

Market News Services: How Do You Start; What Do You Expect

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The development of sound agricultural policy, as we have considered for the past two weeks is of first importance. The specific direction for the development of an agricultural economy must be determined and charted . . . policy goals in their appropriate sociological setting . . . utilizing the vast store of knowledge and scientific accomplishments, particularly in increasing agricultural production by improving soils, the use of improved varieties of plants and better breeds of livestock and poultry, the use of more efficient cultivation practices, pesticides, insecticides, etc. The same type of planning carries on through in the marketing and distribution of agricultural products, particularly the type of marketing services and facilities to be developed. And finally, the implementation of the agricultural policies that are favored and adopted. The Ministry of Agriculture files in many developing countries are full of unused plans, recommendations, and feasibility studies by the Food and Organization, Agriculture/ Organization of American States, the U. S. Agency for International Development, benevolent foundations and others. But progress finally depends upon change--implementation of sound policies developed through careful research, advice and deliberation.

Today we are going to present to you an illustrative case study of implementation. This type of presentation could have^{been} selected from any number of areas, e. g. how rice production has been increased by plant breeding, how efficient marketing facilities expedite marketing and distribution of food, etc.,etc. The Steering Committee of the Seminar has selected, as an example, the development and benefits of agricultural market news services in modernizing an agricultural economy.

An efficient market news service is an essential component in the development of any nation's agricultural production and marketing system. Most policy makers know that from an economic standpoint, a perfectly competitive market is one in which buyers and sellers have adequate knowledge of supply and demand conditions affecting their commodity. Common knowledge of market conditions among both buyers and sellers, however, does not necessarily guarantee an efficient agricultural marketing system. Establishing a market information service to effectively serve producers and others and enable them to do a better job of marketing is still difficult even in highly developed countries. Planning such a service for a country still in a transition stage from subsistence to cash crops is more difficult. This is particularly true when there are many disorganized and inefficient marketing channels, especially from the standpoint of high marketing costs and inadequate performance in satisfying the trade and consumer demand for optimum quality food products at a reasonable cost. However, the development of an adequate market news service is an important step in bringing about greater efficiencies in agricultural marketing and this helps to increase agricultural development.

A satisfactory distribution and marketing system for agricultural products in most of Latin America is still in the process of development. Marketing channels extending from the individual farmer to the metropolitan centers, such as in the city of Sao Paulo, Brazil, are characterized by a marketing jungle of firms ranging from small one-man operations to one of the largest agricultural cooperatives in the world. Supermarkets are being built in several Latin American countries, but retail food marketing in most areas is still dominated by inefficient street and sidewalk stands selling one or a very limited number of products.

Even in this type of market environment, a market news service can be of real value in helping create conditions necessary for the development of an efficient and modern agricultural marketing system.

Although there are other important factors in the development of the agricultural economy of a country, such as standards for grades, adequate credit, storage facilities, and farm-to-market roads, the establishment and development of an agricultural communication system is a very important part of any agricultural improvement program. Marketing may be broadly interpreted as concerning all operations and activities affecting a product from the producer's gate to the consumer's table. But in this instance we are going to devote most of our attention to how to establish or expand an already existing system of market news that will adequately provide for the reporting of the necessary daily wholesale market news needed by producers and others, with a minimum of interpretation of the supply and demand forces that are influencing marketing activities. This current or daily market news service usually includes weekly summaries as well as simple averages of weekly and monthly prices. Information on supply and demand, or situation reports, as well as monthly or periodical crop, acreage, yield, or forecast reports require different techniques in collection and preparation, usually involving extensive use of reporting forms or questionnaires that are sent to producers and food handlers. Most of this is done by mail as contrasted to the use of personal interview of buyers and sellers in the operation of a current market news service. Also, such reports are not compiled and issued with as much urgency or speed as current market news from the trading centers.

How do You Start

A single market news system cannot be projected that would be suitable for all countries. Some commodities are produced in greater quantities in

some countries than in others. The patterns of production and marketing vary greatly. Some are more highly organized through cooperatives. Marketing customs and systems as they have been developed through the years are widely different, and the availability of communication equipment varies from one country to another. But certainly some very definite guidelines can be established for starting a new service.

If sufficient information is not already available, one of the first steps to take is to make a feasibility study . . . to determine the existing situation. Information is needed on what commodities are produced, where and how they go from the production area to consumers. Where are the markets or supply concentration areas and what type are they? Is trading face-to-face, by auction markets, in wholesale centers, do buyers from processing plants go to the farm for supplies, or do the producers take their products to the plants? Do itinerant truckers roam the countryside, buying from individual farmers, and then, where do these truckers sell?

Then visit existing marketing facilities and centers, and specialized producing areas with local agricultural officials who know the area. Visit industry, state and local officials. Discuss your plans with large cooperatives. Do not overlook local news outlets, radio and TV stations. Find out what market information they are using, if any, as well as the need for additional information not currently available. Some news media will usually volunteer their support in an effort to better serve their publics.

With the facts gathered in the study, the second step is to sit down and plan the organization, or reorganization if some service already exists. Most important points to be decided are:

1. How many market news offices should be established, in addition to the central office ...size of the offices ...

number of persons needed ...existing agencies that might lend help ...and furniture and office equipment needed?

It is usually easier to start as a part of, but as a separate unit of an existing agency, preferably in some office of the Ministry of Agriculture. Other alternatives are starting with the extension service, government corporations, cooperatives, etc., or, simply as an independent project and later be institutionalized in the Ministry.

- 2 How market reports and other information may be exchanged among the various offices or markets and the central office. If there are no teletype services, perhaps air pouch may be used until direct teletypewriter service is available. Short reports may be exchanged by telephone as was done in Peru pending the installation of teletype service.
- 3 Type of communication available and most suitable? Can teletypewriters be leased or must they be purchased? What type or brand is most readily available, keeping in mind the problem of repair parts and service.

Generally, it is wise to rent or purchase machines with tape perforators for ease in relaying reports to additional points. Telephones are essential in the operation of the service. Are existing or new telephones available? In some countries it takes 10 to 15 years to get a telephone.

- 4 What type of duplicating machine should be used? This is especially important in the quick dissemination of reports. Mimeograph machines require stencils that must be typed and proof read before printing. "Ditto" machine will run copies from matrixes that may be typed in the teletypewriter over which the reports are received or sent. Only a few hundred copies can be produced by one matrix by the latter method.
- 5 Prepare a proposed budget for the first two years of operation. The first year's budget will include considerable new equipment and other items that would not appear in a budget for subsequent years. The budget should be prepared in detail and in a form similar to those for other related agencies.
- 6 Obtain necessary funds for the project, usually from the Ministry of Agriculture. Other sources are producer organizations, cooperatives, or state departments of Agriculture. Assistance can sometimes be obtained from the U.S. Agency for International Development (AID), Food and Agriculture Organization (FAO), and foundations.

- 7 With funds available, planning becomes less important and action begins. A director of the service should be named, also a deputy director, and the exact name and location of the service should be determined.
- 8 Whether it is the beginning of a new service or the expansion of a service already started, a problem of foremost concern is training of personnel. Reporters, for example, must know the products on which they are reporting, must be able to interview trade members with competence and confidence and be able to prepare market reports quickly. AID, FAO, and several foundations have assisted in training programs in the past. Requests should be made for needed assistance.
- 9 After trained personnel is available then comes the task of outfitting the offices and starting the service. After trial runs and all phases of the new service are functioning a good method of helping develop an awareness of the service among those who need it most is to have an inauguration of the project. Invite the Minister of Agriculture, trade leaders, news media and others to participate.

Any market news system to maintain its effectiveness will need to be improved and changed as marketing practices and systems change. There will inevitably be demands for the extension of the service to all important producing and marketing areas, and the coverage of additional commodities. Concentrated public markets are comparatively easy to cover and report. But in many instances products are produced under contract with a processor. The contract might specify quantity, quality, delivery dates, prices, etc. In this instance, the basic marketing decisions are made before planting rather than at time of harvest. Some producers contract with commercial firms that furnish baby chicks, feed, and other supplies and then buy the chickens at an agreed price when they are ready for market. In this way, the producer acts almost as an employee of the firm, rather than as a producer making decisions in his own right.

Such practices in the agricultural marketing system may make it necessary to shift the information reporting points for some commodities back from the wholesale level to country shipping points or production areas.

Even if an ideal marketing information service were planned and developed, it would serve no useful purpose unless the information were utilized by those in the marketing channel to do a better job of marketing their products. Therefore, an essential area for attention of the new service is to develop an awareness of the usefulness and benefit of the service on the part of producers and others, and then encourage them to make use of it. Extension services, cooperatives, farm publications and other groups can assist in this area.

In setting up a new market news system, or further developing one already started, an eye must be kept in the future on the possible use of electronic computers. The use of computers in the market news service in the United States is already under way. In the U. S. Department of Agriculture fruit and vegetable supply data is now being compiled and printed out electronically. Spot (cash) cotton quotations at 12 markets are being fed into a computer terminal and commercial groups are planning to make egg, poultry and livestock market information available by computers. Data bank facilities are now available to any producer or interested person but the cost is still relatively high for general use. The next scientific break-through, however, may change the picture completely.

In the meantime, automatic telephone answering devices are being used extensively in the United States, and in a few points in Latin

America, to provide up to the minute market information on recorded tapes 24 hours a day. More than 30 such devices in 14 states are now in use with more being installed each year.

What do You Expect from Market News?

A most encouraging aspect of the market news service is the universal acceptance of the benefits of it by news disseminating agencies, industry (buyers, sellers, processors), producers, research groups and others. Market information affects important economic decisions on what, where, and when to buy and sell. The market process generates information that can be an important guide to these decisions, that is the supply, demand and prices of the various products. The market news service provides a communication system of market intelligence among producers, processors, food handlers, government planners and others for making these important decisions by a daily report of wholesale prices on the principal commodities. Newspapers, radio, and TV stations provide the means for good communication to producers and the general public, in addition to the telephone and teletypewriter.

A market news service was started in the United States over 55 years ago and has been gradually expanded until today there is not a farmer in the country that cannot get market information on any commodity every day of the year by one or more means of communication. Eighteen years after the service was started it was discontinued for economy reasons, but protests were so great that the service was completely restored and has since been expanded to cover all important producing and marketing centers of the country. Producers seldom want to give up this service once it is made available to them.

We do know that most agricultural producers in the United States think the market news service is necessary and they with others, express ~~the~~ support by paying ten million dollars a year in taxes to support the system. Part of their monetary reward is a net income to farm producers of close to \$4,000 per year.

Several Latin American countries have started nationwide market news services during the last five years. Those making the greatest progress are Brazil, Peru, Colombia and Chile. Other countries improving services previously started include Guyana, Panama and Guatamala. In recent years market news systems are being developed in Italy, Federal Republic of Germany, Great Britain and Canada.

In December 1969, the Food and Agriculture Organization sponsored a technical conference on agricultural market information that lasted for two weeks and was attended by delegates representing 14 countries. Most of the twelve resolutions adopted at the conference called for greater attention to be directed to the development of adequate market news systems for all Latin American countries.

The Latin American Free Trade Association, as well as the Andean and Caribbean Free Trade Associations have all expressed a need for more accurate market information from member countries for use in the administration of marketing activities involving member countries.

It seems reasonable to assume that with adequate market news systems we should expect greater use of communications to help coordinate agricultural production, distribution, and consumption of agricultural commodities. Market information performs its coordinating function by providing all factors in the marketing channels, from the producer to the consumer, with a more rational basis for decision making. Improved

coordination of these functions reduces distribution costs by curtailing waste, in both an economic and physical sense. This ideally results in lower food costs to consumers and greater returns to producers. To expect the market news system to perform this role effectively, however, market information must reach all factors in the agricultural marketing channels daily, with timely, accurate and comprehensive information.

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