to the crop and an estimate of production in conventional units. Many of the estimates are accompanied by weather factors that may influence volume of product, quality of product, and the maturity or harvest schedule. For both the historical and current estimate information for all crops should be included that may effect the competitive position of the product under consideration. Example, if the crop under specific consideration is tomatoes, all other crops should be evaluated whose volume, quality or season will affect the market of tomatoes.

Current Operations: As the season of harvest and the market operation begins there is a

information on deliveries to each market and for all competing products. For some commodities and some markets there is also provided daily loadings and shipments in transit plus destination. This information can be used to divert shipments to other market destinations if deemed advisable. A storage option can be exercised if storage is available.

Price Information

Historical Records: In the same manner as production data is recorded, price information is also recorded for each year and for all crops. This is given in a breakdown by areas - country, region, local and for each market. The historical value of this information is to establish the trends of price in relation to volume of product and the quality of the product. Within each season the historical price record is usually sufficiently detailed to give seasonal variations. Notes on this data usually explain what caused the seasonal variations.

Current Operations: As in the case of production and market delivery information there is a need to have the prices of that product on a daily or oftener basis. The pricing information is usually a component part of the volume and quality information. They must be considered together in order to have a full meaning. Together they can be used to direct harvest operations, quality separations, market diversions, storage and other options for the current crop and for future reference in plans for the next year.

In addition to production and price information there is a need and an important use for additional information that is considered support or auxiliary data. Ordinarily within an

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established agricultural industry there are created an infrastructure of information agencies. Some are public or state agencies such as the Ministry of Agriculture or a Statistical Bureau of the government. For the West Bank this is not possible but to some extent this information can be gained from the Jordan and/or the Israeli governments.

All of this points up the great need for some kind of a West Bank industry organization and it can start out in a small way of collecting and distributing production and market information and certain other data analysis that can be useful in many ways. As this information becomes available to all factors in West Bank agriculture it could be expanded to include the following:

1. To prepare an analysis of competitive factors of production in all markets the West Bank products may seek - local, Amman, Arab, Europe. The import of all products into these markets from all production sources will be most valuable to a consideration of opportunities and adjustments necessary to use these markets.
2. To inform West Bank producers and marketers of all regulatory requirements in each market. This may apply to volume of product, dates of shipment, grade of product, containers of product or documents of shipment. To some markets there may be tariffs or transit restriction.
3. To maintain a political awareness is important. Most of the items mentioned above are promulgated and

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Costs of
Market and Production Risks

We have stated that production and marketing of agricultural products is a business to make a profit. But as in all business ventures there are inherent risks, risks of losses, both in product and money. It is important that we consider these risks and recognize that they are a part of the cost of doing business.

In order to take a full view of this subject we must review the risks involved in the production of an agricultural product. All of you as producers are very much aware of these risks and have experienced them many times. In West Bank agriculture the risks are more numerous and much greater than in most other agricultural areas. In addition to the natural hazards of drought, wind, rain, frosts, etc. there is added the risk of political restrictions on inputs, water use, implements of cultivation, etc. For all of these there is no way of anticipating their occurrence or severity. There is no defence or shelter from damage. There is no insurance program that will provide a financial protection. The farmer must provide his own financial protection or insurance and live with these losses. Risk in producing a product is therefore a constant exposure and a cost he must recognize. Add to this the risk of a price decline or the loss of an anticipated market outlet. Now we have the full view of the risk position of the producer. He must invest the full cost of production and harvesting and assume all of the risks involved before he can expect to receive any return of these costs or any return on his labor or management efforts.

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governed by political action. Therefore there must be maintained a relation with these agencies or governments. With proper relationship and representation some of these regulations can be modified or discontinued in favor of the West Bank products. In some cases proposed regulations can be avoided.

4. To propose and develop adoption of grades of product, standards of containers and product identification that will permit entry of West Bank products into markets requiring these standards.
5. This same West Bank industry organization could eventually move to such auxiliary services of proposing and gaining the development of various forms of market research, introduction of new varieties of products, introduction of new technology and the performance of advertising and promotion of West Bank products in all markets.
6. In all respects the organization could become the repository of the data bank and be responsive to all data analysis and its timely dissemination to West Bank producer and market factors. It would also participate in educational meetings of producer organizations where data analysis and recommendations could be explained.

It is indeed a "risky" business.

We next review the "market risks" inherent in the marketing of the agricultural crops. Most of these are involved in the risks of product ownership. Whoever owns the products as they progress from the farmer to the consumer is exposed to the liability for risk losses. The ownership may change several times and in each ownership there is this risk of loss.

The first may be due to product damage or total loss. In the process of transportation, storage or physical handling the products can sustain major damage by accident, improper supervision or faulty storage or transit conditions. Any damage or loss of quality of product reduces its value or increases the waste. This is a financial loss to the product owner. Examples of product damage or loss of quality are as follows:

1. product bruising due to rough handling, improper loading or poor packaging
2. product dehydration and deterioration due to exposure to high temperature, poor packaging, or delays in transit. These conditions will advance maturity and reduce market life of the product.
3. product deterioration in storage due to improper temperatures, humidity or sanitation. Deterioration in storage can be freezing, dehydration, decay, loss of weight or breakdown.

Product damage may range from:

1. total loss of product
2. partial loss involving sorting and repackaging

3. partial damage that will involve marketing as inferior product at a reduced price

The second market risk is a demand and price decline that will reduce the financial return to the owner. This is a risk inherent in all ownerships. If products must be sold below the owner's cost he must also sacrifice recovery of his direct costs but also any return on his investment of management efforts. The result will be to reduce the owner's capability to continue to perform or function as an owner of agricultural products.

A third source of risks that the product owner must recognize are the financial problems of receiving prompt and full payment of the products he sells. Credit worthiness of buyers may be misjudged. Financial arrangements may deteriorate. Additional costs may be assessed. All of these problems can occur at any level of marketing whether it be domestic, Jordan, or international exports. Delays in payment or reduced payments can greatly add to the costs and uncertain performance of the marketing service.

Perhaps a fourth risk involved in ownership and marketing of agricultural products arises from the changes in the rules and regulation dealing with the documentation, licensing, duties, tariffs, reportings and transit restrictions. All of these may result in increased costs and/or the fulfillment of marketing contracts and commitments. All of this deteriorates the owner's market performance and his credibility within the market.

In this discussion the burden of risk in the marketing process has been in the name of the producers of the product and

Interveiw

Wholesale Market Conference

March 25, 1987, Amman

This meeting was arranged by Mohamed Murar, JCO wholesale market manager. Included were Ziad Hussein, Hazem Masri, Mr. Abu Sham, Mr. Hoseh, Mr. Zaitoun and others.

All of these men are private merchants who engage in export of fruits and vegetables to Arab country markets. Most of them are also land owners in Jordan and the West Bank. They market products they produce and also products under contract to them (lessee farmers). Most of them also buy products on the wholesale market to complete the volume needed to serve their export customers. They own or have grading/packing facilities and also refrigerated truck transport.

These men were asked about the present market opportunities to neighboring Arab countries. They confirmed the reports obtained in other conferences that Syria and Iraq, traditional markets for Jordan, are both involved in military actions and are subject to external sanctions that restrict their trade activities. They both have weakened economies that greatly restrict their ability to barter or pay for imported products. Thus they are not viable markets for Jordan at the present time, except in very limited quantities.

The other Arab countries pose a different set of problems. In the first instance the reduced income from oil during the last few years when the price of oil has been less than \$20.00 per barrel and down to as low as \$10.00 per barrel there has been a need to restrict their country budgets. This has affected the volume of imports and also the grants of money to Jordan and the

Occupied Territories. Another factor was an increase in their own self sufficiency in many vegetable products. During the period of high income from oil revenues investments, water was developed for irrigation and arid lands were brought under production. Some of them built facilities for hydroponic agriculture. They are enjoying their own production of high quality products. A third factor affecting markets in these countries is related to a change in their demand for high quality products. During the period when oil revenues were high they began to import food products, including fruits and vegetables, from all over the world. There was a change in their standard of living. They became used to products that were the best, and that were graded and packed to the standards of international markets. They now demand products of this quality.

Jordan now faces a totally different demand in these Arab countries. The traditional merchants and producers of Jordan and the West Bank are finding that they are not prepared to meet the competition. The men in this meeting say that major costs will be involved to change traditional production and harvesting practices as well as the construction of grading, packing and storage facilities. Further they are not sufficiently organized and committed to a specific program to make these changes. They all seem reluctant to become involved in schemes developed by the Jordan government. The result is a very negative view of the future market for products exported to the Arab countries.

Further discussion with these producer/merchant exporters indicated that some of them are already making adjustments in

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their operations. They are looking to the domestic market of Jordan as their primary objective. They are reducing the production of crops that are in surplus supply to the domestic demand. They are planting crops that are now imported into Jordan. This means some major adjustments in land use and the input and facility requirements. However, these are being achieved within their own means and as individuals.

In general this was a very good conference and demonstrated the intelligent and capable ability of this segment of Jordan-West Bank agriculture.

Interview

Jordan Export Marketing Company, Mr. Ghazi Abu Hassan, manager and Mazen Abdul Kader, vice president.

March 25, 1987, Amman

Attended by: Ziad Hussein, JCO - Daoud Istanbuli, Ministry of Agriculture, CDP -

This company is the former Jordan Marketing Company that has operated for a number of years as a government agency, which at times, has involved a stock interest and participation of private sector producers and export merchants. Mr. Abu Hassan advised this is now an independent company, financed by the government and which no longer has a private sector stock interest.

The company is now engaged in the shipment of winter season products to Europe. Shipments are by air under a contract with a private charter service. Mr. Abu Hassan states they are now shipping 220 tons per week to EEC markets. Starting in November 1987, Alia Airlines will provide additional airlift capacity.

They acquire product by contract with producers. The contract specifies the products to be produced and the time of harvest and delivery to the grading and packing centers owned and operated by the company. They are grading to EEC requirements. They do not accept responsibility for product that does not meet grade.

Mr. Abu Hassan states that acceptance of product has been good. Further they cannot meet demand. The EEC importers are asking for more product and kinds of product not now being produced in Jordan such as French green beans, cantaloupe, red and yellow sweet peppers.

Their plans for future development are very ambitious. They

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are intending to create processing plants, modern packing centers, storages, and refrigerated transit facilities. They are not planning overland trucking facilities but indicated this is practical and will be a future development.

Mr. Abu Hassan indicated he is having no problems meeting EEC standards and is able to properly train all of the grading center people. They are having no problem meeting the competition of other suppliers to the EEC markets. He does not anticipate ^{difficulty} obtaining adequate supply of product. They are not as yet accepting any product from the West Bank. Also they are not being furnished product from any cooperative organization.

Mr. Abu Hassan said they have control of all apples, potatoes and onions exported from Jordan or imported into Jordan.

He claims to have no problems of product delivery or payment for products.

Interview

Agricultural Marketing Organization - AMO

Mr. Jameel Zraiqaat - Asst. Manager

March 15, 1987, Amman

Attending: Mr. Ziad Hussein

Mr. Daoud Istanbuli, Ministry of Agriculture & CDP

Mr. Zraiqaat explained that his organization is responsible for the development of plans and studies that can assist the Ministry of Agriculture and the government of Jordan in their effort to improve the agricultural industries, especially in the marketing programs. In as much as production of crop and marketing are directly related, it is difficult to ignore a study of what crops need to be produced, also their quantity and quality. He noted that some crops are produced in surplus to the market demand especially in view of the reduced opportunity to export these crops to their traditional markets. There are also crops being imported into Jordan that can be effectively produced in Jordan.

He reviewed with us a tentative project being discussed with the U.S. AID mission in Jordan that will include studies of some phases of marketing agricultural crops. Specifically mentioned were product grades and standards, packaging, storage practices, transportation, processing and a program of implementation. He indicated that he is drafting some legislation that is soon to be considered that will assist in the implementation plans. He recognized that a major part of this program will be a coordination of information, education and training. His office will be responsible for this part of the program but it will involve all of the other agencies in its application.

He stated that the basic philosophy of the marketing program will be to emphasize the participation of the private sector and by supportive legislation implement the disciplines of marketing. These would involve the application of grades and standards, packaging and product identification. Legislation hopefully could also assist in the control of procedures of product ownership, documentation, and accounting practices. The object would be the control of collusive arrangements that suppress the operation of a free and competitive market.

The basic idea of this agency program would be to develop the long range policy of government support of agricultural marketing. It is important, in fact essential, that all government agencies be in agreement and supportive of the changes that will be required.

Mr. Zraiqat also stated that AMO will support and justify the changes in production goals and market operations. The economic studies will be continued as a long term basic program. Changes in the economic environment year by year will require adjustments in agriculture. It is intended that the economic information and economic forecasts will provide a basis to avoid problems of production and marketing. Anticipating and avoiding problems is of much greater benefit and much more economically sound than solving problems after they have become endemic. A case in point is the present condition of Jordan - West Bank Agriculture.

Another long-term and continuous program of study will involve all phases of the actual market operation and the

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development of market information. The use of the results of these will be to permit the market structure to make adjustments in all phases of their operation. In marketing, as in no other business, the results depend upon the complete knowledge of the people making market decisions. To a great extent this is the function and responsibility of the marketing service. But in actual practice there is a critical need to have a research and study service that views the short and long term trends of market requirements. More important, this service needs to evaluate the actions necessary to adjust to these trends. It may mean changes in products, changes in packaging, changes in product identity, changes in grades and standards, changes in market arrangements or changes in product promotion. The adjustments are endless and ever present.

Mr. Zrafiqat stated the AMO is to be primarily a service agency to be engaged in market research and economic studies that will assist the performing agencies of government and the agricultural industry to perform with greater efficiency and better serve the customers of the products.

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Interview

Dr. Mohamed Lubani, Director of Marketing Dept. JCO
March 24, 1987, Amman
Attending: Ziad Husseini

Dr. Lubani was very well informed on production of agricultural crops in Jordan. In general his comments agreed with Mr. Tell but he emphasized that a planned production adjustment would take time and would have some serious problems. The production of the traditional vegetable crops grown in the Jordan valley would be difficult to change. The cropping patterns established over many years and the cultural practices used would take a major program of education and training to change. He was not in favor of a mandatory program of adjustment. If progressive farmers could be encouraged to change it would serve as an incentive for others to follow.

He did confirm the belief expressed by Mr. Tell that the West Bank and the East Bank of Jordan had to be considered as one production area and one problem of adjustment and should be equally encouraged to engage in changes in planned production. He was opposed to the practice of the system of dates and quotas imposed on West Bank products.

Dr. Lubani believed there is a need for a study of the areas of the Jordan valley, East and West, and determine the best areas suited for the production of specific crop. These areas should be allowed to continue their production. Only in this way would maximum production efficiency and highest quality product be maintained. In general there is a need to reduce the production of some vegetable cash crops such as cucumber, tomatoes, eggplant

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and marrow. At present these are important West Bank crops.

Scarce crops such as potato and onions of specific varieties and root crops such as carrots, turnips, etc. should be encouraged for replacement production. One of the problems of West Bank conversion is the restriction by Israel on the importation of the seed stock for the new varieties of potatoes which are more suitable for storage and enjoy a long season of market. There is also a resistance to adopt the production of onion varieties other than Grano which is a popular high producing variety, but which is very perishable and not suited to storage. The general premise of the benefits of storage for both potatoes and onions was discussed. Dr. Lubani is confident that storage of these crops would provide a long period of market use and would result in a stable market price and a greater total consumption. They would no longer be classed as a seasonal crop with seasonal use.

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Interviews

Dr. Moraiwed El Tell - Director of JCO

March 23, 1987, Amman

Attending: Mohamad El Esser, West Bank supervisor, JCO
Ziad Hussein, Follow-up Committee, JCO

Mr. Tell was asked to identify the primary problems of marketing agricultural products for both Jordan and the West Bank.

Mr. Tell emphasized that the primary known market for agricultural products was the domestic market of Jordan & the West Bank. All other markets involving other Arab countries as well as Europe have become relatively unimportant and do not provide dependable or stable market opportunities. For the Arab countries this has been due to declining economic conditions, the increased production of their own agricultural products and the severe competition of high quality products from other countries. The European market is difficult to serve due to logistics, high standards of product quality and critical competition.

The emphasis, therefore is to produce for the domestic market and to adjust the production of agricultural product to the domestic market. At present there is an overproduction of some products which results in a reduced price that does not return the cost of production. At the same time many agricultural products need to be imported to serve the domestic market. This means planned production to serve a known market demand. Many adjustments in all phases of agricultural production will be necessary. Identify the crops that are overproduced and which have created a depressed market price. Engage in a planned reduction of these crops. In the same manner

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identify the crops that are being imported into Jordan and encourage the production of those which can be adapted to Jordan conditions of soil, climate and available technical services. This would apply especially to wheat, corn and other feed grains for livestock.

If this can be accomplished Mr. Tell believes the present land under cultivation will be fully utilized. He did not elaborate on the methods that may be used to accomplish this adjustment. He did indicate that he did not believe the economic motive of product prices would be sufficient incentive.

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Amm/n Appointments

March 24 and 25

- Dr. Moraiwed El Tell, Director J.C.O.
- Mr. Mohamed El Esser, West Bank Supervisor, JCO
- Dr. Mohamed Lubani, Director of Marketing, JCO
- Mr. Mohamed Murar, Director Wholesale Market Operations,
JCO
- Mr. Ghazi Abu Hassan, Manager, Jordan Export Company
- Mr. Mazen Abdul Kader, Vice President, Jordan Export
Company
- Dr. Saud El Zuhayr, Director of Agricultural Economics,
Ministry of Agriculture
- Mr. Jameel Zraiqat, Asst. Manager, Agricultural Marketing
Organization, "AMO"

Some Major Agricultural Products Produced
In Jordan and West Bank which are in Over Supply

		Tons				
		81	82	83	84	85
Tomato	Imported	7	15	11	20	22
	Produced	341	375	408	355	412
	Consumed	226	243	296	241	329
Eggplant	Imported	5	7	2	2	3
	Produced	99	110	124	64	46
	Consumed	72	80	98	28	45
Cucumber	Imported	3	2	0.5	0.3	0.2
	Produced	106	87	138	89	205
	Consumed	68	39	85	31	143
Pepper	Imported	0.1	0.3	0	0	0
	Produced	13	15	33	28	28
	Consumed	4	3	15	7	6
Zuchinni	Imported	0	0	0	0	0
	Produced	34	74	132	79	50
	Consumed	7	36	99	56	23

* All are imported from WB

Percentage Increase in Production 1981 to 1985

	Jordan	West Bank Export
Tomato	70.2 increase	1.0 decrease
Eggplant	31.4 increase	19.2 decrease
Cucumber	48.1 increase	57.8 decrease
Pepper	52.1 increase	no export
Zuchinni	45.9 increase	no export

Appendix 9

Jordanian Exports of Agricultural Products, 81-85
(Quantities in Tons)

Product	1981	1982	1983	1984	1985
Tomato	122,099	147,909	123,038	134,012	104,494
Eggplant	32,343	36,878	28,456	34,503	34,987
Zuchinni	26,545	37,050	32,570	22,045	26,308
Cucumber	39,263	50,640	53,050	58,277	61,587
Pepper	9,435	12,092	17,399	20,339	21,413
Beans	6,090	5,955	7,991	7,667	7,793
Onion	8,738	6,075	5,667	3,757	4,155
Potato	3,159	4,833	2,439	5,741	8,690
Cauliflower	10,943	12,807	17,452	16,328	13,826
Cabbage	7,528	9,047	9,445	13,400	10,060
Watermelon	305	83	2,764	5,961	8,088
Melon	6,312	5,703	15,481	16,154	12,065
Green fava beans	2,938	4,111	4,411	1,099	1,639
Lettuce	13,957	12,233	21,449	19,266	23,278
Carrots	1,586	627	843	305	414
Garlic	42	25	115	49	--
Spinach	63	118	37	4	--
Turnip	47	14	4	7	32
Okra	1,186	995	1,814	825	1,524
Mouloukhieh	549	224	328	81	80
Sage	10	--	--	11	--
Beet	8	--	--	1	2
Peas	25	--	--	--	--
Oranges	98,251	105,647	72,024	76,648	86,806
Clementines	9,630	12,281	11,827	16,510	14,303
Mandarines	2,461	5,009	5,384	4,399	7,848
Lemon	12,814	15,581	17,490	21,690	27,018
Grapefruit	3,049	1,696	2,158	1,083	971
Pomela	274	312	327	394	521
Apples	742	1,379	2,471	2,681	673
Chestnut	2	--	--	25	--
Pears	38	250	195	305	109
Green Almonds	2,096	910	802	994	694
Grapes	3,645	6,001	6,270	4,883	2,016
Guava	308	449	146	171	54
Pomegranate	827	972	813	1,041	549
Peach	1,698	318	82	23	4

Appendix 8

Some Major Imported Agricultural Products into Jordan
together with the Domestic Production of those Products

		Tons				
Product		81	82	83	84	85
Wheat (grain)	Imported	429	382	343	466	388
	Produced	60	29	116	25	63
Barley (grain)	Imported	8	69	17	180	75
	Produced	18	7	34	5	20
Corn (grain)	Imported	135	151	170	132	160
	Produced	0.4	0.1	0.4	0.2	0.4
Sesame Seed	Imported	5	7	5	6	5
	Produced	0.6	0.3	0.5	0.5	0.1
Lentil	Imported	1	1	3	0	0.6
	Produced	6	3	8	2	4
Chick Peas	Imported	7	7	10	8	10
	Produced	1	1	2	1	2
Onion	Imported	16	18	20	13	1
	Produced	12	30	25	9	14
Potato	Imported	38	39	25	21	12
	Produced	9	12	26	27	26
Carrot	Imported	3	3	3	3	4
	Produced	0.4	1	0.2	0.5	1
Garlic	Imported	1	1	2	2	2
	Produced	0.2	0.2	0.4	1	1
Apples	Imported	28	38	42	32	37
	Produced	2	4	3	3	3
Citrus	Imported	147	140	107	124	111
	Produced	86	127	123	95	158
Red Meat	Imported	28	27	22	21	23
	Produced	8	9	10	10	11

Note:

1. Imported other than from West Bank & Gaza
2. No data on dry beans, peas, soya, sunflower

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Appendix 7

Jordanian Imports (Agricultural Products), 81-85
(Quantities in Tons)
Other than West Bank

Product	1981	1982	1983	1984	1985
VEGETABLES					
Onion	15,847	18,011	19,547	12,929	8,071
Potato	38,261	39,333	25,247	20,587	11,613
Carrots	3,221	2,962	3,339	3,479	3,985
Garlic	1,106	1,251	2,720	1,865	1,649
Turnip	835	1,020	1,390	1,038	1,386
Beets	177	257	173	223	222
Watermelon	10,725	5,358	2,995	1,087	434
Melon	85	415	409	329	659
Colcasia	10	55	73	101	23
Lettuce	11	202	227	--	--
Pepper	128	245	--	--	--
Cabbage	19	998	--	--	161
Beans	34	52	--	--	--
Green fava beans	15	8	3	--	--
Sage	168	457	440	509	712
Cauliflower	47	64	--	--	33
FRUITS					
Apples	27,964	37,582	41,679	31,689	37,179
Peach	1,385	1,782	418	293	25
Pear	952	2,352	2,704	1,733	3,120
Akadenia (medlar)	328	120	256	--	1,013
Chestnut	821	582	232	678	447
Lemon	533	790	1,022	211	649
Banana	192	--	--	--	--
Orange	145	--	--	--	--
Plums	659	1,037	718	173	880
Cherries	181	382	447	271	880
Apricots	833	1,720	1,620	496	2,144
Grapes	253	103	112	--	--
Coconut	110	289	111	37	1
Dates	15	20	232	--	--
Sugar Cane	20	35	--	97	27
Pineapple	8	--	16	--	--
Mango	12	--	22	--	--
Quince	22	91	--	89	--
Red plums	279	631	90	151	--

East Bank and Highlands
Jordan Production and Dunums
Increase or Decrease 1981 to 1985

Product	Dunums		Percent Change	Production (tons)		Percent Change
	1981	1985		1981	1985	
Melon	18,258	35,238	48.2	9,335	51,641	81.9
Garlic	233	1,060	78.0	152	735	79.3
Okra	11,000	13,653	19.4	3,486	3,015	(13.5)
Olives (oil)	242,087	297,749	18.7	18,967	22,610	16.1
Grapes	102,225	126,156	18.9	45,911	52,637	12.8
Citrus (all)	31,716	63,061	49.7	86,941	158,270	45.1
Cauliflower	18,658	16,655	(10.7)	24,290	35,408	31.4
Cabbage	8,035	11,482	30.0	15,355	28,910	46.9
Onion	11,091	12,914	14.1	11,680	13,656	14.5
Potatoes	4,170	15,504	73.1	9,071	26,199	65.4
Watermelon	34,150	38,011	10.2	19,355	65,011	70.2
Tomato	142,547	137,067	(3.8)	15,355	65,011	70.2
Eggplant	25,246	37,059	31.9	33,972	49,525	31.4
Cucumber	42,765	64,817	34.0	106,179	204,748	48.1
Pepper	15,683	15,972	2.0	13,187	27,534	52.1
Beans (green)	7,723	18,946	59.2	9,248	27,494	66.4
Fava (dry)	19,736	7,252	(63.2)	769	505	(34.3)
Chick peas	20,512	1,672	(91.8)	1,291	121	(90.6)

Fruits Imported to Jordan (East Bank) from Gaza, 1981-1985
(Quantity in Tons)

Product	1981	1982	1983	1984	1985	Average
Shamoti Oranges	28,262	34,800	21,238	24,888	18,480	25,534
Naval Oranges	75	76	52	41	70	63
Valencia Oranges	72,658	58,544	48,772	58,980	55,306	58,852
TOTAL oranges	100,995	93,420	70,062	83,909	73,856	84,448
Lemon	4,206	5,904	3,563	4,533	7,369	5,115
Grapefruit	1,806	1,576	2,001	932	395	1,342
TOTAL citrus fruits	107,007	100,900	75,626	89,374	81,620	90,905
Guava	1,789	1,850	1,683	2,255	3,292	2,174
Dates	482	312	199	273	503	354
TOTAL non-citrus fruits	2,271	2,162	1,882	2,528	3,794	2,528
GRAND TOTAL	109,278	103,062	77,508	91,902	85,415	93,433

Appendix 4

West Bank Exports to Amman in Tons
and the Percentage of Jordan Use

Item	1982	1983	1984	1985	Average
Tomatoes	15170	10717	20152	21705	15003
% of Consumption	6.2	3.6	8.4	6.6	
Eggplant	7106	2278	1706	3311	3828
% of Consumption	8.8	2.3	6.1	7.4	
Potatoes	2512	3868	4966	4380	3467
% of Consumption	5.2	7.4	10.7	13.3	
Cucumber	2276	465	257	167	1203
% of Consumption	5.8	0.5	0.8	0.1	
Watermelon	16498	30412	39232	40422	27765
% of Consumption	35.2	29.2	48.5	41.3	
Melon	3024	7459	7554	7170	5783
% of Consumption	27.9	28.4	28.6	9.6	
Onions	2755	1468	3911	4578	3098
% of Consumption	6.1	3.7	17.8	20.6	
Grapes	5561	5786	6032	7932	6286
% of Consumption	11.5	11.2	15.1	13.5	
Bananas	4288	3868	8263	7396	5442
% of Consumption	34.7	19.6	34.0	19.4	
Oranges	25385	19081	20554	17896	22424
Clementine	5518	6384	6853	5060	5974
Mandarin	2077	1548	2229	1856	1766
Lemon	6036	4596	4300	4668	4561
Grapefruit	3	19	48	54	25
Pomelo	47	38	61	64	42
All Citrus	39066	31666	34045	29528	34792
% of Consumption	30.7	25.8	34.7	22.3	
Plums	6202	3149	3705	3929	4452
Honey	36	41	41	37	37
% of Consumption	8.9	18.3	13.2	8.6	10.2

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Marketing Exercise

How is a price determined?

This is the most difficult marketing question to answer. Determining a price is not a precise science.

- a. while expressed in numbers it does not involve mathematical equations
- b. there are many economic laws such as the law of supply and demand, the law of diminishing return, the law of price elasticity, the law of diminishing use.
- c. In the final analysis prices are created in the minds of people.

How does a producer arrive at a price he can or will sell, and how does a customer or buyer arrive at a price at which he will buy? Let us take the simplest and most fundamental exercise in price determination.

First the Producer must consider his costs and investments.

1. Cost of production
 - a. Overhead-fixed costs, land, water, equipment, rentals, housing, daily necessities, interest, depreciation, taxes, repairs, insurance
 - b. Operation-seed, plants, labor, fertilizer, pesticides, plastics, fuel
 2. Cost of market preparation
 - a. harvesting, grading, packing, containers, transport
 3. Labor income
- Equals basic cost of product

Other factors Producer must evaluate.

1. competition of other producers
 2. total volume of product
 3. competition of other products
 4. quality of product, his and total supply
 5. economic conditions
 6. need for money-operating capital, new equipment, debt, retirement, coop investment
 7. consumer evaluation, retail sales
 8. season, weather, water
 9. last year's price of the product
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the products by grade and quantity

f. Perform grading and packaging as necessary if not performed properly by the member.

g. Display and price products

h. Perform customer service

i. Operate facilities in an efficient and business-like manner

j. Create a corporate and community image that will accrue to the benefit and pleasure of the producer-member and the customer

k. Obtain and apply market information and intelligence

l. In cooperation with directors develop market information that will assist members to produce products that may fulfil new demands, provide greater customer satisfaction, and/or yield greater member profits.

Second the Consumer also must be considering what can be paid for the product.

1. money available
2. need for the product
3. product preferences
4. product options
5. highest use and satisfaction per JD spent
6. quality of product
7. season and timing
8. convenience of market location
9. cultural or traditional customs
10. basic family needs
11. how graded and packaged
12. last year cost of the product

All of these factors the consumer and the producer may specifically or subconsciously consider. Both may have a price range in mind at which one is willing to buy and the other is willing to sell. Both may have a price in mind which one is unwilling to consider buying or selling. In other words the price is too low for the producer to consider and the other price is too high for the consumer to consider.

The price is ultimately achieved when there is an agreement between the producer and the consumer. Consider that all producers are not alike and neither are all consumers alike.

There are classes of producers

1.
 - a. low cost of production
high quality of product
 - b. high cost of production
low quality of product
2.
 - a. low capital need
low debt load
 - b. high capital need
high debt load
3.
 - a. organized and group
action
 - b. disorganized - individual
action

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There are classes of consumers

- a. high income
high quality products
higher priced product
- b. average income
second quality product
average price
- c. low income
third quality product
economy price

Price ultimately achieved:

- a. will determine profit or loss
- b. will determine increase or reduction in product production
- c. will determine adjustments in quality of product, grading of product, cultural practices, etc.
- d. will determine change to alternate crop

Consumer relations will need to be evaluated each year. Long term consumer satisfaction is the ultimate goal. Consumer satisfaction will lead to stabilized pricing, predictable economic conditions, programable production goals.

Marketing

Exercise - Demand Curves

Tomatoes

<u>Price-per-Kilogram</u>			<u>Tons</u>
100	Fils x 1000 = Price Per Ton	1	1
210	"	1.3	2.6
320	"	1.7	4.5
420	"	2.3	6.4
530	"	2.7	8.6
640	"	3.2	11.2
800	"	3.7	14.0
850	"	4.3	8
960	"	5.0	9
1070	"	5.5	10
1170	"	6.2	11
1280	"	6.8	12
1380	"	7.2	13
1490	"	8.5	14

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Exercise - Supply Curves

Tomatoes

<u>Price-per kilogram</u>		<u>Tons</u>	
100	Fils x 1000 = Price Per Ton	1	1
210	"	1.3	2
320	"	1.5	3
420	"	2.9	4
530	"	2.2	5
640	"	2.5	6
800	"	2.8	7
850	"	3.3	8
960	"	3.7	9
1070	"	4.1	10
1170	"	4.5	11
1280	"	5.0	12
1380	"	5.5	13
1490	"	6.0	14

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Exercise - Demand - Supply Equilibrium - Unit

Tomatoes

<u>Price per kilogram</u>		<u>Tons</u>
100	Fils x 1000 = Price Per Ton	1
210	"	2
320	"	3
420	"	4
530	"	5
640	"	6
800	"	7
850	"	8
960	"	9
1070	"	10
1170	"	11
1280	"	12
1380	"	13
1490	"	14

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Elements of
Retail-Marketing

Retailing is the final function or transaction in the marketing process. It is the point at which the ultimate consumer makes a purchase and pays a price that must serve all costs of marketing and reward the original producer of that product an amount sufficient that will continue his performance as a producer. The retail market is also the point at which a price is discovered which the consumer is willing to pay and which will hopefully return the costs of production and marketing.

The retail market will also determine the volume of product that can be sold without reducing the demand and/or the price the consumer is willing to pay. In addition, the retail function will reveal the preference of consumers in relation to quality of the product, the variety of products, the variety of packaging, and the size and volume of packages. Direct consumer relations will reveal consumer demands that are not being served. In fact the retail market and the direct relation with the consumer is an endless opportunity to obtain information that will improve consumer satisfaction and enhance the opportunity of increased volume of product and increased profits.

The retailing function is the arena where demand is discovered and where price is determined. Demand has a multiple of meanings such as volume of product, new products, qualities of product, packaging of product, seasonal preferences, etc. In

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fact, it is in the retail function that the true objective of marketing is realized. This means that the production of a product is to satisfy a consumer demand for that product. Production must be sensitive to changes in demand and make the necessary adjustments. This may mean changes in volume of product, quality of product, variety of product, new products, etc.

The primary elements of the retail market will include, product procurement, grading & packing, product display, product pricing, and customer service. Supplemental functions will be business structure, physical operation, management, accounting, market information, and finance & credit. Each of these elements needs to be formulated in detail for every retail enterprise.

Organizational structure or business structure must be carefully developed to reflect a cooperative organization of producers who recognize a need for a marketing service. They elect a board of directors who with this mandate 1- determines the specific objective 2- determines the procedure to obtain the objectives and 3- determines the policies of operation. The directors are accountable to the producer members. The operation is facilitated by the employment of management who in turn employs and supervises the operating staff. Management receives authorities from the directors and is responsible to the directors.

Ownership of Retail Marketing Service

The ownership and operation of the marketing function will be dependent upon who uses it. If a single producer cooperative is involved the marketing operation will be one of its major functions and will be under the direction of its board of directors. If more than one cooperative is involved, a separate board of directors may be involved in the marketing service. This board of directors could be constituted by representatives from the participating cooperatives. It may be desirable to constitute the membership of the market board in relation to the volume of product each cooperative provides.

Assuming more than one cooperative will be involved, the ownership of the market service will be based upon the proportionate volume of product and/or the value of products delivered. In as much as the volume and value of products will vary from year to year it is important that the proportional ownership should respond to this variation. Equity capital shares can be purchased by the patron each year on the basis of a percentage of the market value of products or they can be purchased from the profits of the market operation on a patronage basis. In either case the money representing the capital shares will be retained by the market operation and added to its equity capital to be used for operations and facility development.

As patronage equity will be accumulated each year there will come a time when all capital needs of the market operation will

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be satisfied. At this time the capital shares purchased in each current year can be used to retire or repay the oldest shares that were purchased.

The basic philosophy to be recognized is that the market function must be a profitable operation. It must be able to pay its operating costs and it must provide the facilities for operation. This requirement for money must be served each year by the producer owners on an equitable basis. Only in this way will the capital requirements be provided over a period of years and equitably accommodate changes in volume of production, kinds of production, changes in producer membership, or changes through expansion in the capital needs of the market facility. This philosophy of capitalization is based upon the premise that the cooperative market operation provides a service to the producer that yields a financial return to the producer over and above that which he can obtain by himself alone. In order to maintain this service he must fund its operation by the purchase of capital shares. In the method just described he purchases these shares of capital, or loans money to the market operation, on an equitable patronage basis year by year. When his share of capital needs are fully funded his investment will be returned to him year by year in the same manner that it was purchased. As long as he remains a producer member his marketing service will be available to him.

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Retail

Market Operations

Marketing is a business operation. In simple terms it is the process by which products and services are converted to money. Thus it is important that marketing be based upon the precepts of a well defined business structure. This is true even with the program of a direct producer participation in a retail market enterprise. Thus it is important to consider the specific function and responsibility of each element in the business structure which is a cooperative with a producer membership, a board of directors elected by the members, and a manager employed by the directors.

Speaking specifically to the retail market operation the following functions and responsibilities of producer members, directors and market manager should be noted:

1- Producer Member

- a. Will be obligated to deliver products to his retail market.
 - b. Will grade and pack the products he produces at the time of harvest operation as per plan and specifications developed and adopted by the directors and approved by the producer members. Any products requiring additional grading after delivery to the market will be subject to a grading charge or forfeit a premium payment.
 - c. Products delivered to the market will be receipted by grade and quantity. This record will be the basis
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of payment after the product is sold.

d. producer members will receive payment direct or through the cooperative as per membership agreement.

2. Board of Directors:

a. Develop short-term and long-term objectives of the market operation

b. Develop policies of operation and submit them to the members for approval

c. Employ a manager of the marketing operation and determine his compensation and responsibilities

d. Require complete operation reports and accounting from management

e. Evaluate operation and management performance

f. Provide manager with a list of producer members

g. Report to membership and/or cooperative boards

3. Market Manager: and staff

a. In cooperation with directors develop a system of business records and accounting methods

b. In cooperation with directors develop a system of reporting and communication serving, producers, members and directors

c. Employ operating staff and determine their responsibilities and compensation

d. Instruct, train and supervise staff

e. Receive products from producer members and receipt

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local level it makes it easier for the products that are surplus to local needs to move and be acceptable to other market areas.

There are two major considerations in a discussion of this subject. The first is a standardization of weights, measures, containers and container markings. Through general use there can be a great variation in each of these items in order to serve some specific requirements of local needs. This however, can cause many problems in the market process. Lack of uniformity can interfere with transport, pricing and actual merchandizing. As soon as the variations can be properly evaluated there should come an adoption of the one most suitable to meet all the requirements for the total marketing process.

Fortunately for each of most products the weights, measures, containers and container markings have been established and some degree of uniformity is recognized. It is best that any unification of these standards by new local production or new market entries give careful consideration to the recognized standards.

The second consideration is of the product factors. This would apply to product characteristic, and quality. These factors are much more difficult to determine and to properly classify. In most cases these factors cannot be precise and often are affected by subjective judgements.

In this matter we are discussing such factors as product damage, physical variation, maturity and quality. Many agricultural products such as vegetables and fruits there is a high degree of perishability and quality. However, good grade

Grades and Standards

Grades and standards can be defined as the means by which products can be classified and identified so as to serve the process of marketing and the needs of the ultimate consumer.

The justification of grades and standards is to identify what form the product must have to satisfy the demands of the buyers and handlers of the product in the marketing process and to satisfy and to serve the needs of the consumer. Grades and standards should also identify what form the product must have to satisfy the requirements of transport, finance and accounting.

The elements of standardization and grading have been developed over many years and have become a standard procedure for all agriculture products. Through international trade the grades and standards have become remarkably uniform world-wide. In these markets products are bought and sold on the basis of certified grades and the product is seldom seen by the buyers and his payment for the product is based upon the establishment and proven dependability of the product grade.

While the ultimate usefulness and requirement of product grades and standards is most critical in national and international marketing there is a need and usefulness for proper grades at all levels of marketing. Starting with the roadside market or the village market and on to the domestic wholesale markets grades can serve to improve every facet of the market transaction from handling, pricing, and to consumer satisfaction. Further, as grade standards are adopted at the

standards for a product must seek to achieve a degree of uniformity of each of the factors. A typical grade standard should provide the following:

1. removal of product which is damaged by insect and disease
2. removal of product that is damaged by physical injury, ie. bruising, broken skin
3. removal of product that is misshapen, immature for fresh market use
4. separation of individual specimens of the product by size, color, maturity, etc.

It is recognized that all of these measurements cannot be precise. In fact when a crop of product is graded it is only practical to provide for not more than four separations of grades such No. I, No. II, No. III and a processing or waste grade. This means that within each grade there has to be a variation of each of the grade factors and true uniformity is never achieved. In recognition of this fact most grade standards provide for a percentage tolerance and yet be considered within grade.

Good grade standards should:

1. identify product characteristics or quality factors that are important to market transactions and consumer use and satisfaction
2. grade factors should be easy to recognize.
3. grade should consist of factors that can be accurately and uniformly measured and interpreted
4. grades should serve the needs of, and be used by all

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factors in the market process

5. grades should be able to be practically and economically applied to the product and administered in the market.

The benefits that can accrue from the use of a good grade and standardization program could and should be as follows:

1. form the basis of price quotations
2. provide a basis of sale by sample of sample inspection
3. provide for the consolidation of small lots into quantities suitable for large orders or large shipments
4. provide a suitable basis for financing or asset calculation
5. provide a basis of claims or allowances for damage or loss
6. provide a basis of confidence or guarantee in market transactions
7. provide for a basis of judging competition via price
8. provide for a basis of inspection and certification commonly used for product documentation. This is usually performed by an independent authority or service
9. provide a basis of product identification essential to advertising and promotion

Another major benefit of the use of a grade and standardization system must be noted and emphasized. We are assuming that the grade standards provide for two or more grades

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which separates the product into different levels of value and usefulness. In practice this should reflect a higher return to the producer for the No. I grade (highest value) than for No. II or No. III grades. Further the grade separations should provide a greater return for the total crop. The producer should be provided with documentation of this effect and advised that if he can produce a greater percentage of his crop that will qualify for the No. I grade within a reasonable cost he will increase his net profit.

The buyer of a box of ungraded product is inclined to pay for only the A grade in the box. For example a box of tomatoes with "field run" or ungraded product may only contain 50% of the A grade. The buyer disregards the B grade and lower and considers it will be waste of unpredictable value.

In result he buys two boxes in order to obtain one box of A grade for which he can sell at a predetermined price. The grower forfeits the lower grade product. He also has to furnish two boxes, plus double the transport, commission, municipality and other costs. All in order to sell one box of A grade product.

The buyer, on the other hand, may salvage some income for waste and the sale of the extra container. All of this is profit to him. In practical experience these results have been achieved and the use of grades and standards can be a major incentive to higher quality of product, to higher production per dunum, and to higher income to the farmers.

The promulgation, adoption and application of grades and standards is an essential component of a successful agricultural

industry. A grading system is a method of differentiating the product to meet the customers' various desires. Customers are characterized by a large range of incomes and preferences. Some desire and can pay for the highest quality. Others must be satisfied with a lower grade or quality at a lower price. A grading system attempts to differentiate the product in such a way that the various consumers, or the various markets, are tapped for all that they will pay. The best grading system will move the greatest total amount of product into consumption and secure the greatest total price for that amount.

It is recognized that grades may be different for different markets or for different product uses. Customers and markets must be evaluated carefully. Many factors will combine to result in these judgements. Be certain that all are considered. Flexibility and adaptation must be one of the capabilities of a viable marketing program.

The Utility Value of Marketing

Marketing starts with the product at the farm. Consumers of that product may be a great distance from that farm. They may not want it in the form it is produced. They may want it in attractive packages ready to serve their needs. They may want it available every time they desire to use it. If marketing is the function to satisfy the consumer demand and preferences, there must be many operations in the marketing process. We have already presented some of the most important, such as proper harvesting, grading, packaging, storage, transportation and processing. These are the physical functions. To this we must add the cost of the many non physical items such as financing, management, promotion, and labor.

We have noted that marketing is expensive. As we have noted the many operations of marketing, it is apparent why marketing is expensive. The vast array of services and product preparation before it can be presented to the consumer for sale can constitute a cost far greater than the value of the product at the farmers field. In order to put this in proper perspective let us consider a term that is often used in marketing. The term is "Utility value". It refers to the value or usefulness of a product and it can be applied to any product at any time, at any place, in any form, or in any condition. For example, the utility value" of a kilogram of strawberries will vary if it is

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the owner or owners of the product in the marketing process. In the case of a cooperative the ownership may remain in the producer interest to the ultimate consumer. Whatever the arrangement of ownership the costs of the risks prevail and must be recognized as a cost of business. Again we must say marketing is a "risky business".

A.

- | | |
|----------------|---------------------------------------|
| <u>"Place"</u> | 1. Picked in a container at roadside |
| <u>Utility</u> | 2. In a container in Jerusalem market |
| <u>Value</u> | 3. In a container in London market |

B.

- | | |
|----------------|---|
| <u>"Form"</u> | 1. Fresh wholesale and ready to use |
| <u>Utility</u> | 2. Fresh sliced, sweetened and ready to use |
| <u>Value</u> | 3. Processed, sweetened as jam or preserves |

C.

- | | |
|----------------|------------------------------------|
| <u>"Time"</u> | 1. Fresh during mid-harvest season |
| <u>Utility</u> | 2. Fresh during first of season |
| <u>Value</u> | 3. Fresh during opposite season |

There are many other factors that affect the "Utility Value" of products and it must be noted that all of them can involve an extra cost and hopefully an added value of the product. Together these are the costs of marketing. In general it can be said that marketing is productive, almost in the same sense that producing a product is productive.

Marketing changes the place a product is offered to the consumer. Today agricultural products are transported to all of the markets of the world. Go into your local store and make a list of all the countries that represent the point of origin of

the products offered for sale. Even in a small store many countries of the world will be represented. By land, sea and air products are transported to markets wherever they may be.

Marketing changes the time products are sold. We think of agricultural products maturing and being harvested in a short or seasonal period. However, by the development of various processes of cooling and storage even highly perishable products can be stored for varying periods of time. For example apples can be rapidly cooled and stored for six months if a temperature of 0 C and a relative humidity of 90 to 95 % is maintained. By reducing the oxygen from 21% (normal atmosphere) to .1% and increasing the carbon dioxide from 0.5% to 3% the apples can be stored for 12 months or more (keep temperature at 0 C and relative humidity of 90 to 95 %). This permits apples to be stored and marketed every day of the year with harvest fresh quality. Every product has its own storage environmental requirement.

Marketing can change the form of a product. We noted in the strawberry example that the fruit can be preserved by adding sugar and processing. This is true of many agricultural products. Fruits can be converted to juices, jams, jellies, or canned sauce. Milk can be converted to butter, cheese or powder. Potatoes can be converted to french fries, chips, or powder. Many products can be frozen, dehydrated, or concentrated. Changing the form of the product through processing is the most expensive marketing operation but it adds the greatest increase in Utility Value. Some of the added costs of changing product

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form is recovered by increasing the time in which it can be sold, and decreasing the storage and transportation costs of many product. For example, fruit juices concentrated to 72 Brix can be stored at 20 to 23 C and reduce the original weight by 80 to 85 %.

The consumer demand and consumer satisfaction has been greatly increased and enhanced by changes in the time, place, and form Utility Value. This has proven to be a major productivity of the marketing process. As improvements are developed and used in transportation, storage, processing and product environment there will be even greater changes in the increased Utility Value of products. And as the standards of living improve in most of the world, there will be a greater demand for this marketing function and the product it create. The opportunities are endless.

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Utility Value Exercise

From your own family experience and in your own produce and grocery stores

Place Utility Value

1. from memory, list the country of origin of the agricultural products you can buy.

Time Utility Value

2. from memory, list the agricultural products you can buy which have been stored or held beyond these normal harvest period.

Form Utility Value

3. from your memory, list the agricultural products you can buy that have been processed or converted to a different form.

Who has the longest list -

A cigar to the winners -

100-