AFRICA BUREAU SECTOR STRATEGY

A STRATEGIC FRAMEWORK FOR PROMOTING AGRICULTURAL MARKETING AND AGribusiness DEVELOPMENT IN SUB-SAHARAN AFRICA

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The U.S. Agency for International Development (A.I.D.) has been supporting agricultural development in Africa for almost thirty years. With the exception of A.I.D.'s assistance in the creation of Sahelian grain marketing boards in the late 1960s and 1970s, A.I.D.'s agricultural sector activities have been oriented towards increasing agricultural production by working directly with farmers or by helping to improve national research and extension systems. Until recently, little assistance was directed towards improving the marketing of non-cereal commodities produced by African farmers. Moreover, what support A.I.D. gave to marketing usually went to the public sector with little understanding of the important role private agribusiness operations play in improving market performance.

The severe economic crisis of the early 1980s caused African governments, A.I.D. and other donors to re-examine the approach they had been taking to development. Severe external debt burdens and large domestic fiscal deficits have prompted African governments to initiate major structural adjustment programs which have been supported by the International Monetary Fund, the World Bank, A.I.D. and other donors. These structural adjustment programs have been designed to streamline and improve the efficiency of the public sector and to increase private sector participation in economic activity.

Recognizing the importance of competitive marketing systems in promoting efficiency, and the significant role agribusiness has in improving productivity, the Africa Bureau directed the Office of Technical Resources to design a Strategy for Promoting Agricultural Marketing and Agribusiness Development in Sub-Saharan Africa. The purpose of the Agricultural Marketing and Agribusiness Strategic Framework is to provide guidance to the Agency, the Bureau and the Missions in analyzing agricultural marketing systems with the view of designing and implementing interventions which will improve market efficiency and promote the role of agribusiness in market development.

The Strategic Framework builds on the lessons learned from previous A.I.D. projects and programs which have involved agricultural marketing activities. The framework also draws on lessons learned from other donor agricultural marketing activities, such as those of the World Bank and the EEC.

No single document can answer all the questions about how best to design and implement an effective agricultural marketing program. Nevertheless, the Strategic Framework attempts to identify and analyze the key problems affecting the efficiency of
Sub-Saharan African agricultural marketing systems and suggest methods to resolve them. Obviously, marketing constraints which are critical in one country may be less important in another. Consideration of the natural resource base, the human resource base, the unique historical experience and the particular socio-cultural environment of each country will help Missions determine how much emphasis to put on different elements of their strategy.

This Framework grows out of a series of analyses and reviews carried out under the supervision of the Office of Technical Resources. Background papers were written by: Dr. Gary N. Christensen and Dr. John H. Eriksen of Ithaca International Limited (Ithaca, NY), entitled "Agricultural Markets and Economic Development in Africa;" and by Dr. John S. Holtzman of Abt Associates (Bethesda, MD), entitled "Towards an Africa Bureau Agricultural Marketing Strategy and Action Plan: Issues and Options." Additional analyses of agricultural marketing projects and/or marketing components of agricultural programs were conducted by AFR/TR/ANR/PA staff. The Strategic Framework was also discussed with other offices in the Africa Bureau which have been involved in agricultural marketing activities, such as AFR/DP and AFR/MDI, as well as with marketing experts in the U.S. Department of Agriculture.

This Strategic Framework is meant to complement two agricultural sector planning documents previously prepared by the Office of Technical Resources. However, this paper's approach to the problem is significantly different from those earlier plans. The two previous papers are entitled: Plan for Supporting Agricultural Research and Faculties of Agriculture in Africa (May, 1985), and Plan for Supporting Natural Resources Management in Sub-Saharan Africa (February, 1987). The Plans are relatively more prescriptive in their approach to the agricultural sector than this framework which explicitly recognizes the heterogeneity of marketing systems within Sub-Saharan Africa and the delegation of authority which increases the Missions' responsibility to develop appropriate policy and investment interventions.

This document attempts to take a comprehensive approach to the problem of agricultural marketing and to provide a conceptual framework which Missions can use to examine the agricultural marketing systems of Sub-Saharan African countries. The paper suggests that the agricultural sector should be analyzed in broad terms, looking at both demand and supply issues. It recognizes the difference between market liberalization and market development and suggests appropriate interventions for each broadly defined stage of the process to ensure the sustained development of efficient and competitive markets in Sub-Saharan Africa. Finally, this document encourages Missions to develop their own agricultural marketing strategies, programs and projects based on a thorough analysis along the lines of that documented in the attached annexes.
EXECUTIVE SUMMARY

Agriculture, defined to include both on-farm production and the services and manufacturing sectors related to such production (from input manufacturing to the point of ultimate consumption or export of the final agricultural product), is the dominant sector in most Sub-Saharan African economies. This importance is reflected in the agricultural share of Gross Domestic Product, employment, and foreign exchange earnings. The agricultural sector has the potential to be the catalyst for broad-based, sustainable economic growth in Africa. However, during the past three decades, there has been negative per capita growth, in real terms, in agricultural production which has had an adverse effect on total economic growth. While technical issues and environmental problems have inhibited agricultural growth, the inefficiency of agricultural marketing systems has been a critical constraint to sustained increases in agricultural productivity. Many agricultural marketing systems in Africa are neither efficient nor competitive. Public sector marketing agents, generally, have delivered inputs in an untimely and costly manner; collected and processed outputs at a high cost of intermediation; and have been unable to provide incentives to farmers to sustain increases in marketable surplus. While the private sector has demonstrated the potential to serve as more efficient market agents, this capability has not been fully utilized due to both the protection of state monopsonies/monopolies and a shortage of human and material resources to respond to emerging opportunities. In order to address these shortcomings, the Africa Bureau has developed a Strategic Framework to promote competitive marketing, improve market efficiency and increase the role of agribusiness in the marketing process.

The Framework takes a broad approach to agricultural marketing by defining it as a process by which inputs are delivered to farmers, output is collected from farmers and commodities are transformed before being delivered to consumers. During the marketing process, value is added to agricultural commodities, especially by enterprises which transform produce. These enterprises are often referred to as agribusinesses. Agribusinesses engage in many marketing activities, including transportation, storage, pricing, promotion and distribution. Competitive agricultural marketing systems and agribusinesses have the potential to increase productivity, incomes and employment in rural areas.

African agricultural marketing systems have not worked efficiently because too often government policies and regulations have discriminated against the private sector and discouraged
competition. In addition, African governments, with donor assistance or acquiescence, have made unsound investments while neglecting the maintenance and rehabilitation of the infrastructure required for efficient agricultural marketing. Private entrepreneurs have not invested in market infrastructure or marketing activities because of the adverse investment, policy and regulatory climate. Finally, both public and private sector marketing enterprises lack sufficient skills and knowledge to improve their efficiency and expand their activities.

The Africa Bureau Agricultural Marketing and Agribusiness Strategic Framework focuses on three basic elements of the marketing system:

1. The macroeconomic and sectoral policies and regulations that define the parameters of marketing activities and affect the incentives for marketing activities;

2. The infrastructure that is necessary for marketing activities to take place and expand; and

3. The capability of market participants, especially agribusiness, to engage in marketing activities.

This Framework reflects the targets and objectives of the Development Fund for Africa (DFA). The Framework encourages Missions to take a balanced, broad approach to marketing issues, by supporting: policy and regulatory reform, infrastructure rehabilitation, maintenance and development, and strengthened participant capacity.

The Strategic Framework suggests that agricultural marketing systems go through five (5) stages of evolutionary development and that for each stage there are appropriate interventions that can help promote sustained development. Most Sub-Saharan African marketing systems are mired in Stage One or Two. As a result, a strategy to promote agricultural marketing and agribusiness development in Africa may differ significantly from a marketing strategy for Latin America or Asia. The Strategic Framework emphasizes the need to strengthen the capacity of market participants, especially private businesses, to respond to the enhanced incentives as policy and infrastructure constraints are alleviated.

The Framework argues that despite its poor performance to date, Africa does have a proven comparative advantage in the production and marketing of certain commodities, and the potential exists for the marketing of other, higher-valued, crops. Therefore, improving marketing systems will have a significant beneficial impact on income, domestic consumption, food security and foreign exchange earnings.
Underlying this approach is a strong emphasis on A.I.D. support for training. Both the public and private sector need to deepen the existing level of technical, managerial and analytical skills if the efficiency of agricultural marketing systems is to be improved and sustained.

Public sector training should focus on:

(1) improving the analytical skills which will support policy and regulatory reform;

(2) technical skills related to quality control and investment promotion; and

(3) financial skills related to auditing and accounting for budgetary and regulatory purposes.

Private sector training should emphasize skills related to:

(1) technical skills of agricultural marketing activities (e.g. transport, storage, assembly, processing, etc.);

(2) management skills for indigenous entrepreneurs;

(3) financial skills for domestic agribusinesses; and

(4) organizational and networking skills to the private sector articulate its interests.

More sophisticated business skills related to product labelling, market-niche penetration, product advertising and the like will be required as the marketing systems evolve.

The Framework encourages Missions to incorporate marketing and agribusiness analyses within their Agricultural Sector Assessments and provides guidance on the key issues which need to be examined:

(1) whether marketing is indeed a binding constraint to sustainable economic growth;

(2) what stage in the evolution the agricultural marketing system is currently; and

(3) what the most appropriate activities/interventions to support may be.

Experience indicates that ineffective and inefficient marketing systems continue to pose a significant obstacle to the sustained increases in agricultural productivity in Sub-Saharan Africa. In those countries where A.I.D. is assisting the host
government with agricultural development, Missions are strongly urged to support interventions that will remove the most immediate and most deleterious constraints to market development. This Framework encourages Missions to examine all dimensions of market development including the support of policy and regulatory reform, infrastructure development and maintenance, and strengthened participant capacity. Given the scope of marketing activities, Missions are encouraged to focus their efforts on the most binding constraint(s) while building an analytical capacity that will enable additional constraints to be identified and addressed as the market system evolves.

Implementation of an agricultural marketing strategy will require strong managerial and technical skills. Agricultural marketing programs or projects may best be managed by individuals with sound agricultural knowledge and technical skills, strong managerial abilities, and familiarity with agribusiness development and basic economics.

Marketing program or project managers will continue to consider the relationship between project/program inputs and outputs during design and implementation, especially in terms of the monitoring and evaluation plan. But more consideration will also need to be given to the marketing project/program contribution to the Mission's strategic objectives in the agricultural sector and the objectives of the overall Mission development program. The Framework provides indicators which may assist the Mission in measuring purpose, goal and people level impact.

Agricultural marketing is a dynamic process. Therefore, the Framework recommends the development of an integrated and flexible monitoring and evaluation system. The monitoring and evaluation system should not only track marketing project/program impact, it should also contribute to the analysis of the impact and identify potential subsequent interventions which will contribute to the process of market growth and agribusiness development. Removing one marketing constraint may improve the efficiency of one part of the marketing system, but other problems will continue to emerge as the marketing system evolves. Hence A.I.D. should be engaged in an iterative and flexible process of identifying constraints, prescribing actions to overcome them, monitoring and evaluating the subsequent adjustments, and making new recommendations for additional interventions based upon the lessons learned.
# TABLE OF CONTENTS

**PREFACE**

**EXECUTIVE SUMMARY**

**I. INTRODUCTION** .................................. 1.
   A. The Role of Agricultural Marketing and Agribusiness in Economic Development ........ 1.
   B. Agricultural Marketing and Agribusiness Defined ................................................. 4.
      1. The Relationship with the Development Fund for Africa (DFA) .......................... 6.

**II. THE STRATEGIC FRAMEWORK** ................. 10.
   A. The Purpose of the Strategic Framework ............................................................ 10.
      2. Utilizing the Concept of the Stages of Market Development .............................. 19.
      3. Marketing Program or Project Design ............................................................... 24.
      4. Implementation and Monitoring & Evaluation of Marketing Programs or Projects ........ 31.
      5. Roles and Responsibilities ............................................................................... 35.

**ANNEX A:** Technical Analysis of Agricultural Marketing

**ANNEX B:** Stages of Agricultural Marketing Development

**ANNEX C:** Selected Bibliography
I. INTRODUCTION

A. The Role of Agricultural Marketing and Agribusiness in Economic Development

The agricultural sector is the most significant sector in the economies of Sub-Saharan African nations. Agriculture is the:

* largest employer of labor, with a range of between 65 and 80 percent of the labor force engaged in on-farm or agriculturally related (service and manufacturing sectors) employment;

* major source of income and contributes a large share of Gross Domestic Product (GDP). Traditionally defined GDP agriculture (value of on-farm production) is estimated by the World Bank to be 42% in low-income countries and 27% in middle income countries. These figures increase to between 40 and 70 percent when agriculturally related services and manufacturing are included.;

* largest earner of foreign exchange, averaging over 50% for low and middle income countries excluding Nigeria;

* greatest source of food needed to meet domestic demand; and,

* most important source of raw materials for the industrial or manufacturing sector.

Moreover, rural families are potentially the largest domestic market for food, textiles and manufactured products made by processing agricultural commodities.

Given the critical role of agriculture in Sub-Saharan Africa and the important linkages between the agricultural and industrial sectors, economic growth can best be generated and sustained by improving the performance of the agricultural sector. Indeed, development specialists have long looked towards the agricultural sector to provide the surplus (output, labor and capital) necessary for investments in social overhead and industry.

As shown in Figure 1 (The Agricultural Sector Objective Tree) on the following page, improving agricultural sector
Figure 1: Agricultural Sector Objectives

GOAL

SUSTAINABLE, BROAD-BASED AND MARKET-ORIENTED GROWTH

SUB-GOALS

BROAD-BASED IMPROVEMENTS IN FOOD SECURITY

INCREASED CONTRIBUTION OF THE AGRICULTURAL SECTOR TO SUSTAINED ECONOMIC GROWTH

STRATEGIC OBJECTIVES

SUSTAINED INCREASES IN AGRICULTURAL PRODUCTIVITY

INCREASED UTILIZATION OF HIGHER YIELDING TECHNOLOGIES

MORE EFFICIENT AND LOWER COST MARKETING SYSTEMS FOR AGRICULTURAL COMMODITIES

IMPROVED NATURAL RESOURCE AND PHYSICAL ENVIRONMENT MANAGEMENT
performance means increasing productivity. Sustainable increases in productivity can best be achieved by:

(1) greater adoption of high-yielding technologies;

(2) improved management of the natural resource environment; and

(3) more efficient marketing of agricultural commodities.

A.I.D. and the other bilateral and multilateral donors have devoted significant amounts of resources to support African government efforts in developing the agricultural sector. Hitherto, those efforts have tended to focus in two areas.

First, agricultural development specialists have worked with farmers to try to improve production on the farm. This has involved both efforts to improve existing systems of production (increased efficiency), and efforts to introduce better methods of production (increased effectiveness).

Second, agricultural development specialists have supported research efforts to develop better inputs (e.g. seeds) and technologies as well as extension efforts to promulgate improved agricultural production technologies.

Unfortunately, significant sustainable results have not yet been widely achieved. New technologies have not been widely disseminated and demonstrated effectively to farmers, nor have improvements in existing production methods led to sustainable growth in agricultural productivity. Indeed, most of increased production has arisen due to increased area planted rather than improvements in yields. Moreover, there has been a neglect of marketing activities whereby value is added by agribusinesses to what is produced on African farms.

A significant factor in explaining the lack of widespread increases in agricultural productivity in Sub-Saharan Africa is the lack of incentives to do so. Incentives have been lacking because Sub-Saharan Africa's marketing systems have not operated efficiently nor effectively. Agricultural marketing systems have not operated optimally because:

* The policy and regulatory environment has been unpredictable;

* The infrastructure upon which marketing activities are based has not been well maintained;

* The institutions which serve agriculture, especially those in the public sector, have been unreliable; and,
Producers and marketing participants, such as agribusinesses, have not been compensated sufficiently to encourage them to increase productivity.

Improving the efficiency of agricultural marketing systems will ensure that sufficient incentives reach individual producers and agribusinesses. Efficient marketing systems are important because they provide the opportunities and the means by which individuals and firms can sustain increases in productivity.

B. Agricultural Marketing and Agribusiness Defined

Traditionally, many analysts have associated the marketing of agricultural commodities with the movement of produce away from the farmgate. However, agricultural marketing involves more than this. For purposes of this Strategic Framework, the following definitions will be utilized.

Agricultural marketing is a process by which inputs are delivered to farmers, output is collected from farmers and commodities are transformed before being delivered to consumers. An effective agricultural marketing system performs the following functions:

* The marketing system transmits information to the producer about the most appropriate crop to produce and the best technology to utilize given his/her objectives and resources available;

* The marketing system delivers the mix of inputs demanded by farmers so that commodities can be produced and ensures that the output is collected and paid for on time;

* The marketing system transmits information to consumers in order that they may maximize their well-being;

* The market system transmits information to agribusinesses in order that they may adjust activities to maximize returns.

* The marketing system is the conduit through which agricultural products move from the farmgate to the consumer, during which they are transformed and value is added to them by agribusinesses; and,

* The marketing system compensates producers and other marketing agents with incentives, especially higher net incomes and opportunities to use that income to buy goods and services which can raise living standards.
One of the most important functions of an effective marketing system is to offer incentives to individuals and agribusinesses to increase productivity. This is best accomplished by ensuring fair and timely payment to individuals and firms for their products. Putting cash in the hands of farmers is one of the best methods to ensure sustainable gains in productivity. But raising farmers' incomes will only be effective if there are goods and services which they can buy with that cash and thereby increase their well being. In this way, marketing, both of agricultural and non-agricultural goods and services, is the link between agricultural development and improvements in rural standards of living.

Agricultural marketing is demand driven. Every commodity is produced to meet a particular demand. If the demand for a product exists, the marketing system will transmit that information so that producers can meet the demand. Analyzing agricultural development from the marketing perspective involves a new approach in that it involves examining issues related to the demand for commodities rather than issues related to the supply (production) of commodities. It assumes that if the demand exists for a commodity, an efficient marketing system will offer incentives which will mobilize the individuals, firms and factors of production necessary to meet that demand.

Therefore, the Strategic Framework assumes that the distinction between "cash crops" and "subsistence crops" is artificial and inappropriate. All commodities are produced to meet a particular demand, whether the demand be from local, regional, national or international markets. All farmers participate in agricultural marketing activities. The important distinction to make is to what extent are farmers involved in market-oriented production and for which markets are they producing. Based on those analyses, interventions can be designed that will improve specific marketing activities, including such seemingly simple activities as on-farm storage of coarse grains or the grinding, milling and packaging of cereals for domestic markets.

During the marketing process, value is added to agricultural commodities. Agricultural commodities increase in value when they are moved over space (from a surplus area to a deficit area), when they are held over time (storage to ensure commodities are available as demanded), and when they are transformed (e.g. processing and packaging).

Enterprises which engage in transportation, storage or transformation increase the value of agricultural produce during the marketing process. These enterprises are often referred to
as agribusinesses, although agribusinesses may engage in on-farm production activities as well.

The size and scope of agribusinesses vary from small or medium-sized enterprises (e.g., a women's cooperative involved in the grinding and milling of coarse grains) to large, vertically integrated enterprises which manage the production, transport, processing and sale of agricultural products all the way from the farmgate to the consumer. Agribusinesses contribute to increased productivity in agriculture, and they add value to produce. Agribusinesses have the potential to increase employment, incomes and foreign exchange earnings and savings for Sub-Saharan African economies.

While agribusinesses are one of the major participants in the marketing process, other individuals and entities also engage in agricultural marketing activities. Market participants include policy makers, market administrators, parastatal firms, individual private traders, commodity brokers, and farmers. Market participants are all individuals and entities that have a direct or indirect (supporting) role to play in the agricultural marketing process.

C. The Africa Bureau Approach to Agricultural Marketing and Agribusiness Development

The approach suggested herein for promoting agricultural marketing and agribusiness development in Sub-Saharan Africa is in agreement with the priorities established under the Development Fund for Africa (DFA). The approach focuses on three basic elements in the marketing system, and it is driven by four underlying concepts.

1. The Relationship with the Development Fund for Africa (DFA)

The importance of promoting agricultural marketing and agribusiness development is recognized within the A.I.D. Development Fund for Africa (DFA) Action Plan (May, 1989).

The goal of the DFA is to encourage economic growth that is broad-based, market-oriented and sustainable. The emphasis on market-oriented growth in the DFA is indicative of the importance of competitive markets and market prices as the most effective mechanism for allocating scarce resources, improving efficiency and increasing productivity. Indeed, this Strategic Framework shares some of the strategic objectives and targets of the DFA:
a. Reduced government involvement in the production and marketing of goods and services (Target 1-2);

b. Improved equity and efficiency in providing key public services, particularly infrastructure, such as transportation (Target 1-3);

c. Liberalized commodity and factor markets (Targets 2-1 and 2-2);

d. Expanded skills and productivity on the job (Target 3-3); and,

e. Providing food and income to the poor and increasing production and utilization of agricultural commodities (Targets 4-3 and 4-4).

2. Strategic Framework Elements

The Strategic Framework focuses on the three critical elements of an agricultural marketing system:

a. the macroeconomic and sectoral policies and regulations that affect marketing activities;

b. the infrastructure (including institutions and supporting services) that is necessary for marketing activities to occur and expand; and,

c. the participants who engage in marketing activities, especially agribusinesses.

The Strategic Framework suggests that in order to achieve sustainable increases in agricultural productivity, it is essential that all three elements of the marketing system be performing well. The purpose of supporting improvements in each element of the agricultural marketing system is to ensure that:

a. the macroeconomic and sectoral policy and regulatory environment provide appropriate incentives to producers and entrepreneurs to increase productivity;

b. the infrastructure, especially supporting institutions and services, is adequate to handle efficiently all agricultural marketing activities, from transport, to assembly and storage of commodities, to ultimate transformation and sale to consumers; and,
Section III (pages 31-45) of the Technical Analysis (Annex A) of the Strategic Framework examines these three basic elements and describes their complementary role in improving the efficiency of agricultural marketing systems in Sub-Saharan Africa.

3. Underlying Concepts

The Africa Bureau Strategic Framework for promoting agricultural marketing and agribusiness development is based on four key concepts:

a. Stages of Market Development: Empirical studies of agricultural marketing systems illustrate that markets evolve over time. During their evolution, marketing systems pass through several distinct stages of development. Marketing systems move from a relatively isolated, undercapitalized stage in which there are few goods and services circulating, to a relatively more interdependent, capitalized stage in which there are a wide variety of goods and services circulating. (A table listing the features of each stage is included in Annex B.) Based on an analysis that indicates at what stage in its development an agricultural marketing system may be, the Strategic Framework suggests which interventions may be the most appropriate to move the marketing system forward to the next stage.

b. Competitive Markets: Empirical studies of agricultural marketing systems illustrate that, with few exceptions, the most efficient markets have a high degree of workable competition. Without workable competition, there are few incentives for market participants to improve their efficiency and increase their effectiveness. Competitive markets depend on a high degree of private sector participation. The Strategic Framework suggests that agricultural marketing and agribusiness strategies promote workable competition.

c. Comparative Advantage: Sub-Saharan Africa has a proven comparative advantage in the production and export of many commodities. Moreover, the potential
exists for the production and export marketing of additional commodities which may yield significant economic benefits. The Framework suggests that in order to be successful, an agricultural marketing and agribusiness strategy must build upon the existing comparative advantage which Sub-Saharan Africa enjoys and explore potential marketing opportunities.

d. **Value Added:** One of the most important functions which an agricultural marketing system performs is to add value to agricultural commodities. The value of agricultural produce is enhanced when entrepreneurs transform the commodity over space, time or form.

Value is added in response to demand for a commodity at a different location, in a different time period (future), or in a different form. As economies evolve time becomes increasingly valuable which increases the demand for the processed agricultural commodities and often the demand for the commodity itself, e.g. the evolution of the U.S. corn industry from food to livestock feed to processed home and industrial uses. A successful agricultural marketing strategy will emphasize the important role that agribusinesses play in increasing the value and demand for agricultural commodities.
II. THE STRATEGIC FRAMEWORK

A. The Purpose of The Strategic Framework

The purpose of the Agricultural Marketing and Agribusiness Strategic Framework is to provide guidance to the Agency, the Bureau and the Missions in: (1) analyzing agricultural marketing systems, (2) designing interventions which will improve market efficiency and promote the role of agribusiness in market development, and (3) implementing those interventions chosen effectively.

No single document can answer all the questions about how best to design and implement an effective agricultural marketing program. Nevertheless, the Strategic Framework, especially in Annex A: The Technical Analysis, attempts to identify and analyze the key problems affecting the efficiency of Sub-Saharan African agricultural marketing systems and suggest methods to resolve them.

While Sub-Saharan African agricultural marketing systems are affected by similar problems, there is variation in the degree and extent of the marketing problems between nations. Moreover, agricultural marketing constraints often vary from one commodity system to another within each country. Therefore, in considering how to promote agricultural marketing and agribusiness development, Missions should also be aware of the following factors:

* The natural resource base;
* The political environment;
* The unique historical experience of each country;
* The human resource base; and,
* The socio-cultural environment.

These factors determine at what stage in the process of development an agricultural marketing system may be. The Strategic Framework suggests that, depending upon at what stage of development an agricultural marketing system may be, certain marketing interventions may be more appropriate than others.
The objective of promoting agricultural marketing and agribusiness development is to improve the performance of agricultural marketing systems in Sub-Saharan Africa. Improving market performance involves increasing the efficiency of the agricultural marketing system and lowering the costs of marketing activities. (See Figure 2, The Agricultural Marketing Objective Tree, on the following page.) By increasing efficiency and lowering costs, agricultural marketing contributes to the broad agricultural sector goal of generating sustainable growth in productivity. Increasing efficiency and lowering the costs of agricultural marketing also contributes to the broader goal of improving rural living standards.

There are three different measures of the efficiency of markets in utilizing scarce resources to meet the demand for goods and services. These are:

* Allocative or Price Efficiency: This refers to how resources are allocated among competing uses or users. It denotes the optimum allocation of scarce resources between end users, in order to produce that combination of goods and services which best satisfies demand.

* Operational or Technical Efficiency: This refers to the efficiency of a firm or industry with a given technological/infrastructure frontier. This category of efficiency may be further sub-divided to consider productive efficiency which refers to the production of a given product at the lowest possible cost, and distributive efficiency which refers to the costs (e.g. transportation, storage, handling and advertising) of enterprises in distributing the output from suppliers to consumers.

* Economic Efficiency: This measure refers to the combined influence of allocative and operational efficiencies holding institutions, infrastructure, technology, human capital and management constant.

While efficiency is the appropriate measure of market performance at a given time, markets are dynamic with changes in institutions, infrastructure, technology, human capital and management arising to meet demand. This dynamic quality of market performance can be judged in terms of whether market participants, especially agribusinesses, introduce and disseminate cost-cutting production and distribution techniques as well as better products over time.
FIGURE 2: AGRICULTURAL MARKETING OBJECTIVE TREE

- MARKETING OBJECTIVE...
- MARKET SYSTEM ELEMENTS...
- MARKET SYSTEM SUB-ELEMENTS...

- IMPROVED POLICY ENVIRONMENT
- STRENGTHENED MARKET PARTICIPANT CAPABILITY
- IMPROVED MARKET INFRASTRUCTURE

- IMPROVED INCOME AND AGRICULTURAL SECTOR POLICIES
- IMPROVED ADMINISTRATIVE AND REGULATORY ENVIRONMENT
- STRENGTHENED INDIGENOUS ENTREPRENEURSHIP
- STRENGTHENED INDIGENOUS MANAGERIAL SKILLS
- STRENGTHENED INDIGENOUS TECHNICAL SKILLS
- IMPROVED PHYSICAL MARKET INFRASTRUCTURE
- IMPROVED MARKET SERVICE INFRASTRUCTURE
Implicit in the analysis of **efficiency** is the assumption that improvements in efficiency will lead to **lower costs**. Indeed, improving the efficiency of an agricultural marketing system should enable the market participants to produce, transform and distribute products at the lowest possible cost and to charge consumers prices which are consistent with those costs. Therefore, improvements in efficiency should benefit all market participants: *producers, consumers, and marketing agents (especially agribusinesses)*.

Improving market performance (lowering costs and increasing efficiency) should provide **incentives** to all market participants to increase their productivity. More efficient marketing systems provide incentives by:

* **increasing the returns to the producer**, which serves as an incentive to increase production and productivity;

* **decreasing prices to the consumer**, which increases consumer welfare by enabling consumers to increase their consumption or savings (savings can be invested in productive activities); and,

* **increasing marketing agent profitability**, which enables marketing agents, especially *agribusinesses*, to increase investment in transformation activities.

In other words, the savings in marketing **costs** that result from improvements in efficiency, will be passed on to all market participants depending upon the extent of competition in the market structure. The benefits will accrue to: *farmers* (in terms of higher prices for the produce); *consumers* (in terms of lower prices for the finished product); and to *agribusinesses* engaged in the **transformation** of agricultural commodities (in terms of higher profits). *Agribusinesses*, may utilize those profits for research into new technologies, rehabilitation and maintenance of equipment and machinery, or for additional investments in new marketing activities.

The magnitude of benefits to be derived from improvements in efficiency vary from one country to another and from one commodity system to another. Differences in the magnitude of benefits may be attributable to the variation in market structure (levels of competition) and conduct (market participant behavior) within agricultural marketing systems, and other socio-economic or cultural variables.
B. The Role of A.I.D. in Promoting Agricultural Marketing and Agribusiness Development.

A.I.D. can make a significant contribution to agricultural marketing and agribusiness development in Sub-Saharan Africa. A.I.D. has a strong comparative advantage vis-a-vis other donors, foundations, and NGOs to contribute to a country's market development in terms of its ability to:

- conduct analyses,
- support policy reform at the sectoral level,
- provide training (especially in the area of analysis and agribusiness management), and
- provide technical assistance.

The Africa Bureau approach to agricultural marketing and agribusiness development attempts to build on the comparative advantage of A.I.D. as well as on that of the Sub-Saharan African countries with whom we work. (For more on the comparative advantage which A.I.D. has in supporting agricultural marketing and agribusiness development see pp 54-60 of the Technical Analysis in Annex A.)


The design of an activity to promote agricultural marketing and agribusiness development involves three steps:

- Agricultural Sector Analysis,
- Agricultural Marketing & Agribusiness Analysis,
- Marketing Program/Project Design.

a. Agricultural Sector Analysis

The first step that an A.I.D. Mission should take is to analyze the agricultural sectors of the countries in which it has development programs.

The sectoral analysis should identify and rank the problems affecting agricultural development, specifically what constraints are inhibiting the achievement of "sustainable increases in agricultural productivity" or related strategic objectives determined by the Mission in its Program Logframe. (A Generic
Scope of Work for conducting an agricultural sector analysis is available upon request from AFR/TR/ANR/PA.

The agricultural sectoral analysis will involve identifying and ranking productivity limiting constraints in the areas of:

* Natural Resources,
* Agricultural Technology, and
* Agricultural Marketing & Agribusiness.

The analysis should be conducted with as much participation as possible from host country officials, other donors, businesses, institutions and individuals that are involved in the agricultural sector.

Based on the agricultural sector analysis, and the ranking of the sectoral constraints, the Mission will determine what areas, within its manageable interests, should receive priority attention. In making this decision, the Mission will consider where it can have the greatest impact, given its scarce resources, its management capabilities, and other factors, such as:

(1) A.I.D.'s comparative advantage;
(2) the Host Country's own priorities and objectives; and,
(3) other donor activities.

At this stage in the analysis, the Mission is likely to require accurate, but not necessarily detailed, information about the natural resource, technological and marketing constraints. Therefore, the A.I.D. Mission should consider the following issues during the agricultural sector analysis:

* What is the best investment to achieve sustainable increases in agricultural productivity?
* What is the appropriate balance for the Mission agricultural sector portfolio, among: natural resources, production (research and dissemination of technologies), and marketing activities?

As indicated above, the answers to these questions will vary among Sub-Saharan African countries and their respective A.I.D. Missions. While agricultural marketing/agribusiness development is not necessarily a critical constraint in every country, a review of Africa's performance suggests that improvements in the agricultural marketing systems may be expected to contribute both directly and indirectly (through the impact on technology utilization, natural resources, factors of production, etc.) to achievement of the Mission's strategic objectives.
b. **Agricultural Marketing & Agribusiness Analysis**

Should agricultural marketing/agribusiness development be identified as a critical constraint to sectoral performance, a relatively more detailed agricultural marketing and agribusiness analysis should be conducted.

This analysis should be conducted within the following strategic framework:

* Describe and prioritize the contribution of individual market systems within the national economy. Every country has innumerable market systems for both agricultural inputs and outputs. Given that it is impossible to address all market constraints simultaneously, it is suggested that the Mission focus its efforts on those market systems which contribute, or have the potential to contribute, the most to the national economy.

* As noted above, a country's agricultural marketing system consists of a number of specific commodity/factor market systems. Once these have been identified, the analyst should describe and analyze the elements of the individual marketing systems. Relatively greater emphasis of these analyses should be on those systems which are expected to contribute the most to the economy or in which the U.S. is perceived as having a comparative advantage. The elements of the individual marketing systems should be analyzed in terms of:

  1. **the policy and regulatory constraints to market growth and private agribusiness development.**

     The policies and regulations which have the greatest effect on the growth and development of efficient agricultural marketing systems and private agribusinesses include the following:

     * Pricing policies:
       * the exchange rate
       * tariff and tax rates
       * subsidies
       * price controls

     * Monetary policies
       * credit cost (interest rate)
       * credit availability

     * Trade policies
* Administrative procedures and regulations:
  * quotas
  * preferred firms
  * import permits
  * business licenses
  * movement permits

The extent to which such policies and regulations can be constraints to market growth and agribusiness development is illustrated in Section II, A (pages 30-36) of the Technical Analysis, Annex A.

(2) the infrastructure (institutions and services), and its capability to sustain current and future marketing activities.

Agricultural marketing infrastructure includes both hard and soft infrastructure, and involves institutions and the services associated with them. Examples of the types of infrastructure which should be examined during the market analysis are:

* Physical Infrastructure:
  * roads (primary, secondary, tertiary)
  * railroads
  * market centers
  * assembly sites/bulking sites
  * storage facilities
  * port (shipping/cargo facilities)
  * airport (airfreight/cargo facilities)
  * river transport facilities
  * electric power facilities
  * water supply facilities
  * sorting, grading, and processing facilities.

* Infrastructure Supporting Services:
  * market information systems
  * crop forecasts
  * grading and market regulatory agencies
  * legal system (contract enforceability)
  * financial services
  * postal services
  * telecommunications services
  * radio services
  * services associated with "hard" infrastructure (such as port services, storage services, arbitrage services, cold storage services, etc.)
Issues related to the importance of market infrastructure, who should build it, maintain it and rehabilitate it, and the importance of infrastructure services are analyzed in Section III, B (pages 36-40) of the Technical Analysis, Annex A.

(3) **the role and potential capacity of the market participants, especially agribusiness.**

The policy and regulatory environment and the infrastructure (institutions and services) affect the ability of market participants to conduct marketing activities. However, the market participants, themselves, also must have the appropriate mix of skills and resources in order to be able to take advantage of marketing opportunities. Therefore, this aspect of the analysis should focus not only on the participants in the marketing process but assess their level of skills and resources as well.

* Market participants:
  * Private traders (merchants)
  * Private Agribusiness firms
  * Producers
  * Consumers
  * Operators of market services
  * Owners/operators of infrastructure
  * Marketing Cooperatives
  * Parastatal marketing boards
  * Market Administrators
  * Policy Makers

* Participant Capacity:
  * technical skills
  * managerial skills
  * entrepreneurial skills
  * level of resources

Agribusinesses, whether small firms comprised of one family or larger firms engaged in sophisticated marketing activities (e.g. processing) must have the appropriate skills and resources to take advantage of market opportunities to increase productivity. The historical performance of both the public and private sector in Sub-Saharan African marketing activities is described and analyzed in Sections II.D (pages 15-20) and III.C (pages 39-43) of the Technical Analysis, Annex A.
Based on a descriptive analysis of the elements of the agricultural marketing system, the marketing system should be classified according to:

* the stages of market development,
* the crops for which the nation has a comparative advantage in terms of production and marketing,
* the degree and extent of competition, and
* the extent to which value is added during the agricultural marketing process.

Based on these analyses, the A.I.D. Mission should be able to determine what activities are necessary and appropriate to improve the efficiency and lower the costs for agricultural marketing and to promote agribusiness development.

The Mission's choice of which interventions are necessary and appropriate will determine the type of activity that the Mission will undertake, i.e. a project or non-project activity.

2. Utilizing the Concept of the Stages of Market Development

Agricultural marketing is a dynamic process and agricultural marketing systems are constantly changing in response to both exogenous and indigenous factors. Empirical studies of agricultural marketing systems illustrate that markets evolve over time. During their evolution, marketing systems pass through several distinct stages of market development.

Upon examining the elements of the agricultural marketing system, analysts should be able to determine at what stage in the process of development that particular system may be. The condition of the elements themselves will provide the evidence upon which a marketing analyst can determine at what stage of market development the agricultural marketing system may be.

Based on that analysis, the Strategic Framework suggests which interventions may be the most appropriate to move the marketing system forward to the next stage of development.

Attempts to classify agricultural marketing systems and place them along a continuum of evolution will only be successful to the extent that analysts recognize that there may be differences between regions as well as among the various commodities circulating in the marketing systems. For example, in some Sub-Saharan African countries, domestic coarse grain marketing systems are poorly developed in relation to the
marketing systems for export crops. In addition, some regions of countries are better served by marketing infrastructure (e.g. roads) and services than other regions of the country.

The model described in Annex B, "Stages of Agricultural Marketing Development," suggests that agricultural marketing systems pass through five stages of evolutionary development.

Marketing systems tend to evolve from a relatively isolated, undercapitalized stage in which there are few goods and services circulating, to a relatively more interdependent, capitalized stage in which there are a wide variety of goods and services circulating. (These stages are also analyzed in Section IV.B (pages 48-53) of the Technical Analysis, Annex A.)

The five stages in the evolution of an agricultural marketing system are presented below. While countries are identified at each level, these are only average indicators which may or may not reflect the stage of an individual market system. For example, Burkina is generally considered a Stage One Country, however the French Bean marketing system is clearly in the Stage Two/Stage Three category. Similarly, Kenya is considered as falling within Stage Three while sorghum markets within Kenya are currently at the Stage One level.

a. STAGE ONE: the three basic elements of the agricultural marketing system are weak. In other words, the following characteristics tend to be dominant:

* low population densities with many farmers located far from markets;

* producers focus on food self-sufficiency rather than producing for markets, although they may sell small quantities of staple foods immediately after the harvest in order to meet cash requirements;

* lack of incentives for farmers to produce marketable surplus and for private businesses to engage in marketing activities;

* most agricultural commodities circulate only in local trading networks and inter-regional trade is difficult and costly;

* State-Owned Enterprises (SOEs) tend to dominate agricultural marketing, especially for export commodities. Often extensive parastatal structures which handle a small share of food commodities marketed;
private marketing agents tend to be small in scale and undercapitalized, and they tend to turn their stocks over as rapidly as possible; and,

there is dilapidated or inadequate infrastructure.

This stage represents the initial phase of market development. No country can be considered to be fully within this stage. This is demonstrated by the complexity of grain and livestock marketing systems in the Sahel. Those countries which are closest to this stage in their marketing development, however, are generally those which elected a socialist philosophy or are landlocked and have not as yet invested in infrastructure which links the local, national and international markets. Representative countries include the Central African Republic, Chad, Burkina Faso, Guinea-Bissau, Guinea (Conakry), Zaire, Angola, Mozambique, Tanzania, Mauritania, and the Republic of Congo. Because of the devastation wrought by war, Ethiopia, Sudan and Somalia could also be included in this category.

b. STAGE TWO: the three basic elements of the agricultural marketing system are improving, but are still basically weak. In other words, the following characteristics may be present:

* the policy and regulatory environment is being liberalized;

* there is a rudimentary extensive marketing infrastructure that serves a majority of the farmers;

* most farmers still process staple foodstuffs for their own household consumption;

* progressive farmers emerge and bring more land under cultivation, apply more inputs to the land, and sell a greater portion of what they produce;

* inter-regional trade in domestic staple commodities has emerged and links with the international economy are becoming stronger;

* the private sector is competing with public marketing agents;

* specialization is beginning to occur (e.g. transport, storage, processing); and,

* trading networks for consumer goods, especially imported manufactured items, emerge alongside input and output marketing networks.
Many Sub-Saharan African countries may be included in this category, such as Mali, Niger, Zambia, Ghana, and Togo. Other countries, such as Cameroon, The Gambia, Lesotho, Zimbabwe and Uganda could be classified as poised to move from this stage to the next stage of evolutionary development.

c. **STAGE THREE:** the three basic elements of the agricultural marketing system have improved significantly. The following characteristics may be present:

* the policy and regulatory environment becomes more liberal, providing a broad range of incentives to the private sector to invest and expand the scope of their agricultural marketing activities;

* trade between neighboring countries and distant markets increases, with fuller integration into world markets;

* an increase in the role of agribusinesses, with more processing of commodities being done off the farm by agribusinesses;

* more opportunities for off-farm investment and employment are opening up;

* vibrant wholesale markets with significant demand pull emerge to serve the needs of a large and growing urban population;

* formal associations begin to emerge for farmers, traders, processors and other marketing agents;

* the government begins to enforce rigorously formal grades and standards (weights, measures and grades) for agricultural produce, especially commodities destined for export markets;

* contract law is enforced impartially; and,

* viable formal sector financial institutions emerge to serve the needs of marketing agents.

There are a few African countries which have entered this stage, including Kenya and Cote d'Ivoire, as well as some areas of Senegal, Nigeria, Malawi and Botswana.
d. **STAGE FOUR:** the three basic elements of the agricultural marketing system are efficient and effective. The following characteristics may be present:

* strong links with international markets for several commodities;

* an increase in specialization and efficiency in the marketing process through economies of scale;

* domestic and international communication networks have improved so that they facilitate wider inter-regional and international trade;

* rising rural incomes generate increases in demand for consumer goods;

* increased role for specialized, large-scale agribusinesses as wholesalers of inputs and outputs and providers of extension services for select high-value commodities;

* Government assumes a largely regulatory role in the marketing process, monitoring commodity trading and the quality of inputs and outputs;

* direct foreign investment expands; and,

* commodity systems become characterized by contractual arrangements, such as contract farming, and they become more vertically integrated from producer to consumer.

There are no African countries whose marketing systems have reached this stage in general, although some commodity systems may exhibit many of these qualities.

e. **STAGE FIVE:** The agricultural marketing system is organized and operated in a scientific and industrialized fashion, such as in North America, Europe and some Asian countries. In these countries:

* the policy and regulatory environment promotes investment and competition;

* the infrastructure is sophisticated and well maintained and links even the most remote production zones with consumers;

* producers and traders are linked to agricultural marketing companies through sophisticated telecommunication networks, including world markets;
the market participants, agribusinesses have the skills, technology and resources to perform their functions efficiently;

* farmers understand and use more sophisticated financial instruments and commodity futures markets to protect their investments;

* the most current technology is used in agricultural production, transport, processing, storage and input and output marketing; and,

* a relatively low percentage of the population is employed in on-farm production and agricultural holdings have become relatively more consolidated.

There are no African agricultural marketing systems which are at this stage in their evolution.

Although there is no single prescription which, if followed, would relieve all the constraints in the evolutionary development of agricultural marketing systems, there are some general guidelines which can be followed during program or project design.

3. Marketing Program or Project Design

Based upon the marketing analysis, the A.I.D. Mission will have determined at which stage in the process of market development the indigenous agricultural marketing system is. The Mission will have also determined what constraints are most critical and which party (Host Country Government, A.I.D., other donors, indigenous private sector or foreign private sector) has a comparative advantage in addressing the specific constraint. Given the stage of market development, the following guidelines are suggested as Missions begin to plan the design of their marketing program or project.

A.I.D. Missions in Sub-Saharan African countries in which the priority marketing systems are at STAGE ONE should consider giving priority to the following general activities:

* supporting a policy and regulatory environment that encourages marketing agents, including farmers, to respond to market signals which reflect the underlying supply and demand conditions for different commodities;

* supporting a policy environment that fosters private entrepreneurship and investment rather than massive government intervention;
* supporting improvements to the transportation and communications infrastructure through the programming of local currencies; and,

* supporting improvements in farm productivity and reducing post-harvest losses so as to increase marketed surplus.

* providing public sector training to improve the analytical skills which will support policy and regulatory reform;

* providing public sector training to strengthen financial skills related to auditing and accounting for budgetary and regulatory purposes.

A different emphasis is required for countries whose agricultural marketing systems are at STAGE TWO. In such countries, A.I.D. Missions should consider the following types of broad activities:

* encouraging governments to open markets to competition;

* strengthening the policy, regulatory and legal environment which will encourage private enterprise;

* supporting maintenance and rehabilitation of infrastructure gradually taking precedence over expansion of capacity;

* improving rural road networks, especially, both to draw more farmers into producing for the market and to ensure that surplus production is encouraged by the delivery of consumer goods (incentives) to farming households; and,

* assisting private firms to adopt new technologies, and organizational and managerial methods which can increase the efficiency of their activities.

* providing technical, managerial and financial skills for domestic agribusinesses in order that they may position themselves to take advantage of emerging opportunities.

* providing technical skills related to quality control and investment promotion to both public and private sector candidates.

As African countries go through STAGE THREE and become better integrated into international markets and farmers become more commercially oriented, the nature of public interventions
will also change. A.I.D. Missions in such countries should consider giving priority attention to the following comprehensive activities:

* supporting policies to **improve and promote exports**;
* identifying specialty market niches and orienting marketing activities towards them;
* supporting **improved technological innovation and adaptation** for the production and marketing of high-quality and attractive export crops;
* encouraging the Government to take the lead in ensuring that **uniform quality grades and standards** are met for export and staple crops;
* strengthening the Government's ability to regulate private input markets (e.g. seeds, fertilizers, chemicals) so as to assure competitiveness and minimize abuses;
* supporting expansion of the **infrastructure** (involving electricity and water supply, telecommunications, sewage systems and waste removal) beyond the primary urban areas to secondary market towns;
* supporting improvements in the **financial system** so that it will meet the more sophisticated needs of marketing agents, including letters of credit, ease in converting foreign and domestic currencies, and the means to hedge the risks inherent to foreign exchange and commodity markets; and,
* strengthening the **legal system** so that it is more reliable in enforcing contracts strictly and sanctioning violators.
* providing **analytical training to the private sector** to better identify market opportunities and niches.

Once these general questions are addressed for the whole marketing system, another important issue which must be considered during program or project design is: what specific markets will receive emphasis? Given A.I.D.'s scarce resources and the need to focus activities and resources in order to have maximum impact, some attention needs to be given to this issue. The underlying concepts of prioritized ranking should guide the Mission in considering for which market the program or project should provide support. In this regard, the critical questions for the Mission to pose during program or project design are:
a. Which commodity system should be the focus?

The marketing sub-systems for the various agricultural commodities produced and marketed in each country may have to be approached in a different manner. Because of the differences in organization, technology, and related factors, there may be a need to emphasize different types of interventions to improve the efficiency of any given particular commodity sub-system.

The effectiveness of the marketing elements (policies and regulations, infrastructure and institutions, and the participants' capacities) may vary across marketing systems within a given country. Depending upon the relative strengths or weaknesses of each respective element, a different approach may be more or less appropriate.

For example, the marketing constraints for horticultural produce, cereals and livestock are often very different. Often, policies are the greatest impediments to efficient cereals marketing (especially for regional markets) in Sub-Saharan Africa, while horticultural marketing (especially for exports) may be more adversely affected by the lack of cold storage, inadequate quality control or the relative lack of participant skills. Given such differences between commodity systems, a broad goal of increasing overall market efficiency may not provide the level of specificity needed to foster the achievement of the sectoral objectives.

Another important issue related to the choice of commodity system to support through a marketing program or project, concerns the following question:

b. What commodity marketing system is likely to have the greatest impact on the economy?

This issue involves giving consideration to the demand side of the market equation. That is, for which commodity is there the greatest demand, either internally or externally? How is this demand translated into commodity prices and value added by processing? To identify the commodity system of greatest economic impact also involves assessing the relative magnitude of existing market distortions across commodities and estimating the expected impact of distortion elimination.

In considering exports, for example, the Mission, the host government and marketing agents may want to consider whether emphasis should be placed on exporting a raw product or whether emphasis should be given to adding value to that commodity, through transformation and processing, before exporting it.

The Mission may wish to concentrate its initial efforts within one of the market systems which contributes the most to
domestic GDP (in terms of employment, income, etc.), or one which offers the greatest potential to do so.

For program or project design, the commodity system analysis should focus on:

- **market structure** (number and kind of market participants);
- **market conduct** (the behavior of market participants); and,
- **market performance** (the degree of efficiency of the market participants).

Such a commodity system analysis could be conducted utilizing rapid appraisal techniques. The baseline data generated during the design process would become the basis for the benchmarks and indicators against which measurements of increased efficiency and lower costs would be made.

The baseline data should indicate what the underlying causes of marketing inefficiency are at both the individual participant level (e.g. private agribusinesses, government regulators, market administrators, private transport firms, etc.) and at the larger systemic level (e.g. institutions, infrastructure, services, etc.).

c. Agribusiness Capability

A key component of promoting the growth of agricultural marketing in Sub-Saharan Africa involves supporting the development of greater capacity among the private sector to engage in marketing activities and encouraging the development of efficient operations at the micro level. Essentially, this involves supporting the ability of agribusinesses to increase the scope and scale of their marketing activities in a competitive environment.

During program or project design, the analysts should consider what the best methods may be to increase the ability and capacity of the private sector, especially agribusinesses, to perform marketing activities efficiently. This may involve providing direct support to agribusiness firms themselves, such as through training and technical assistance, or it may involve making changes in the policy and regulatory environment, or it may involve a combination of these efforts coupled with other interventions such as trade and professional association development.

Training and technical assistance may be necessary for many indigenous agribusinesses in Sub-Saharan Africa. Hence, during
program and project design, the analysts should consider the internal capabilities of indigenous agribusinesses, particularly the level of their:

* technical skills
* managerial skills
* entrepreneurial skills.

The Framework includes an emphasis on A.I.D. support for training. Both the public and private sector need to deepen the existing level of technical, managerial and analytical skills if the efficiency of agricultural marketing systems is to be improved and sustained. Furthermore, the United States is widely regarded as having a comparative advantage in analytical and management skills training. Within this framework it is recommended that Private sector training should emphasize skills related to:

(1) technical skills of agricultural marketing activities (e.g. transport, storage, assembly, processing, etc.);

(2) management skills for indigenous entrepreneurs;

(3) financial skills for domestic agribusinesses; and

(4) organizational and networking skills to assist the private sector's capacity to articulate its interests;

(5) more sophisticated business skills related to product labelling, market-niche penetration, product advertising and the like will be required as the marketing systems evolve.

The experience of both host country governments and donor agencies in Sub-Saharan Africa to date indicates that the effort required to enhance agribusiness capability should not be underestimated. Moreover, it is essential to make such efforts, for without increasing the capacity of indigenous agribusinesses to expand or improve their marketing activities, efforts to liberalize the policy and regulatory environment and to strengthen the marketing infrastructure will not automatically yield improved marketing efficiency and effectiveness. Hence, Missions may find it prudent to invest some resources early in the agricultural marketing development process to ensure that the private sector has the capability to respond to opportunities (incentives) as they emerge.

The Development Fund for Africa (DFA) gives Missions the flexibility to develop initiatives which address the critical marketing constraints. Missions can use the DFA to remove the marketing constraints through:
* a **program mode** of assistance (which usually involves support for policy and regulatory reform or institutional change), or

* a **project mode** of assistance (which usually involves technical assistance, commodities and training for both the public and private sector), or

* a **combination** of the program and the project modes of assistance.

Moreover, each Mission is encouraged to experiment with innovative approaches to promote agricultural marketing growth and agribusiness development.

One innovative approach might involve combining other types of assistance, such as **PL 480 Title I/III, Title II (Section 206)** or **Food for Progress programs**, with existing modes of assistance, to achieve the desired results. Similarly, **Commodity Import Programs (CIPs)** may provide the best opportunity to involve the private sector directly in the trade of a commodity for which they had been prohibited from marketing until the commencement of a marketing reform program.

One central concern which must be addressed during the program or project design involves identifying who the "winners" and who the "losers" will be, especially if the activity involves changes in the existing marketing system and changes in the role of the market participants. Such a social soundness analysis should examine gender issues, economies of scale, alternative employment opportunities, etc. Once the winners and losers are identified, the program or project should strive, where possible, to reduce the adverse impact which the changes may have on the "losers."

During the program or project design phase, the A.I.D. Mission should try to ensure that it is not creating the conditions for a public monopoly merely to be replaced by a private monopoly. The underlying concept of **competition** in marketing activities should be an objective towards which agricultural marketing programs and projects strive. This is especially important in the Sub-Saharan African context because of socio-political or ethnic issues/concerns which have caused African governments, in the past, to discriminate against the private sector. (See Sections II.B (page 8) and II.D (pages 12-20) of the Technical Analysis, Annex A.)
4. Implementation and Monitoring & Evaluation of Agricultural Marketing Programs or Projects

a. Guidelines to Implementation.

Agricultural marketing and agribusiness development activities will need technically competent analysts to be responsible for program or project management.

By definition, marketing is a dynamic process and not a static activity. Therefore, during implementation, program or project managers are encouraged to monitor and evaluate continually both the immediate and the medium term impacts of the A.I.D. funded marketing or agribusiness activity on both the marketing sub-sector objectives and goal, as well as the broader sectoral objectives and goal.

The implementation of marketing and agribusiness development programs and projects will probably take place over several years because the development of efficient and effective marketing systems with healthy agribusinesses is a long-term process.

Therefore, it is important that marketing and agribusiness programs or projects retain some flexibility so that they can respond to the changing market conditions much as the market participants themselves respond to the changes in opportunities in marketing activities.

For example, changes in the policies and regulations related to marketing, and reforms in the administration of markets, will not be achieved quickly nor easily. Making a change in one or more policies may point to the need for adjustment in other areas that were not anticipated during project or program design. In addition, institutional, infrastructure or service development will require a long-term commitment and an ability to respond to the changing market conditions and market opportunities.

Finally, the market participants themselves will have different needs for support as they develop their own abilities to respond to market opportunities. For example, as marketing systems improve, farmers should have more opportunities to diversify and minimize risks. By minimizing risk, farmers may be encouraged to use more agricultural inputs and new technologies. Moreover, as markets reveal the true value of commodities and their inputs (including the market value of land, labor and capital), the cost of the factors of production for various commodities should vary. This should encourage production and marketing which is based on the competitive advantage enjoyed by farmers and marketing agents in tropical Africa. The result should be a modification in the crop mixes as well as the land and labor utilization patterns.
Therefore, the management of an agricultural marketing or agribusiness development program or project may require a combination of skills. Program or project management might best be accomplished utilizing a team-oriented approach so that all the requisite skills are mobilized. Program or project management teams should be comprised of individuals with the following set of technical skills:

* macroeconomic and microeconomic analysis;
* knowledge of agricultural production technology; and,
* knowledge of marketing concepts and private businesses, including the behavior of marketing firms.

The dynamics of agricultural marketing require that the management team be able to examine and analyze marketing and agribusiness development issues at several levels, including:

* inputs and outputs
* achievement of project or program purpose
* achievement of the sectoral strategic objective

b. Guidelines to Monitoring and Evaluation

Successful implementation of a marketing activity requires the establishment of sound baseline data and a monitoring and evaluation system which generates timely data on a regular and periodic basis.

For those Missions which are already actively engaged in supporting agricultural development, and for which there exists a sound monitoring and evaluation (M & E) plan, Missions may want to consider integrating their marketing and agribusiness M & E plan into the agricultural sector M & E plan. By integrating these M & E plans, the Mission would build a more robust M & E system.

The marketing and agribusiness M & E plan can provide the A.I.D. Mission and Host Country with the data necessary to begin to analyze what kinds of investments or other activities are needed to continue increasing the efficiency and efficacy of the agricultural marketing system. At the sectoral level, this can contribute to decisions about what activities will best promote sustainable increases in agricultural productivity.

Just as the host country officials were involved in the analytical work leading to the design of the agricultural marketing and agribusiness development programs and projects, so, too, should they be involved in supervising the M & E plan. The information generated should be available to all market participants, especially government policy makers and marketing
administrators; but private firms should also have access to the data generated.

Illustrative indicators, or benchmarks of performance, are listed below. These are presented in terms of their relation to the DFA targets. The indicators are relevant at the goal and purpose level. The specific inputs and outputs for marketing and agribusiness programs or projects will vary according to the constraints that are being addressed and the opportunities that are being created, and how the Mission determines to structure its marketing and agribusiness activity.

**Illustrative Indicators:**

(1) **Agricultural Sector Strategic Objective:**

* increased agricultural productivity on a sustainable basis.

**Benchmarks of Performance**

* value of agricultural production per land unit;
* value of agricultural production per labor unit;
* value of agricultural production per capital unit;
* value added per unit of capital in agribusiness; and,
* value added per unit of labor in agribusiness;

(2) **Measures of the Linkage between the Marketing and Agribusiness Objective and the Agricultural Sector Strategic Objective**

**Benchmarks of Performance**

* reduction in per unit marketing costs;
* increase in per unit producer prices;
* decrease in per unit consumer prices; and,
* increase in agribusiness profit share.

(3) **Marketing and Agribusiness Objective:**

* More efficient and lower cost marketing.

**Benchmarks of Performance:**

* prevalence of markets which demonstrate workable competition;
* price differences across space which reflect transfer costs (transport, handling, losses and transaction
costs) plus a normal return for performing the spatial arbitrage function;

* price differences over time which reflect real storage costs (depreciation, interest and losses) plus a normal return for the temporal arbitrage function;

* price differences of unprocessed and processed agricultural commodities which reflect the real processing costs (depreciation of plant and equipment, variable operating costs, labor costs) and a normal return for performing the transformation function;

* investments based upon comparative advantage and greatest expected return; and,

* increased earnings at the firm level.

(4) The Impact of Market System Elements:

(a) Reduction in Price/Cost Distortion of Government Policies

Benchmarks of Performance

* Private-Social Price differential is reduced
* Private Cost Ratio-Domestic Resource Cost Ratio differential is reduced.

(b) Improved Market Infrastructure

Benchmarks of Performance

* Reduction in per unit transportation costs for investment in roads, railroads, ports, etc.
* Reduction in per unit storage costs for investment in storage facilities or preservatives;
* Reduction in per unit transformation costs for investment in manufacturing/processing.

(c) Strengthened Market Participant (Agribusiness) Performance -- Firm level Productivity

* Input/Output Coefficients
* Increased Investment
The Impact of Marketing and Agribusiness Programs or Projects on other sectors:

Benchmarks of Performance

* factors of production (including natural resources) are utilized based upon their relative input prices;

* increased adoption of technologies as prices for selected commodities become relatively higher or as cost of resource-saving technology falls below the cost of the scarce resource;

* increased efficiency in the use of inputs to produce outputs for the manufacturing (agribusiness) sector;

* increased profitability and investment in the manufacturing and processing (agribusiness) sector; and,

* increased foreign exchange earnings or savings resulting from increased productivity.

Baseline surveys and benchmark indicators may generate aggregate statistics which indicate the number of private firms involved in marketing activities, or other kinds of quantitative data related to the impact of marketing and agribusiness programs and projects on market participants. However, it may be difficult to generate substantive qualitative measures of the impact of agricultural marketing and agribusiness programs and projects on all market participants, whether they be the winners or the losers.

Therefore, in order to measure the direct impact of these programs and projects on the participants themselves, and the indirect impact on other individuals, the Mission is encouraged to develop representative profiles of market participants as part of its M & E Plan.

This approach should enable the Mission to report impact at the individual farmer level (small and large-holder), among marketing enterprises (whether small, family-owned firms or large vertically integrated agribusinesses), and among consumers (both rural and urban).

5. Roles and Responsibilities

The selection and design of specific agricultural marketing and agribusiness development activities should be closely coordinated between the individual A.I.D. Missions and A.I.D./Washington (AID/W).
The A.I.D. Missions will have primary responsibility for determining what, if any, agricultural marketing and agribusiness development activities are most appropriate for their respective host countries. This determination will be based upon a sound knowledge of the country and the agricultural sector's role in national economic development.

The Mission will have primary responsibility for conducting the sectoral and marketing and agribusiness analyses upon which any programs or projects will be based. However, AID/W can provide critical assistance during the agricultural sectoral assessment, the marketing and agribusiness assessment, or during program or project design leading to the submission of appropriate documentation, such as the PAIP or PID.

The Mission also has primary responsibility for program or project implementation, as well as monitoring and evaluation.

The role of AID/W is to provide guidance, leadership and support to the Missions as they conduct their analyses and design their programs or projects. This document is part of the process of providing that guidance.

There are several offices within AID/W which can offer technical and analytical assistance to the Missions.

* AFR/TR/ANR can provide assistance during the process of analysis at both the sectoral and sub-sector level. This support consists of:
  * reviewing terms of reference proposed by the Mission for the analyses to be conducted;
  * serving as a clearing house of information and experiences (lessons learned) relevant to the design and implementation of agricultural marketing and agribusiness programs or projects;
  * participating in the design of marketing and agribusiness programs or projects, from the initial stage (sectoral analysis and sub-sector analysis) to the final stage (preparation of the PAAD or PP); and,
  * participating in the AID/W review process of the proposed marketing and agribusiness program or project; and,
  * provide guidance and assistance to Mission personnel as they seek to develop training programs which will enhance their own ability to manage such activities as well as to increase the
ability of market participants themselves to take advantage of new marketing opportunities.

* participate in the development of Monitoring and Evaluation systems which will contribute to both the Mission's Policy Agenda and the understanding of the activity's impact upon the sector and the economy.

**AFR/TR/EHR** complements the services provided by ANR through its on-going Human Resource Development Assistance (HRDA) project. This activity, which is broadening its perspective to encompass rural and agriculturally related activities, provides Missions with access to agribusiness training opportunities with reduced management burden at the Mission level.

These efforts may be complemented by **AFR/DP** and its staff of economists and social scientists. **AFR/DP** has a comparative advantage in terms of its ability to provide assistance that will relate the agricultural marketing and agribusiness issues to the macroeconomic performance of the nation. **AFR/DP** also has considerable experience in social soundness analysis and M&E systems which complement **AFR/TR**'s own capabilities in these areas. Therefore, **AFR/DP** has an important role to play in the initial analytical and subsequent design and monitoring work.

These efforts may also be enhanced by drawing upon the staff of **AFR/MDI**. Both through the experience of their own staff and through the mechanism of their contractual relations with American consulting and agribusiness firms, **AFR/MDI** has a comparative advantage in developing links between American and tropical African markets. Promoting American investment in Sub-Saharan Africa's agricultural sector is one way that **AFR/MDI** can assist A.I.D. Missions and host governments to increase investment, productivity and indigenous capacity. **AFR/MDI** can also provide a significant resource in its private sector assessment capability. While this is larger than agribusiness, the general investment climate affects agribusiness.

In addition, during the initial analysis or the design of the marketing project or program, Missions are able to draw upon the services of the respective regional offices, **REDSO/WCA** and **REDSO/ESA**. These offices can also provide personnel to assist in mid-term and final evaluations of the marketing and agribusiness activities.

Finally, the **S & T Bureau** has experience based on several projects which it has managed in the area of agricultural marketing. These projects include the following:

* Agricultural Marketing Improvement Strategies Project (AMIS);
* Agricultural Policy Analysis Project (APAP I and II); and,

* Food Security Project.

The lessons learned in recent years from some of the activities undertaken by these projects, including analysis and rapid appraisals, provided a significant contribution to the technical analysis of tropical African marketing system (see Annex A.)

By drawing upon the various sources of personnel and resources at their disposal, both in AID/W and in the field, Missions should be able to develop comprehensive, flexible and dynamic approaches to agricultural marketing and agribusiness development that will make a significant contribution to sustainable increases in the general well being of the people of Africa.
ANNEXES

AFRICA BUREAU SECTOR STRATEGY

A STRATEGIC FRAMEWORK FOR PROMOTING AGRICULTURAL MARKETING
AND AGRIBUSINESS DEVELOPMENT IN SUB-SAHARAN AFRICA

AFRICA BUREAU
OFFICE OF TECHNICAL RESOURCES
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C.

OCTOBER, 1990
ANNEXES

TABLE OF CONTENTS

ANNEX A:  Technical Analysis of Agricultural Marketing
ANNEX B:  Stages of Agricultural Marketing Development
ANNEX C:  Selected Bibliography
ANNEX A

A TECHNICAL ANALYSIS OF AGRICULTURAL MARKETING AND AGRIBUSINESS DEVELOPMENT IN SUB-SAHARAN AFRICA
A TECHNICAL ANALYSIS OF AGRICULTURAL MARKETING AND AGRIBUSINESS DEVELOPMENT IN SUB-SAHARAN AFRICA

I. INTRODUCTION

A. The Role of Agricultural Marketing and Agribusiness in Economic Development
B. Agricultural Marketing and Agribusiness Defined
C. Approaches to Agricultural Marketing
D. The Africa Bureau Approach

II. RECENT AFRICAN HISTORICAL EXPERIENCE

A. Natural Resources and the Environment
B. The Political Environment
C. Africa's Economic Crisis
D. The Role of the Public and Private Sectors
   1. Agricultural Marketing Boards
   2. Agribusinesses (Private Marketing Agents)
E. Donor Support for Marketing Activities
F. Case Studies

III. AGRICULTURAL MARKETING SYSTEM ELEMENTS

A. Government Policies and Regulations
B. Marketing Infrastructure
C. Agribusiness and Other Marketing Agents

IV. MARKETING STRATEGY CONSIDERATIONS

A. Comparative Advantage
B. The Evolution of Agricultural Marketing Systems
C. The Role of A.I.D. in Agricultural Marketing Development
I. INTRODUCTION

A. The Role of Agricultural Marketing and Agribusiness in Economic Development

In most countries in Sub-Saharan Africa, the agricultural sector is the dominant sector in the economy. Agriculture is:

1. the largest employer of labor (with 65 to 80 percent of the labor force);
2. the major source of income and provides the greatest portion of GDP (between 40 and 70 percent);
3. the largest earner of foreign exchange (ranging from 40 to 90 percent);
4. the greatest source of the food needed to meet domestic demand; and,
5. an important source of inputs for the industrial and manufacturing sectors.

Moreover, rural families are potentially the largest domestic market for products made by processing agricultural commodities.

Given the critical role of agriculture in Sub-Saharan Africa and the important linkages between the agricultural and industrial sectors, sustainable economic growth can best be achieved by improving the performance of the agricultural sector. Indeed, development specialists have long looked towards the agricultural sector to provide the surplus (savings and capital) necessary for investments in social overhead and industry.

Improving the performance of the agricultural sector involves increasing productivity. Sustainable increases in productivity can best be achieved by:

1. greater adoption of high-yielding technologies;
2. improved management of the natural resource environment; and,
3. more efficient marketing of agricultural commodities.

Efficient agricultural marketing systems and agribusinesses play a key role in promoting sustainable economic growth.
Agricultural marketing systems deliver food to urban consumers, add value to what is produced, and export commodities so that the nation can earn the foreign exchange needed to import what it cannot produce.

Given the trend towards urbanization in Africa, an increasing number of households will continue to depend on the market as their sole source of food. (While only about 27 percent of Sub-Saharan Africa's population was urban in 1988, the urban growth rate of 6.9 percent per annum is the highest in the world.) Therefore, improved agricultural marketing and commercialization of food production are of critical importance in ensuring food security.

Moreover, efficient agricultural marketing systems improve farmers' income-earning opportunities. Agribusinesses which transform (or add value to) agricultural produce increase employment opportunities, especially in rural areas. Hence, agribusinesses can contribute to higher incomes and increases in the Gross Domestic Product (GDP).

B. Agricultural Marketing and Agribusiness Defined

Traditionally, many analysts have only associated marketing of agricultural commodities with the movement of produce away from the farmgate. However, agricultural marketing is more than that.

Agricultural marketing is a process by which inputs are delivered to farmers, output is collected from farmers and commodities are transformed before being delivered to consumers. Hence, agricultural marketing is a demand-driven process.

Agricultural marketing involves production, transportation, storage, processing, pricing, promotion, distribution, and the buying and selling of goods and services.

An agricultural marketing system links the various functions performed by the participants in the marketing process over time and space and enables the participants to coordinate production, distribution and consumption activities.

Among the participants involved in agricultural marketing are: farmers (producers), private traders, cooperatives, parastatal marketing boards, private businesses (domestic and international) and government agencies.

During the marketing process, value is added to agricultural commodities, especially by enterprises which transform agricultural produce.
Enterprises which transform agricultural produce are often referred to as **agribusinesses**, although agribusinesses engage in other marketing activities as well.

By definition, a firm which is engaged in one or more of the activities involved in agricultural marketing is an **agribusiness**. (While some agribusinesses, especially vertically integrated firms, engage in production, production is not one of the functions under consideration.) For example, agribusinesses engage in the supply of inputs to producers, the purchasing and assembly, as well as the processing and distribution of finished products to retailers or consumers. Agribusinesses are also involved in transportation, storage, packaging, promotion and extension work, and research and development activities.

The size and scope of agribusiness vary from small or medium-sized enterprises (for example, a women's cooperative involved in the grinding and milling of coarse grains) to large, vertically integrated enterprises which manage the production, processing and sale of agricultural products from the farmgate to the consumer.

C. **Approaches to Agricultural Marketing**

Given the importance of agricultural marketing and agribusiness to increased agricultural productivity and sustainable economic growth, several models have been developed to assist development planners improve market efficiencies. These models involve five basic approaches:

1. **Marketing Policy Approach:**

   Focus on the policy and regulatory constraints in marketing. This involves analyzing the effect of agricultural price policy, exchange rate policy, and macroeconomic variables (i.e. government budget, money supply, inflation) on marketing incentives and performance, and the effect of trade policy on agricultural imports and exports.

2. **Functional Approach:**

   Focus on the performance of marketing functions and methods to improve efficiency, lower costs and increase productivity. This involves analyzing handling, sorting and grading, transport, storage, processing, and selling at the wholesale and retail level.

3. **Institutional Approach:**

   Focus on fundamental issues associated with contract enforceability, property rights, and broad institutional and
political issues (such as stability and uncertainty). This involves analyzing the advantages and disadvantages of alternative institutional arrangements, including the appropriate role for the public and private sector.

4. **Commodity Systems Approach:**

Focus on a particular commodity and methods to improve the marketing system for that commodity. This involves analyzing the system's organization, its marketing costs and world commodity prices. This approach can also be extended to include an analysis of the marketing system in terms of its structure (competitive, monopsonistic, oligopolistic, etc.), its conduct (the behavior of the marketing participants), and its performance (efficient use of resources).

5. **Agribusiness Approach:**

Focus on the coordinating role which agribusiness can play in the production, transformation (processing), and distribution of agricultural commodities. As applied to developing countries, this involves the development and refinement of integrated commodity systems which produce and add value to commodities which are usually destined for higher income urban and foreign markets.

Recently, two additional approaches have been advocated by developmental strategists working in Sub-Saharan Africa. These approaches combine aspects of the previous models but have their own unique objectives:

6. **Food Security Approach:**

Focus resources on the research and development of key staple food crops (especially coarse grains), the complementarity of food and cash crop commodity systems, and specialization and the trade options for achieving food security.

7. **Market Town Development Approach:**

Focus investments (such as infrastructure, local government services, improved revenue generation, and small or medium-sized agribusiness activities) in emerging secondary cities which have the potential to decentralize marketing functions while strengthening rural-urban linkages.

Each one of these approaches begins from different assumptions about the process of economic growth and which investments should take priority in promoting growth.
This Strategic Framework does not attempt to address the academic issue of which approach is the best one to take in Sub-Saharan Africa. Instead, this document attempts to integrate elements of these approaches into an effective, flexible strategy. Flexibility is necessary because economic growth, which involves agricultural marketing and agribusiness development, is a dynamic process. Any attempt to impose a rigid, dogmatic approach on a dynamic process will only result in partial success at best or even failure to promote the growth of that process.

D. The Africa Bureau Approach

An analysis of the historical development of agricultural marketing in Sub-Saharan Africa indicates that a broader perspective of agricultural marketing is needed than that taken by those who define agricultural marketing as simply commerce in agricultural products.

The technical analysis which follows indicates that there are three basic elements in a marketing system:

1. the macroeconomic and sectoral policies and regulations that affect marketing activities;
2. the infrastructure (including institutions and services) that is necessary for marketing activities to take place; and,
3. the participants that engage in marketing activities, especially agribusinesses.

Throughout this annex, the analysis focuses on these three elements of the agricultural marketing system.

The relative strength of each element is indicative of the relative development of an agricultural marketing system. Hence, the Strategic Framework encourages analysis which examines and considers the macroeconomic, financial, legal and degree of competitiveness (market structure) of the marketing system and how these factors affect marketing incentives. This approach also involves analyzing the behavior (market conduct) of the various participants in the marketing process, especially the public and private sectors, in order to determine their relative efficiency. Finally, this approach involves analyzing the performance of the marketing system in terms of its efficiency in promoting sustainable increases in productivity and economic growth.
Marketing involves both input and output delivery systems:

* Agricultural input marketing involves the buying and selling, transportation and storage of items such as seeds, fertilizers, agricultural instruments and equipment, pesticides and herbicides, draft animals and appropriate technologies.

* Agricultural output marketing involves the buying and selling, and transportation, storage, grading and sorting, transformation, packaging and distribution of what is produced on farms.

While the analysis focuses on the marketing of both agricultural inputs and outputs, this does not imply that marketing is purely an extractive process. On the contrary, one of the most important functions of an effective agricultural marketing system is to put cash in the hands of farmers. The best way to do this is to ensure that produce is collected and paid for on time.

Effective marketing involves offering incentives to farmers to increase production. Paying high producer prices is one incentive which can encourage production for the market. But raising farmers' incomes will only be effective if there are goods and services which they can buy with that cash and thereby improve their well being. In this way marketing becomes the link between agricultural development and improvements in rural standards of living.

Agricultural marketing is demand-driven. That is, each commodity is produced to meet a particular demand. Some products tend to be in demand in local (i.e. village) markets; others tend to be in demand in both local and regional markets; and still other products are in demand in many markets: local, regional, national and international.

Therefore, this analysis argues that it is a fallacy to suggest that there is a dichotomy in African agriculture involving a distinction between those farmers who produce "cash crops" (i.e. crops for the market), and those farmers who are involved in "subsistence agriculture." Indeed, attempts to distinguish between "cash crops" and "subsistence crops" have been an impediment to the development of effective agricultural marketing strategies because relatively more attention has been given to promoting "cash crop" marketing to the neglect of "subsistence crop" marketing issues. Empirical evidence strongly indicates that virtually every farmer in Africa, no matter what he or she grows, sells some of that output in the market in order to buy the goods that are not produced on the farm.

All farmers participate in agricultural marketing. The important distinction to make is to what degree are farmers
involved in market-oriented production and for which markets are they producing? Once the answers to these key questions are known, then an effective strategy for increasing farmer's participation in marketing can be developed.

Often markets are linked through the transformation of a product during the marketing process. Therefore, it may be useful to analyze the various commodity systems which comprise the whole agricultural marketing system. Various commodities have different marketing requirements and it is important to note these as well.

This technical annex does not analyze methods to improve the production of the goods and services which are exchanged in agricultural markets. Production is necessary for marketing to take place, but one of the key assumptions of market analysis is that if sufficient demand for a good or a service exists, there will be an adequate supply response. (This also assumes that there is appropriate technology to produce the good or service and that production takes place with minimum disturbance of the natural resource environment.)

Indeed, when there is no supply response to the demand for an agricultural good or service, it is often because the marketing system is not functioning effectively or efficiently; for example, it may not be transmitting the demand information effectively and so producers cannot respond. Market imperfections are caused by many factors and it is the purpose of this analysis to enumerate these constraints and to suggest methods to alleviate them.

The analysis which follows examines the past performance of public and private sector marketing participants and suggests what may be the most appropriate roles for both to take. Therefore, the focus is on methods to improve the efficiency of the marketing system by improving the performance of all participants engaged in marketing activities.

The analysis indicates that, in most cases, it is more important to ensure that a function be performed efficiently and cost-effectively than to attempt to ensure that a certain entity or individual perform it. That is, it is important for the decisions regarding who performs what functions to be determined by the market itself (i.e. the forces of supply and demand) rather than by other forces. Obviously, political and social considerations have affected and will continue to affect marketing decisions, especially in the area of policy. Nevertheless, this policy-makers should try to minimize the variables which distort the free interplay of competitive market forces in order to promote the growth of efficient marketing systems.
II. RECENT AFRICAN HISTORICAL EXPERIENCE

A. Natural Resources and the Environment

The natural resource base and climate are the most important determinants of aggregate agricultural production and, as such, they have an indirect affect on the volume of produce marketed. The resource base, and how farmers use technology to adapt to its constraints, determines what is the most feasible mix of crop and livestock enterprises and sets technical limits on the production and marketing potential.

Sub-Saharan Africa has a thin resources base and a less than ideal agricultural environment. The greatest environmental factor in Africa is the weather, especially the temporal and spatial distribution of precipitation. Rainfall throughout Africa is highly seasonal and the arrival of the wet and dry seasons fluctuates greatly.

Fluctuations in the timing and amounts of rainfall have a significant impact on total production levels and, ultimately, on marketing because dryland agriculture is the dominant mode of crop and livestock production in Sub-Saharan Africa. The year-to-year vagaries in production and marketing levels caused by fluctuations in weather contribute to market instability. Recognizing the importance of natural resource management and appropriate technology for farming under such circumstances, the Africa Bureau has developed two plans for A.I.D. activities in these respective areas.

Geography also inhibits the ability of many Sub-Saharan African nations to increase agricultural marketing. Many countries are land-locked or have populations living far from seaside ports and there are few natural waterways on which relatively inexpensive shipping could be done. Instead, farmers and consumers must rely on the few, relatively high cost methods of transport available, such as railroads and roads.

B. The Political Environment

There are two underlying political reasons for the failure of most African governments to develop effective agricultural marketing strategies:

* First, since independence the ethnically diverse Sub-Saharan African states have given priority to building national purpose and forging a national identity.
Second, these governments have been characterized by fragile legitimacy, weak representative institutions and almost non-existent bureaucratic traditions.

Virtually all Sub-Saharan African nations have very arbitrary borders which were only defined by the colonial powers less than 100 years ago. Within these states are a multitude of cultural and linguistic groups. The ethnic diversity of Sub-Saharan Africa nations sharply contrasts with the relative ethnic homogeneity of other developing countries, such as those in Latin America or South Asia.

This cultural and linguistic diversity contributes to tensions within the political economy. For example, the relatively influential position held by Asian and Lebanese communities in commerce in East and West Africa, respectively, gives an additional political dimension to any policy decisions which government makes to promote private enterprise. In order to deal with these tensions, governments have tried to create institutions which will build national unity.

One of the methods governments have chosen to build national economic unity is to rely on public sector firms to engage in economic activity that cut across ethnic boundaries. However, while state-owned enterprises (SOEs) may achieve the political purpose of bringing together diverse linguistic and cultural groups to work for a common purpose, SOEs generally have not increased the efficiency of those economic activities in which they are engaged. This is because the political purposes to which SOEs are put often undermine the basic market principles of allowing the forces of supply and demand to determine the most efficient allocation of resources.

The initial rulers of Africa's independent states based their legitimacy on their leadership role in the struggle against the colonial rulers. With the passage of time, that fragile basis for legitimacy has been called into question by successive coups and counter-coups, especially by the military.

In addition, at independence most states did not have very strong representative institutions nor well developed indigenous bureaucratic traditions. The bureaucracies which Africans inherited from their colonial rulers were weak. National administrations lacked indigenous, technically competent bureaucrats. Even after more Africans improved their analytical, financial and managerial skills, these bureaucrats had little ability to influence major policy decisions.

Many state administrations lack a system of rewards for capable technicians. Instead, these systems are characterized by patronage and political favoritism which have mitigated against the creation of meritocracies. Moreover, there are few
institutional channels open to small-scale farmers and private entrepreneurs through which they can make their needs known to policy makers and technicians who are capable of solving their problems.

As a result, the ruling elite are often not accountable to any constituency except themselves for their political and economic decisions. And the process by which policy decisions are made, infrastructure and institutions are created, and economic transactions are regulated, is highly susceptible to influence by the rich interest groups represented at the center of political power.

C. Africa's Economic Crisis

Since the mid-1980s, most Sub-Saharan African countries have faced a severe economic crisis that has not yet abated. Among the exogenous factors which contributed to the crisis were:

* poor weather in the late 1970s and early 1980s;
* rising world oil prices;
* falling international prices for primary products;
* escalating real interest rates in international financial markets; and,
* a net decline in total donor assistance.

However, the underlying causes of the crisis were endogenous, including:

* unsound government policies;
* a dramatic increase in the public sector and its role in the economy;
* a rise in the amount of borrowing to finance investment activities; and,
* and unsound government investments.

The economic crisis has been characterized by perennial balance of payments deficits, periodic shortages of foreign exchange, chronic government budget deficits and a rise in external and domestic debt.

Sub-Saharan Africa's most serious macroeconomic problem is its enormous external debt burden. Sub-Saharan Africa's external debt in 1988 was about $71 billion, of which $51 billion is owed to official sources, including the IMF.

While these debts (excluding Nigeria and Cote d'Ivoire) are no threat to the international financial system, because of their relatively small size and the small exposure of commercial banks, they are a more severe burden to African nations than the debt of middle-income countries is to their economies.
Debt service payments for Sub-Saharan Africa are $4 billion per annum, with $2 billion going to official sources. The debt/export ratio is 415, the debt/GNP ratio is 99, and the debt service ratio is 29.

This means that for the foreseeable future Sub-Saharan African countries will need to increase export earnings in order to meet their debt service obligations and still pay for the imports needed to sustain growth. With agricultural exports comprising 40 percent of total exports in Sub-Saharan Africa, growth in agricultural marketing can help alleviate the debt crisis.

There has also been a crisis in the agricultural sector. Sub-Saharan Africa is the only area in the world in which agricultural production per capita declined between 1965 and 1985.

Since 1970, agricultural production has grown at an average annual rate of 1.5 percent, but with population growth averaging 3.0 percent per annum, the result has been a net decline in output. This has adversely affected domestic food availability and export earnings.

According to a World Bank study, the primary cause of low foreign exchange earnings and the rising trade deficit is the decline in the aggregate volume of agricultural exports, not a fall in world commodity prices.

World market prices for Sub-Saharan Africa's primary products have fallen since 1980, but only by half as much as the world average for agricultural commodities. Prices of major African exports, such as tea and cocoa, have stayed relatively high while cereal prices have tumbled at a much faster rate. Many countries import rather than export cereals (such as rice in the Sahel and wheat in East Africa), but the modest positive impact the price declines could have had on trade balances was mitigated by the rising volume of cereal imports.

Moreover, Sub-Saharan African countries lost their share of international trade for many commodities in which they have a comparative advantage. For example, Africa's world market share of oilseeds, coffee, tea, bananas, and cotton has fallen sharply. Modest progress has been made in increasing Africa's market share of tobacco, sugar and horticultural commodities.

Since 1970, Africa's export volumes (excluding petroleum) have been roughly static, while the export volumes of all developing countries have more than trebled. If Sub-Saharan Africa had merely held onto its 1970 world market share of the commodity trade, its export earnings would have been about $4
billion higher in 1988, which is about equal to the annual bill for debt service payments.

While exogenous factors exacerbated the crisis in the agricultural sector, the principal causes of the decline in Sub-Saharan Africa's export position have been unsound domestic policies and lack of technical innovation in agricultural enterprises. Governments:

* allowed their exchange rates to become over-valued which encouraged imports but discouraged exports;

* implemented subsidies which skewed consumption and production patterns;

* intervened in markets through price controls and other restrictive practices which created disincentives for private sector initiatives in marketing;

* overextended the role of the public sector in the agricultural sector, especially in marketing activities; and,

* made unsound capital investments while neglecting the maintenance and rehabilitation of the marketing infrastructure.

As a result, Sub-Saharan African marketing systems became less competitive and more inefficient.

Although African governments bear the primary responsibility for the economic crisis which they now face, the donors share in the responsibility. Throughout the 1970s, the donors provided support which implicitly encouraged the policy decisions that African governments made. It was not until the early 1980s, when the extent of the economic crisis became clear, that the donors encouraged African governments to reorient their policies and the Africans themselves realized that they had to make changes in the way their economies were structured.

D. The Role of the Public and Private Sectors

1. Agricultural Marketing Boards

Perhaps the most deleterious marketing policy which African governments have pursued has been to increase the role of the public sector at the expense of the private sector. The contemporary dominance exerted by the public sector in agricultural marketing has its roots in the colonial period.
The first parastatal marketing boards were created in an attempt to raise producer prices, farmers' incomes and export earnings. Colonial regimes believed that government control of trade would reduce marketing costs to the benefit of the producers, while simultaneously raising government revenues through control over exports and collection of export duties.

The first Sub-Saharan parastatal marketing board was established in Zimbabwe (then Southern Rhodesia) in 1931 in response to pressure from European farmers for support of the export price for maize. In 1933 the Coffee Board of Kenya was organized for British farmers and by 1945 there were seven other marketing boards in Kenya. By the time independence came, all British East and Central African countries had marketing boards for agricultural commodities.

Experiences in West Africa were similar. The West African Control Board, established by the British in 1942, was the origin of marketing boards in that part of the continent. By 1950, eight marketing boards controlled the export of groundnuts, cocoa, oil-palm products and cotton in The Gambia, Nigeria, Sierra Leone and Ghana, with financial resources exceeding those of the respective colonial governments themselves.

In Tanzania, parastatal marketing boards held monopoly buying and selling power for most export crops, including cotton, tobacco and coffee. In the 1970s, the government set producer prices below world market prices in order to raise government revenue. As a result, the farmer's share of export earnings fell below 50 percent. Tanzanian farmers responded to this price structure by switching to basic food crops, and exports of cotton, tobacco and coffee fell by 33 percent in just 7 years.

The evolution of marketing boards in French Africa was more complex, with the principal effort after World War II focussed on the Caisse de Stabilisation which attempted to moderate price changes by trading alongside private firms. The various Caisse acted as a buyers of last resort, holding stocks for future disposition.

The independent governments of Sub-Saharan Africa gradually expanded the role of the public sector in agricultural marketing activities. African governments have tried to use state-owned enterprises (SOEs) to:

a. reduce risks for small-scale farmers;
b. ensure markets and input supply by promoting price stability;
c. provide public sector revenues;
d. support large-scale investments in processing; and,
e. address constraints created by inadequate financial markets.

By the early 1970s, SOEs not only had statutory monopolies over the export of cocoa, coffee, tea, cotton, palm oil and groundnuts, they also controlled the marketing of some staple food crops, especially maize and rice. Root crops, fruits and vegetables and most coarse grains (millet and sorghum) have been left to private traders after a few unsuccessful parastatal attempts to intervene in marketing.

Case studies of agricultural marketing SOEs operating in Sub-Saharan Africa indicate that most boards have not improved the efficiency of marketing systems and they have not served the interest of the farmers they were supposed to serve.

Agricultural marketing boards have not improved market efficiency because:

a. they have operated as monopolies, and without competition they have had little incentive to improve their services;

b. they expanded their scope of operations to include activities for which they were not suited and for which they were not adequately compensated; and,

c. the surplus funds that marketing boards generated through price stabilization activities in the 1960s were used by governments for investment and development activities in the 1970s that did not benefit farmers.

Thus, when world prices slumped in the late 1970s, SOEs and governments lacked the funds to maintain producer prices, which led to lower prices and lower production levels of export crops, or farmer sales in parallel markets where prices tended to be higher.

Alternatively, as prices were maintained at unsustainable levels, many SOEs went bankrupt but kept operating by accumulating large debts at parastatal financial institutions. Consequently, marketing boards became inefficient performers of their marketing functions, especially storage, transport and processing.

Most public sector marketing entities, such as SOEs and cooperatives, have been unable to perform efficiently because of internal constraints as well as government policies.
Among the internal constraints are:

a. inefficient and inexperienced management;
b. inadequate record-keeping and stock controls;
c. late arrival of buying teams in the crop-producing areas;
d. poor financial controls, especially for accounting and auditing;
e. lack of transport vehicles and poor logistic management;
f. insufficient cash resources to purchase produce resulting in late and/or incorrect payments to farmers; and,
g. over-staffing and high costs of operations.

Despite their role in creating or exacerbating agricultural sector problems, SOEs endure in Sub-Saharan Africa. The persistence of large agricultural marketing boards with grave financial difficulties is attributable to their important political and social functions:

a. SOEs enable governments to exert control over economic activities that are considered to be strategic or in the national interest;

b. The boards, themselves, wield considerable power because of their control over resources and jobs;

c. SOEs continue to be instruments of national unity and relatively easy sources of raising government funds; and,

d. SOEs ensure that the indigenous population will have some role in the agricultural marketing system in the face of competition from and the threat of dominance by large foreign private firms or ethnic-based private trading networks.

Moreover, it has been observed that some parastatal marketing entities have performed their marketing functions effectively and served their clients well. Hence, it may be

Some SOEs have been well managed: the Kenya Tea Authority, the Botswana Livestock Marketing Authority, and several cotton SOEs in Francophone West Africa (Togo, Cote d'Ivoire and Burkina Faso). The Kenya Tea Authority is efficient because it has organizational autonomy (independence from political interference), and an effective system of accountability and incentives for growers, field personnel and factory managers. The basis of the incentive system is the price differential paid to growers for the quality of their tea. A single fixed price would remove the incentive to improve the quality of tea grown.
possible to increase the effectiveness of the SOEs which African governments may be reluctant to privatize through:

* exposure to market forces;
* enforcement of normal business operating procedures; and,
* improved management techniques.

2. Agribusinesses (Private Marketing Agents)

Sub-Saharan African governments encouraged SOEs to take up diverse economic activities because these governments did not want to lose control over strategic resources or activities which were of national importance.

African governments have been especially keen to prevent foreign firms or particular ethnic groups from exerting a dominant influence over marketing and other economic activities.

Among other things, governments feared that private firms would make excessive profits at the expense of small farmers. The origins of this fear can be traced back to the nationalistic reaction to colonialism during the first decade of independence.

During the colonial era, many European firms invested in Africa because the colonial government guaranteed:

a. political stability;
b. efficient administration (especially in legal matters), and;
c. a favorable tax and investment climate.

Among the first firms to invest in colonial Africa were:

* the British Royal Niger Company (later known as the United African Company, which was ultimately bought out by Lever Brother's or Unilever, one of the world's largest vegetable oil processing firms);
* the Compagnie Francaise de l'Afrique Occidentale (C.F.A.O.), still one of the dominant wholesale and retail firms in West Africa; and,
* Brooke Bond and British American Tobacco (BAT) in East Africa.

Shipping between West Africa and Europe was handled by Elder Dempster (still an active participant in the region), and financing for marketing investments came from the Bank of British West Africa and the Banque de l'Afrique Occidentale.
European traders, shippers and bankers collaborated in the purchase of peanuts, cocoa, and palm products for shipment from West Africa to Europe where they were processed into salad oil, margarine, chocolate and other products which were sold to consumers in Europe and elsewhere.

In Central and East Africa there was a greater degree of vertical integration because of the presence of European settlers and the absence of restrictions on direct production. Whereas African farmers produced virtually all of the goods traded in West Africa, there were more expatriate estates and plantations in East and Central Africa.

At independence, most African governments nationalized the export marketing of primary products and replaced European settler estates by some combination of state farms, large private African farms and African smallholder production.

The initial disruption caused by the abrupt Africanization of many marketing activities slowed down the pace of investment by European multinational companies.

Gradually, however, European and American firms developed new relationships with African governments and indigenous public and private entities. New methods of doing business have included management contracts and consultancies, joint ventures and the supply of business and logistical services.
Still, foreign investment in Africa remains lower than anywhere else in the developing world. This has constrained the dissemination of new technologies and inhibited the development of managerial skills needed for more efficient marketing activities, especially the processing and packaging of agricultural produce.

Investors continue to be attracted to countries with:

a. liberal investment climates;
b. nearness to potential export markets;
c. cheap resources in good demand; and,
d. the possibility of serving an expanding internal or external market.

Unfortunately, all these elements are found in few Sub-Saharan African countries.

Instead, foreign investors usually must deal with economies characterized by:

a. dominant SOEs;
b. restrictions on access to land;
c. strict investment policies;
d. limits on equity control;
e. regulations on profit repatriation; and,
f. foreign exchange controls.

While it is possible to broker deals between governments and individual firms that will circumvent these constraints and allow an investment to move forward, the continued existence of a highly regulatory policy environment, coupled with infrastructural and institutional problems, will limit the direct and indirect beneficial impact such a brokered investment will have.

Another factor which has complicated the approach taken by Sub-Saharan African governments towards private enterprise has been the ethnic factor. Historically, some of the most successful entrepreneurs have not been Africans but immigrants.

During the colonial period, small but significant communities of non-African entrepreneurs came to play an important role in marketing. The most notable groups are:

* the Lebanese communities of West Africa, and
* the Asian communities of East and South Africa.

These groups have been active in agricultural input and output marketing and processing, but their most important role in marketing has been as the retailers of the (incentive) consumer goods which farmers buy with their disposable income.
At independence, when African governments sought to increase indigenous participation in economic activities, non-African ethnic groups became an easy target of discriminatory government policies and practices.

* In West Africa, many Lebanese businesses (including processing industries) were nationalized and private traders had to compete with state-sponsored marketing agents, both cooperatives and marketing boards, which received subsidies in the form of higher marketing margins or lower interest rates on credit received from public financial entities. These policies effectively drove most Lebanese firms out of marketing in rural areas and gradually confined them to the wholesale import trade in urban areas.

* In East Africa, nationalization and other more direct government actions caused most Asian businesses to close or to be taken over by Africans, not all of whom were competent business managers. These policies reduced competition in the marketing systems and contributed to the decline in the availability of goods and services in rural areas.

Finally, instead of building on the indigenous marketing systems which often transcend national boundaries, government policies have effectively impeded their performance.

The large number of diverse cultural and linguistic groups within most countries and the importance of trust, credit and the enforceability of contracts in economic transactions has contributed greatly to the formation of ethnic monopolies and traders associations.

While these trading associations are usually ethnic-based, some are also trans-ethnic, such as the Mourides (Muslim religious brotherhood) of West Africa.

Regional trading associations are common throughout Africa and they have existed since precolonial times.

Indeed, the contemporary presence of Fula-speaking peoples throughout the Sahel, the ubiquitous presence of the Serahuli and Jola people throughout the Senegambia-Guinea River basin region, and the wide settlement of Swahili-speaking peoples throughout East and Central Africa is testimony to the widespread influence which these trading diasporas have had in their respective regions.

When the borders of most African states were established in the colonial period, the territories of many similar cultural and ethnic groups were arbitrarily divided. People who had formed an integral socio-economic community found themselves separated by national borders and subject to a variety of regulations which
limited their economic cooperation. This gave rise to illegal or parallel marketing activity along the borders of African states, organized along ethnic lines. Despite the legal impediments to their activities, these marketing groups seem to operate efficiently.

Private sector marketing agents have been pushed out of most official export crop marketing activities. However, they still exert considerable influence in informal or parallel markets for export crops.

Empirical studies indicate that where the private sector has been able to operate freely, such as in tree crops in Kenya, coarse grain marketing in West Africa, and horticultural or livestock marketing in other countries, the marketing systems function fairly well and remain relatively efficient.

By discriminating against the private sector, African governments have inhibited the development of broad-based indigenous entrepreneurial classes and competitive marketing systems.

The Gourmanche territory straddles the borders of three states: Burkina Faso, Ghana and Togo. The markets of Fada N’Gourma in Burkina Faso and Gambaga in Ghana attest to the cross-border economic unity of the Gourmanche. Maize and rice from Ghana are sold in Burkina Faso in order to get hard currency. There is also a flourishing parallel market in animals. Burkina Faso's export tax of 13 percent on cattle is ignored by traders who take their herds into Togo "for grazing," and do not return with them. The traders' information network is extremely efficient: operators are kept up to the minute on produce prices, policy changes, and fluctuations in the exchange rates of bordering countries. In Ghana, merchandise is transported mainly in trucks and then transferred to bicycles for the border crossing. During a single market day about 730 bicycles were counted moving across the border into Burkina Faso.

E. Donor Support of Agricultural Marketing

Although the growth of public sector marketing institutions was accomplished by African governments, it could not have been achieved on such a large scale without implicit donor support. During the 1960s and the 1970s, the major bilateral and multilateral donors implicitly accepted the dominance of public sector institutions and worked directly with or through them in support of agricultural marketing activities. There were few
programs or projects designed to change the policy environment or the structure of African economies until the early 1980s.

There have been four major shifts in the approach taken by both governments and donors towards the agricultural sector since the 1960s.

* **Phase One:** Initially, most government development strategies emphasized stimulating growth in the non-agricultural sectors. African governments were more concerned with political integration, infrastructural development and human capital development than agricultural production.

  Within agriculture, the emphasis was on export crop production and marketing, a legacy of the colonial period. The donors supported these goals. In the agricultural sector donors provided technical and financial assistance for research and extension activities, irrigation, and infrastructure oriented towards export crops.

* **Phase Two:** The 1973-74 drought marked a change in the levels and patterns of development assistance to Africa. The rise in world market prices of cereals and the depletion of world food stocks heightened concern among the donors about the increasing vulnerability of developing countries to international fluctuations in food supplies and intensified interest in expanding Africa's food production capacity.

  African governments responded to the rapidly rising price of food crops relative to export crops by resolving to achieve domestic food self-sufficiency. The new approach to the agricultural sector involved a change in emphasis from the production and marketing of export crops to basic domestic food crops. From the mid 1970s through the early 1980s, donor assistance levels rose annually in real terms on a per capita basis and as a percentage of GDP and government expenditures.

* **Phase Three:** During the 1980s, a third shift in development strategy took place. The new approach emphasized the importance of making structural changes in the economy, especially through policy reform.

  This approach involved "getting prices right," rationalizing the public sector, and encouraging the production and marketing of export crops to earn the foreign exchange needed to meet Africa's large debt obligations. This approach is generally associated with the release of the Berg Report (1981) by the World Bank because it established the arguments underpinning the IBRD's structural adjustment programs.

* **Phase Four:** Since the late 1980s, there has been a growing awareness that structural changes were a necessary but
not sufficient condition to improved market performance and economic growth. This current period is one marked by the explicit efforts of designers and implementers to achieve balance or equilibrium. Manifestations of this trend include the World Bank's renewed relative emphasis on project assistance and A.I.D.'s efforts to integrate Non-Project Assistance with Project Assistance and P.L. 480 resources to achieve often cross-cutting strategic objectives.

One conclusion which emerges from this overview is that until recently both Sub-Saharan African governments and the donors have tended to take an "either-or," approach to the agricultural sector. Donor programs and African government policies have emphasized either export crop or food crop production and marketing.

This dichotomy is reflected especially in strategies for national food security, with "food self-reliance" associated with export crop promotion (i.e. use foreign exchange earned from exports to import food), and "food self-sufficiency" associated with intensified domestic food production. There has not been a comprehensive, integrated approach to the agricultural sector promoting the balanced development of both export and food crops.

A review of multilateral and bilateral donor activities for the 1960s and 1970s reveals that while there was not an explicit donor policy regarding parastatal organizations, the implicit policy was one of fairly uncritical acceptance of SOEs and their role in the economy. There was no attempt to foster the development of a competitive marketing system. Indeed, quite the opposite effect was achieved.

Providing large amounts of assistance to public sector entities, especially working capital and equipment on very soft terms, the donors gave SOEs an unfair competitive advantage over their private sector marketing counterparts. This forced many otherwise efficient private marketing agents from the market and increased the de facto monopoly power held by the public sector over many marketing systems.

In the long run, this had a deleterious impact on the links between rural farming households and the rest of the economy. Public marketing agents tended to focus only on input and output marketing whereas the small private traders who were displaced by SOEs had also handled the important retail trade in (incentive) consumer goods with farmers. Hence, the displacement of the middlemen traders by public cooperatives and parastatal marketing agents disrupted the flow of goods between urban and rural areas.

There were other deficiencies in the approach taken by donors during the last three decades. Many donor projects focused on improving or replacing marketing infrastructure (e.g.
storage sheds, processing plants, transport facilities and vehicles, etc.) rather than on institutional or legal changes which would encourage more efficient use of the existing hardware. While investment in infrastructure was and is appropriate, investment in infrastructure alone will not yield the desired impact as demonstrated by the number of "white elephants" strewn throughout the African countryside.

In addition, most donor projects took a very static approach to marketing and were not market-responsive. Donors tended to support the marketing of one crop for an "assured" market. Yet, when the relative prices changed, and farmer and private trader behavior changed accordingly, these projects were unable to respond. Indeed, many donor projects attempted to continue the crop focus in the face of market pressure against the crop.

Finally, there were few attempts to learn more about and penetrate the specialty markets for each commodity in order to secure a niche and expand the volume of trade accordingly.

F. Case Studies

Both A.I.D. and the World Bank have recently completed comprehensive and critical reviews of agricultural development activities. These case studies illustrate several important themes which were mentioned in the foregoing analysis. The studies evaluate the historical experiences of six Sub-Saharan African countries: Senegal, Cameroon, and Nigeria in West Africa, and Kenya, Tanzania and Malawi in East and Central Africa.

The general conclusion of these studies is that despite differences in resource endowments, Cameroon, Kenya and Malawi have had higher rates of agricultural growth than Senegal, Tanzania and Nigeria because they had more sound macroeconomic and sectoral policies than the latter.

The governments in Cameroon, Kenya and Malawi have relied on the agricultural sector as the basis for sustained development. Promoting agricultural growth had the effect of increasing the rate of growth in other sectors so that growth in the whole economy was high. As a result, agriculture's share of total GDP actually decreased in Cameroon, Kenya and Malawi. Conversely, where policies discriminated against agriculture, such as in Tanzania, agriculture increased as a portion of GDP; that is, the rate of growth for the whole economy was low.

Moreover, Kenya and Malawi are the only countries in the sample that expanded world market shares for major export crops; all others lost shares. In Tanzania there was a shift away from export crops to food crops, especially among smallholders, concurrent with a rise in parallel marketing of a variety of crops, but
especially maize, to Kenya in exchange for consumer goods which became scarce in Tanzania.

Ironically, despite increases in maize production in Kenya, Tanzania and Malawi, all three countries increased food imports and received more food aid. Malawi was a maize exporter in most years, perhaps due to a lack of effective demand at home which was the result of the skewed land and consequent income distribution pattern. The growth of food imports in Kenya may reflect the opposite trend; there may have been a more dynamic internal demand for maize and wheat because of broad-based income growth. Tanzania's unsound policies led to a growth in food imports and an increased need for food aid.

Cameroon's agricultural performance improved but it was still unimpressive relative to Kenya and Malawi. Palm oil, cotton and robusta coffee exports expanded while all other exports stagnated. Rootcrops, sorghum and millet production kept pace with population growth and rice production expanded from a small base. Rice imports also increased, reflecting rapid growth in demand caused by urbanization, income growth, and implicit subsidies on consumption.

Nigeria lost its share in world markets and became a net importer of crops such as edible oils and cotton. Production of food and root crops kept pace with population growth but not with the increased demand resulting from rapid urbanization and income growth. Indeed, food imports (wheat, rice and maize) continued to rise rapidly until Nigeria declared a ban on such imports in 1986.

Senegal's agricultural sector also stagnated, though with substantial year-to-year fluctuations. Production gains for many crops were made by bringing more land under cultivation. Drought-resistant varieties of groundnuts helped arrest declines in production during drought years. In per capita terms, however, domestic food production declined. Simultaneously, government policies encouraged the consumption of imported rice instead of domestic coarse grains. This resulted in rising food imports.

These case studies illustrate that macroeconomic and sectoral policy decisions are critical in determining rates of growth because they affect how governments used the resources available to them. Public investment decisions influence the level of taxes and subsidies on production and consumption that governments apply in order to implement and maintain development activities.
Most countries have attempted to diversify their economies through their development investment programs. There were attempts to diversify:

- out of agriculture and into industry and construction;
- within agriculture in favor of import-substitution food crops; and,
- by small producers into opportunities outside traditional and controlled activities (informal market).

The macroeconomic policies of each country had a significant impact on agricultural sector performance, especially overvalued exchange rates which led to substantial implicit taxation of export agriculture:

- Only Kenya and Malawi adjusted their exchange rates regularly.
- Senegal and Cameroon could not adjust their exchange rate because the CFA franc is pegged to the French franc.
- Tanzania and Nigeria consistently over-valued their currencies.

In Tanzania, this implicit taxation was accompanied by explicit taxes on coffee during the coffee boom of the 1970s.

In Nigeria, producer price subsidies for export crops did not adequately compensate farmers for the overvalued exchange rate.

Only Kenya refrained from imposing significant explicit taxes on its two important export crops (coffee and tea) by allowing international market forces to be reflected in the domestic price structure. Kenya also offered the same price to smallholder producers as to estate farmers, which encouraged growth in market-oriented production.

Malawi's smallholders, however, could only grow a certain type of tobacco and were forced to sell to an SOE at an officially fixed price, while estates could grow varieties of tobacco and sell it at auction. This policy put an implicit tax on smallholders of about 50 percent.

Most countries, except Kenya (and Malawi for estate grown crops), had officially fixed prices for export crops and the structure of producer prices moved in favor of food crops. This occurred despite the increase in food imports in these areas and regardless of whether food markets were controlled as in East

25
Africa, or free as in West Africa (with the exception of rice).

Hence, government policies which affected the relative price structure contributed significantly to the shift from export to food crops in all countries except Kenya.

The case studies also confirm that factors other than prices exert an important influence on agricultural marketing.

The relatively easy access of Kenya's small farmers to good quality research, extension, credit, and marketing channels for inputs, handling, processing and information, when compared to the access and quality of services available to farmers in Tanzania, Malawi or Cameroon, is of special significance.

Kenya's farmers have good access to quality services because the influence of technocrats in policy planning and policy decisions is stronger in Kenya (and Malawi) than most other African countries. In addition, the institutions that serve Kenya's farmers are representative of them.

One of the keys to Kenya's success has been that the philosophy of harambee has given impetus to strong grass roots involvement of farmers in making their needs heard. These factors have improved the incentives for farmers to produce for the market. As a result, coffee, tea and maize

Many of the successes of Kenya in smallholder agriculture, especially coffee, tea and dairy products, are the result of the inheritance of British institutions, policies and manpower. Kenya's smallholder coffee cooperatives and the Kenya Tea Development Authority (KTDA) are recognized to be among the most effective smallholder institutions in the provision of services for export crops. Their clientele includes an unusually high proportion of politically conscious and vigilant smallholders, which reflects the general grassroots development of Kenya's commercial and political institutions. It is difficult to quantify the relative importance of these factors compared to price as determinants of efficiency and profitability of particular crops, but there can be no doubt that they have had a positive impact. Other factors which have contributed to the success of the KTDA are: (1) an ability to maintain organizational autonomy; (2) control over its own resources and applying them to the most critical tasks at hand; (3) operational accountability which provides staff with the necessary incentives; and (4) economic incentives to producers in the form of a direct link between world market prices and farmgate
yields are two to four times higher in Kenya than they are in Malawi, Cameroon and Tanzania.

The experience of cotton farmers in Cameroon also illustrates that price levels are not the most important determinant of crop production and marketing levels, but that institutional arrangements and infrastructure play a key role, too.

Cameroon's producer prices for cotton were substantially lower than Kenya's, Malawi's or Nigeria's prices throughout the 1970s (in nominal and real terms), although the bulk of Cameroon's cotton is of higher quality. Despite relatively low producer prices, cotton yields in Cameroon were 4 to 8 times higher than Kenya or Tanzania.

Cameroon's cotton success is similar to Kenya's smallholder coffee and tea success in that a public sector agency, SODECOTON, offered excellent services to farmers. It also had connections to international research done by the French in West Africa. By providing quality services to farmers, SODECOTON ensured that cotton marketing increased which raised its revenue. Moreover, unlike many SOEs in Africa, SODECOTON actually paid farmers at harvest time. (This situation changed in 1986 when, as world market prices were falling, the Government demanded that SODECOTON maintain artificially high producer prices while undertaking more development services in cotton growing areas. The result was serious financial troubles for SODECOTON.)

These studies illustrate that there is no single solution to the complex issue of price policy. Donors and governments need to consider the individual crop production possibilities for specific countries and design the appropriate balance of policies.

For example, while high levels of export taxes on crops can effectively lower the producer price paid to farmers, the costs to the farmer of the tax may be compensated for by government expenditures that directly or indirectly support agriculture, such as by providing farmers better access to research, technology, inputs, and information.

In addition, there may be instances in which a price stabilization strategy may be appropriate. Annual crops may benefit from price stabilization more than tree crops because:

a. annual crop prices and yields tend to vary more than those of tree crops, which increases farmer's risks and uncertainties;

b. most annual export crops are of lower relative value than tree crops at international prices so that returns
to factor use tends to be less attractive compared to competing food crops, making switches from annual export crops to annual food crops more likely; and,

c. fluctuations in production are also more pronounced for annual crops than tree crops, and this may affect capacity utilization in downstream processing activities, such as groundnuts in Senegal or cotton in Kenya.

Hence, a price stabilization policy may help ensure a reliable supply of the commodity by permitting increased use of purchased inputs. Raising the capacity utilization of processing facilities may reduce processing margins and allow for higher producer prices.

There has been a significant difference among the agricultural investments made by various African governments and their marketing results.

* East African countries diversified food crop production by investing in sugar, a crop for which they possess some comparative advantages. As a result, they successfully increased their share of world market trade in that commodity.

* West African countries have invested heavily in irrigated rice production for which they possess no comparative advantage.

Most West African countries face serious foreign exchange constraints and irrigated rice production has large foreign exchange requirements, especially compared to traditional food crops such as coarse grains. In addition, the unit production costs of irrigated rice in West Africa are very high compared to Asia and the high internal transport costs of shipping rice to urban centers results in a continuing need for subsidies, some as large as 100 percent at current international rice prices. These schemes also have high recurrent costs, such as for technical assistance to manage them.

Yet, African governments and donors continue to fund these unsound agricultural investments. Scarce resources and skilled personnel might be better applied to improving existing crops for which there is a comparative advantage.

Instead of continuing to invest in irrigated rice production in the Fleuve, Senegal might make better use of its resources by investing in peanut production under improved technology in the Casamance, a crop for which it has a proven comparative advantage. However, this is an area where political factors, namely a concern for national food security (i.e. self-
sufficiency), may be more important than economic issues of efficiency.

These studies also illustrate that subsidy policies have had adverse effects on marketing results. Implicit subsidies have been given through overvalued exchange rates, and explicit subsidies have been given to goods such as imported rice and fertilizer. The resultant distorted prices created a rising demand for imported rice, a falling demand for domestic coarse grains, and wastage and misuse of fertilizer.

Kenya has been the least reliant on explicit subsidies on fertilizers, removing them in 1977, while Nigeria and Tanzania have subsidized it the most. Most countries also have subsidized agricultural interest rates at one time or another.

However, as a recent synthesis of A.I.D. rural credit project evaluations concluded, subsidizing interest rates and providing targeted credit or credit in-kind to farmers created more problems than it solved. Primarily, subsidy programs have failed to address the key liquidity and technology constraints which smallholder farmers face.
III. AGRICULTURAL MARKETING SYSTEM ELEMENTS

An agricultural marketing system is composed of three basic elements:

(1) the macroeconomic and sectoral policies and regulations that affect marketing activities;

(2) the infrastructure that is necessary for marketing activities to take place; and,

(3) the participants that engage in marketing activities, especially agribusinesses.

For analytical purposes, the variables which affect the competitiveness and efficiency of agricultural marketing systems are considered within these three broad categories.

A. Government Policies and Regulations

Given the natural resource base and climate, agricultural prices are the major determinant of what will be produced and marketed and what technologies will be used in production and marketing.

In a perfectly competitive market, prices are determined solely by the market forces of supply and demand. However, in most countries of the world, including those of Sub-Saharan Africa, prices are not determined solely by the market; they are influenced by many other variables, the most important of which is government policy.

Government policies have a major influence on the growth and development of competitive agricultural markets. A government's political orientation often determines the nature of its macroeconomic policy.

* Authoritarian regimes tend to take a highly centralized and regulatory approach to economic matters.

* Democratic governments tend to take a liberal approach to economic affairs.

The colonial legacy of Sub-Saharan African nations has also had an influence on government policies.

For example, in many Francophone states, the central government maintains rigid control over political and economic
matters with little authority vested in local government. In such countries, government policies are very statist oriented, with heavy reliance on the public sector, especially SOEs, to operate and manage those economic activities considered strategic or in the national interest.

In contrast, many Anglophone states have liberal, market-oriented government policies, especially for trade. As a result of the current economic crisis in Africa, these generalizations may be less accurate than they were a decade ago. For example, Anglophone Ghana has an authoritarian regime that has adopted one of the most liberal policy reform programs on the continent. Nevertheless, the political structure and colonial heritage of African states will continue to exert a strong influence on government economic policies.

The government policies which have the greatest influence on agricultural marketing results are:

1. Pricing policies (which includes the exchange rate, tariff and tax rates, and subsidies);
2. Fiscal and monetary policies; and,
3. Trade policies.

In addition, government regulations and their enforcement (such as import quotas, licensing requirements and the laws which relate to marketing activities), also have a significant affect on the efficient operation of agricultural marketing systems.

1. **Pricing Policies:**

Pricing policies tend to be either flexible and market-determined or controlled in some way. Under a liberal policy regime, the government would take a *laissez faire* approach, and allow the market forces of supply and demand to determine prices (such as in the "perfectly competitive" market).

Very few countries in Sub-Saharan Africa, or the rest of the world, have completely *laissez faire* pricing policies; all governments intervene either directly or indirectly to influence some prices. What is important to note, therefore, is to what extent government price policies distort the market forces of supply and demand and thereby either encourage or discourage agricultural marketing activities.

* **The Exchange Rate:**

Governments influence all prices in the economy by macroeconomic policy decisions. Governments control prices
either directly, by setting the price for specific commodities, or indirectly, by using other price-related policies. The most important price policy decision a government makes is how it determines the price of its currency (the foreign exchange rate).

Under a laissez faire policy, the local currency would float against other hard currencies, such as the US dollar or UK pound sterling, allowing the market forces of supply and demand for local currency and foreign exchange to determine the relative price.

Very few regimes in Sub-Saharan Africa can afford such a policy because they have limited sources of foreign exchange earnings.

Nevertheless, many governments in Anglophone Africa tend to rely on market signals in setting the exchange rate. This minimizes distortions in markets and allows market signals to reach producers so that they can allocate their scarce resources as efficiently as possible.

However, most Francophone nations belong to the CFA franc zone, whereby their exchange rate is pegged to the French franc at a 50:1 ratio. As the French franc moves against other hard currencies, so does the currency of the Francophone states move. This removes a significant amount of control over prices from the Sub-Saharan African governments which belong to the CFA franc zone. These states must rely on other mechanisms, especially tax rates, to influence prices in accordance with macroeconomic policy goals.

The exchange rate, or the price of a country's currency, is a very important factor in agricultural marketing because it strongly influences the ability of a country to realize its comparative advantage.

An over-valued exchange rate essentially penalizes farmers and constrains marketing because:

* it lowers the price of imports of agricultural commodities which may compete with domestic production;

* it simultaneously raising the price of agricultural exports, making them less competitive in world markets; and,

* it inflate wages and makes it difficult to use labor-intensive methods of production and marketing.

When the foreign exchange rate reflects the market forces of supply and demand, the price of domestic exports on world markets tend to be low but farmers' earnings of local currency units are
Given the difficulty of adjusting the exchange rate in CFA franc nations, another method to foster competitiveness would be to improve land and labor productivity, two key factors that determine comparative advantage.

* TAX POLICY:

Another important determinant of prices is government fiscal policy, especially tax rates. Taxes, such as import duties and export tariffs, traditionally have been an important source of revenue for African governments.

However, setting export taxes too high can adversely affect exports either by making their price on world markets relatively too high or by lowering the price paid to farmers and thereby discouraging marketing.

Similarly, import duties on agricultural inputs can adversely affect marketing (and production) by making the inputs too expensive for most farmers to buy and use, or by raising output prices as the effects of high input prices are passed back from farmers through traders to the consumers.

Therefore, in setting import and export duties, it is important for governments to encourage production and marketing of those commodities for which the country has a comparative advantage.

* SUBSIDY POLICY:

Government fiscal policy regarding subsidies also influences prices and affects marketing. Subsidies influence production and consumption decisions by farmers and consumers, such as urban wage-earners.

Over the short-term, subsidies can be an effective tool to promote the production and marketing of new crops or the use of new technologies.

Over the long-term, however, subsidies distort the market forces of supply and demand and they have a cumulative deleterious effect on government budgets because they are not sustainable.

Subsidies oriented towards urban consumers have a severely negative effect on domestic production and marketing. Subsidizing urban food consumption (usually of imported cereals, such as rice or wheat in Africa) discourages domestic production.
and marketing of those grains or other foods which could be substituted for the imported commodity.

Subsidizing marketing functions also gives unfair advantage to those entities being subsidized and distorts the free play of competitive market forces. Ultimately, such a policy will drive out of the market those entities not being subsidized and result in inefficient markets as the remaining marketing entities come to depend on the subsidies to cover their costs.

* MONETARY POLICY:

Government monetary policy also influences prices and affects marketing.

The interest rate on savings and loans is an important factor in determining how resources are allocated in marketing decisions. Artificially low interest rates discourage domestic savings (resource mobilization) and encourage borrowing (spending), which has an inflationary effect on the economy if allowed to continue over the long-term. In addition, these policies can result in capital flight, as investors move their savings to higher yielding investment markets.

Similarly, government decisions to interfere with the market forces of supply and demand by allocating credit to specific borrowers or activities will tend to result, over the long-term, in inefficient use of that credit and financial problems for the institutions handling the credit programs.

Recently completed impact evaluations of five A.I.D. rural credit projects in Sub-Saharan Africa indicate that subsidized and targeted credit schemes are not sustainable either in terms of production and marketing results or in terms of the financial solvency of the institutions serving the rural sector. The results also indicate that allowing interest rates to be market determined will give the appropriate signals to savers and borrowers and help ensure that there is some balance between the demand for and the supply of credit.

* TRADE POLICY:

Agricultural marketing is greatly affected by government trade policy. Government policies which encourage trade, especially imports and exports, implicitly will encourage agricultural marketing activities. Trade policy is affected by the government's exchange rate policy, the tax structure (especially tariff rates), and commercial regulations. Indeed, there is perhaps no other marketing activity over which governments exert so much control as that of commerce.
2. POLICY ADMINISTRATION AND REGULATIONS:

Having sound economic policies is not enough to promote efficient and competitive agricultural marketing systems. Policies must be translated into actions by the enforcement of rules and regulations by government officials. Indeed, it is becoming clearer that more attention must be paid to the day-to-day administration of the rules and regulations which implement the policies before significant economic results will be achieved.

For example, a government policy may liberalize cereal marketing by deregulating the de jure monopoly which an SOE held in cereal trade. However, the trade will not be effectively liberalized if there are still rules which limit entry into the market. Such regulations typically include:

* requirements that traders be licensed;
* license fees may be set at very high premiums;
* licensing may require tax certification or other qualification; and,
* there may be special permits needed by licensed traders to move certain quantities of commodities.

There may also be regional barriers to trade which are not even addressed by the macroeconomic policy change, such as the ability of a provincial authority to assess its own tax on cereal traders. Therefore, to ensure the ultimate success of policy reform programs, close attention should be paid to the effective administration of the rules and regulations that relate to the subject marketing activity.

Governments often have many statutes regulating agricultural commerce. Among the most common regulations are licensing requirements, quotas on the import and export of certain commodities, permits, and the like.

Regulations which limit or control entry to the market effectively drive up the costs of marketing and result in inefficiencies in the marketing system. In addition, quotas on either imports or exports distort the market forces of supply and demand by artificially regulating the supply of goods.

For example, in West Africa, restrictions on the export of domestically produced cereals (e.g. millet and sorghum) has often resulted in excess domestic supplies, which pushes local prices down and ultimately discourage further production for market. Alternatively, restrictive marketing regulations has driven surplus production into parallel markets from where it has been exported to neighboring countries. While this may bring some immediate gains to the traders involved, it encourages
inefficiencies in the agricultural marketing system and has a net negative impact on economic growth and development.

Given the thin nature of most African national markets, it would seem appropriate that governments give more attention to encouraging exports rather than discouraging them, and strive for food self-reliance rather than food self-sufficiency.

* THE LEGAL SYSTEM:

The legal system, and the impartial enforcement of the law, is another important factor affecting the development of competitive, efficient agricultural marketing systems. Marketing arrangements often involve contractual relationships of one kind or another. In addition, they involve property rights.

These rights, obligations and relationships must be enforceable through the legal system, usually the courts, or there will be no effective means to ensure that order is maintained in the marketing system. If the judicial system is not impartial and expeditious in dealing with claims arising from disputes related to contractual obligations or property rights, it will have an adverse effect on the cost of marketing and the efficiency of the agricultural marketing system.

B. Marketing Infrastructure

Given a firm resource base, reliable weather, and a sound policy environment, an efficient agricultural marketing system requires that there be physical markets and complementary facilities at which market participants, such as agribusinesses, can perform their marketing functions. The infrastructure necessary for agricultural marketing may be classified as either hard infrastructure (physical structures) or soft infrastructure (financial and informational services which enhance the effectiveness of market participants' activities).

Examples of hard infrastructure include:
(1) roads;
(2) railroads;
(3) market centers;
(4) storage centers;
(5) port (cargo) facilities;
(6) airport (cargo) facilities;
(7) river transport facilities;
(8) electric power facilities;
(9) water supply facilities; and,
(10) sorting, grading and processing facilities.
Examples of soft infrastructure include:

1. postal services;
2. telecommunications services;
3. radio services;
4. market information services; and,
5. financial services.

The infrastructure necessary for efficient agricultural marketing is determined to a great degree by a country's resource endowments and by the number and location of market participants.

Most Sub-Saharan African countries have thin markets; that is, there are a relatively small number of producers and consumers dispersed over a large territory with rather limited purchasing power because of low incomes. Indeed, nineteen of the world's poorest twenty-five countries, in terms of GDP, are located in Africa. Therefore, an extensive, rather than an intensive, marketing infrastructure which reaches many producers and consumers at the lowest possible cost might be the best way to achieve economies of scale and to capitalize on any inherent comparative advantage in production and marketing capacity.

In general, low levels of infrastructural development will raise the costs of marketing whereas highly developed marketing infrastructures can help keep marketing costs low. With their relatively small populations dispersed over large territories, most Sub-Saharan African nations are heavily dependent on the transport system to move agricultural produce (inputs and outputs) over long distances to places where it can be stored, and then dispersed or combined and processed. The transport network is also needed to ensure that incentive consumer goods reach farmers.

Reliable, all-weather transport, including good primary and secondary roads, and auxiliary transport networks, such as waterways and railways, are components of the transport system. Transport is difficult and expensive in Africa, more so than other parts of the developing world, because the roads are inadequate and poorly maintained and there are insufficient national and regional communication networks to direct and coordinate transport.

Storage facilities are important at all levels of agricultural marketing systems. Marketing agents need pest-resistant and weather-resistant storage facilities to keep agricultural inputs (e.g. pesticides, fertilizers, improved seeds) and outputs (e.g. cereals, vegetables, fruits) in good condition.

Storage facilities are needed at the farm level and in local as well as regional trading centers. Certain crops, such as horticultural exports, also require refrigeration facilities,
especially at collection and export points. Collection, storage, refrigeration and processing facilities also require reliable sources of water and electricity.

The dearth of marketing infrastructure and the poor condition of what does exist has had a deleterious impact on agricultural marketing development in Africa. Seasonal price fluctuations are often excessive for certain crops because there is a lack of physical infrastructure which would permit the flow of food among regions with different seasonal patterns.

Moreover, the national communications network, which is usually under government control, does very little to collect and disseminate useful marketing information to producers, consumers and all market participants. On the other hand, flows of information between private sector market participants, such as private trading networks, are often rapid, accurate and comprehensive. The fundamental problem with private information networks, however, is precisely that accurate information on real prices, commodity flows and other market conditions carry with it significant market power. Without countervailing access to equally good market information from public and/or neutral private sources, both producers and consumers outside of existing networks can be placed at a significant disadvantage in market negotiations.

Financial institutions have an important role to play in the development of efficient agricultural marketing. Access to a full range of financial services improves the ability of all market participants to perform their functions effectively:

* Financial institutions help to mobilize savings that can be used to improve the marketing system, such as by funding investments in new technologies or new infrastructure.

* Formal and informal savings associations can make both seasonal production credit and medium-term trading credit available to farmers and traders, respectively.

As agricultural marketing systems become more sophisticated and more integrated into the world market, their financial requirements change as well.

For example, traders operating on thin margins need to have access to sophisticated financial services such as futures, options and currency swap markets to allow them to hedge their risks. (In recent years commodity markets have become, in some respects, financial markets rather than product markets. In a competitive export market, the trader's net margin may be only a few percentage points of the product price and may easily be wiped out by movements in world prices and/or the exchange rates.
within a few days or weeks. In these circumstances, traders need to hedge risks.)

Regulatory agencies, usually associated with government services, also contribute to the development of efficient agricultural marketing systems. These entities ensure that acceptable grades and standards are enforced for all commodities circulating through the marketing system.

Monitoring the grade and standard of inputs helps ensure that farmers get the appropriate inputs needed to maximize productivity and marketable surplus. Regulating the grades and standards of agricultural outputs helps to ensure that farmers receive a premium price for high quality produce and that the best product is delivered to processors for transformation and forward sale to the consumer.

Maintaining high quality grades and standards for commodities being sold in international markets is especially important if Sub-Saharan African nations are to reap the highest benefits possible from their comparative advantage.

Two important issues regarding market infrastructure are:

* who should pay the (investment) costs associated with building the hard infrastructure or providing the soft infrastructure?

* who should pay the (recurrent) costs associated with the maintenance of the infrastructure?

There are no easy answers to these questions. Often, the initial investment needed to build hard infrastructure (e.g. a port or airport facility, regional market center, or roads), will have been undertaken by the government because few private marketing agents will assume the risks nor the start-up costs associated with such a significant endeavor. This is especially true for those aspects of the infrastructure which transcend agricultural marketing functions and have national or strategic functions as well, such as roads, port facilities, airports, communications networks, and water and electric power generation.

However, this does not preclude private investors from making additional investments in infrastructure which can complement what has been done initially by the government. For example, private companies should be encouraged to build power generation facilities, to supply transport services, to invest in communications, and to build facilities for the collection, grading, sorting, storage and processing of agricultural commodities. In addition, the marketing of incentive consumer items to producers, which is such an important aspect of a fully
developed agricultural marketing system, is usually left in the hands of private marketing agents.

Improving the marketing infrastructure is an important method to improve the performance of the agricultural marketing system. However, improved performance is also closely linked with how the facilities and services are used. Market participants must have good organization, appropriate motivation, sound management, and sufficient human skills in order to maximize the utility of the marketing system infrastructure.

C. Agribusiness and Other Marketing Participants

Participants in the agricultural marketing system include:

1. farmers;
2. private traders;
3. cooperatives;
4. parastatal marketing boards;
5. private agribusinesses (domestic and international); and,
6. government agencies.

Farmers are producers supplying the marketing system with outputs but they are also consumers of inputs supplied by the marketing system as well as the consumer (incentive) goods which have often been transformed in the marketing process.

Private traders are involved in all aspects of commerce associated with the agricultural marketing system: moving, storing and distributing agricultural inputs and collecting, storing and transporting agricultural outputs.

Cooperatives engage in various marketing activities, such as transport, sorting, grading, storage and processing of produce.

Parastatal marketing boards or SOEs also engage in many different agricultural marketing activities, including the transportation, distribution, collection and storage of produce, and processing and packaging of agricultural products.

Private firms, defined as agribusinesses, engage in many of the same activities both domestically and internationally through links with world markets.

Finally, government agencies which promulgate and enforce policies and regulations that affect agricultural marketing activities are also participants in the marketing process.
One way to improve the efficiency of agricultural marketing systems is to improve their competitiveness. This involves increasing the ability of private sector marketing agents, especially agribusinesses, to engage in more activities. Encouraging competition will allow market forces to determine which agents are best suited to engage in specific marketing activities. Encouraging competition will lead to specialization and this will also improve marketing efficiency.

In comparing public marketing agents and private marketing agents, some advocates of state intervention argue that because markets are not "perfectly competitive" they cannot be relied upon to allocate resources equitably. Hence, they argue that governments must intervene in markets, through policies and regulations and/or through public marketing agents, to ensure equity.

However, this approach begs the key question, which is:

* to what degree should we rely on imperfect markets or imperfect governments to allocate resources and promote development?

Since the 1950s, the countries which have experienced the most growth, in Sub-Saharan Africa and the rest of the developing world, have relied on imperfect markets, not imperfect governments. The strategies which have been the most successful, generally, have involved:

(1) keeping inflation under control by pursuing prudent monetary and fiscal policies;
(2) promoting exports by refraining from discrimination against export crops and export marketing agents;
(3) keeping the economy open to foreign competition, in order to promote internal efficiency;
(4) maintaining competitive markets and market-determined domestic prices instead of replacing them with marketing boards, monopolies and fixed prices;
(5) allowing financial systems to provide adequate returns to savers; and,
(6) giving the private sector a large role in deciding where savings should be invested.

The successful countries have had governments which supported private enterprise directly or indirectly and, at a minimum, did not go out of their way to undermine or impede private business in any way. By maintaining stable government-business relations, these countries have created a climate in which business feels secure enough to invest and grow. Arbitrary and capricious government practices and policies have done much to discourage development.
This suggests that it is prudent to encourage governments to do the things which they are best suited to do, and to allow the private sector to engage in the marketing activities which it is best suited to do.

One of the most important marketing functions which only the government can perform is to ensure that there is a favorable policy and regulatory environment which offers incentives to agribusinesses and other private firms to invest in marketing activities. The government should ensure that the policies, laws and regulations which relate directly and indirectly to agricultural marketing activities are simple and transparent and impartially enforced.

Therefore, the cost of maintaining an effective legal system is public money very well spent. This involves the development and promulgation of rules that define property rights, contracts, limited liability, bankruptcy and so on, and enforcing those rules impartially.

Public spending on marketing infrastructure would also be worthwhile but stricter efficiency tests of that spending are needed and none of these tasks need be monopolized by the government.

One of the greatest obstacles to the development of stable government-business relations in Sub-Saharan Africa is the underlying suspicious attitude which government policy-makers have towards the private sector. Therefore, it is very important that the concept of value-added be stressed. Indeed, by definition, marketing is a process during which value is added at each stage in the process.

Many government policy makers fail to comprehend the important functions which agribusinesses perform because of three commonly accepted myths about the private sector:

* **First:** The most prevalent myth is that private marketing agents are parasitic intermediaries. This ignores the fact that agribusinesses add value to agricultural produce by assembling, sorting and grading, handling, storing, transforming, and transporting commodities.

* **Second:** The private sector is often characterized as collusive and oligopolistic. But, in fact, most empirical studies demonstrate that while private traders often cooperate with each other when their functions are complementary, in most cases there is competition. Moreover, although agricultural marketing costs may seem high in Africa, they are not high
because of collusion or lack of competition among private firms, but because of some of the other factors already discussed above. Indeed, the relatively high costs of marketing reflect the real costs of doing business in Sub-Saharan Africa.

* Third: It is a common misconception that private marketing agents receive excessive returns on trade and that this artificially inflates marketing costs. However, empirical studies show that marketing costs in Africa tend to be high because the real cost of assembling produce over dispersed areas is high. Indeed, one World Bank study estimates that more than half of the higher costs of agricultural marketing in Africa, in comparison with marketing costs in Asia, are due to the inadequate marketing infrastructure, particularly the poor state of the roads and transport services.

Transporting produce over poor roads and at high fuel and maintenance costs drives up costs. Storing, processing, and distributing commodities are also costly operations, especially in large, thinly populated regions which are characteristic of Africa. In addition, it is costly for private firms to tie up capital because of high inflation rates, the scarcity of credit and the high opportunity cost of capital. Moreover, there may be excessive losses in the marketing process caused by inadequate packing, storage, grading, excessive moisture, and the like. The risks of doing business in Sub-Saharan Africa are high and the costs reflect this fact.

The efficacy of Sub-Saharan African agricultural marketing systems is directly determined by the competence and skills of the market participants.

Given the thin resource base and vagaries of climate in Africa, there can be little doubt that African businessmen and women generally know how to do business and how to survive in difficult times. However, most market participants, whether they are marketing cooperatives, large SOEs or indigenous, private agribusinesses, still lack the technical (scientific) and managerial skills to build viable and dynamic agricultural marketing enterprises that can expand into new markets and exploit new technologies. Indeed, the generally low level of education and skills in Africa is a critical constraint to the development of efficient agricultural marketing systems.
Less than 50 percent of Sub-Saharan Africa's population is literate; numeracy rates are also modest.

* Low literacy and numeracy rates makes it difficult for market participants to take advantage of market opportunities, such as new technologies or new crops.

* Low levels of technical skills (especially in areas such as accounting and finance) inhibit the growth and often threaten the solvency of many public and private firms engaged in agribusiness.

Sub-Saharan African agribusinesses are also constrained by the relative dearth of indigenous, successful agricultural technologies which can be utilized in marketing activities. For example, there is an urgent need to improve cereals processing in the Sahel if domestic coarse grains are ever to compete successfully with imported rice in retail markets.

In addition, specialized marketing skills are necessary to exploit market niches based on the principle of comparative advantage, especially for international marketing. This involves a more sophisticated approach to marketing than has been utilized to date. Appropriate incentives for improving the quality of produce must be provided. Market participants need additional technical skills, managerial skills, and sophisticated marketing skills. There should also be adequate attention to the sociological aspects of developing marketing channels.

Finally, public administrators need to improve their knowledge and skills so that they can perform their marketing functions more effectively. Among the skills which require immediate attention are data collection techniques and analytical skills.

Collection and analysis of data at all levels is critical to the policy decision-making process. Information is needed about the costs of production at the farm level, the costs of transport and other factors contributing to total marketing costs, the volume of production of commodities produced and traded, and the like.

Hence, skilled and adequately staffed analytical units are required in the government ministries concerned with marketing and price policies. These public administrative units should be complemented by private statistical and analytical businesses as well, in order to ensure that a system of checks and balances exist in the gathering and analysis of agricultural marketing information.
IV. MARKETING STRATEGY CONSIDERATIONS

A. Comparative Advantage

Sub-Saharan Africa enjoys a comparative advantage in the production and marketing of many crops. Some of these commodities are produced primarily for sale in international markets, others are produced both for export and to meet domestic demand, and a few are produced and sold only in local or regional markets.

Among the primary products circulating through Africa's agricultural marketing systems are:

- edible oilseeds (such as groundnuts and sesame);
- tropical fruits (such as mango, papaya, avocado, pineapple, bananas, lime, orange and grapefruit);
- vegetables (such as okra, karella, eggplant, tomato, onions, chili peppers, soybeans, cowpeas and squash);
- cereals (such as maize, millet and sorghum);
- spices (such as ginger, vanilla, cayenne, nutmeg, pepper and cloves);
- coffee, cocoa, tea;
- cotton;
- roots and tubers (such as potatoes and cassava);
- livestock and poultry and their by-products; and,
- fish and shrimp.

While this list is by no means exhaustive, it indicates that there are a wide variety of crops which are being marketed by Sub-Saharan Africa.

As noted in Chapter II, many tropical African countries have recently lost their market share of world trade in some crops to other areas of the world. Palm oil exports from Malaysia, for example, have eclipsed the export of palm oil from many African countries.

However, many of these marketing problems are technical in nature and so the loss of market shares may only be temporary. Therefore, in designing a marketing strategy, planners should consider taking a commodity systems approach that focuses on the marketing of specific commodities for which Sub-Saharan Africa has a comparative advantage. By improving the technical aspects of production and marketing, tropical Africa may be able to recover its share of the world market for those commodities for which it possesses a genuine comparative advantage.

Taking a commodity specific approach to agricultural marketing has several advantages. This approach breaks down the traditional distinction which some analysts make between the
various marketing functions, such as production, the actual buying and selling of the commodity, processing, and the establishment of marketing policies. A commodity systems approach encourages analysts to think in terms of the value added at each stage in the marketing process.

Taking a commodity specific approach does not mean that all resources will be directed to improve the marketing systems for only one or two commodities; far from it.

Attention to the technical requirements of each commodity must be balanced with attention to broader marketing issues which affect all crops circulating in the marketing system.

Indeed, there is often a complementarity among crops which can be built upon. For example, infrastructure (e.g. roads, market places, communication networks, storage facilities, etc.) and services (e.g. financial, transport, etc.) which are developed to improve the marketing of one agricultural commodity can be utilized by marketing agents engaged in other commodity systems. And, as noted above, attention must also be given to the delivery of (incentive) consumer goods to producers.

Given the small size of most domestic African markets, a marketing plan should encourage export marketing. This involves not only traditional exports for the European market, but also the promotion of regional marketing within Africa itself.

Export marketing can contribute to growth by:

(1) improving the utilization of the factors of production over both the short and long-term through the exploitation of comparative advantage;

Studies in Mali illustrate that cotton farmers who secured access to inputs (animal traction equipment and fertilizer) were able to use those same inputs to increase coarse grain production and marketing. Moreover, the cash crop provided a stable source of revenue to capitalize the farm and to finance local infrastructure. Cotton farmers had cash to pay taxes in the post-harvest period and were not forced to sell their coarse grains at a time when coarse grain prices are at their lowest level, which is usually immediately following the harvest. Developing the domestic livestock industry is also a method to encourage the local demand for surplus production of coarse grains.
(2) maximizing the investible surplus over the short-term which meets a necessary condition for maximum long-term growth; and,

(3) linking production and consumption.

Export crops provide an important source of foreign exchange and income to many farmers. Indeed, a special feature of Sub-Saharan Africa is that small-scale producers account for the major portion of traditional export-oriented agriculture. The role of large-scale farmers is limited.

Plantations and large estates only dominate the production of a few crops, including sisal and rubber (primarily in East Africa), and tea and tobacco (in Central and East Africa). In general, plantations and large estate owners make their own marketing arrangements, often in collaboration with multinational firms. However, small-scale producers are unable to make their own arrangements. Hence, a marketing strategy which promotes export marketing for small-scale farmers can have a broad impact on incomes and development in the rural areas.

Recently, some African countries have tried to move away from the production of traditional export crops, especially primary products intended for European markets. This has been in response to the decline in world prices for many of these products. However, given that the structure of many of these economies is already oriented towards the production and marketing of primary products, this may not be the wisest approach to take either over the short or the long term.

A more sound approach to take towards traditional export crops would be to invest in the development of improved technologies to reduce the per unit costs of production, thereby maintaining their comparative advantage and competitiveness in world markets. Moreover, by increasing their ability to transform their products, African nations can increase the value added to the export commodity.

Critics argue that once a country specializes in comparative advantage export crops, it enters a "staple trap" from which it is difficult to extricate itself. However, this staple trap will occur only where links to the rest of the economy are low.

This trap can be avoided by deliberately fostering the growth of private agribusinesses which can participate in the marketing process and add value to what is produced. Encouraging the growth of agribusiness marketing activity will create linkages between the agricultural sector and other sectors of the economy and foster diversified growth. Thus, the marketing of export crops can promote the economic transformation of a country.
This is not to imply that the marketing strategy should focus exclusively on export crops. The emphasis should be on all crops for which each country has a comparative advantage. But the incentives for production and marketing should be neutral between those food crops which tend to be sold in domestic markets and those which tend to be sold in foreign markets. There should be no discrimination in government policy against one crop or another.

Countries with a comparative advantage in specific crops should exploit it and attempt to add value to those crops during the marketing process. This will not only promote growth and higher incomes, but improve food security as well. Furthermore, by reducing the barriers to regional trade within tropical Africa, specialization can occur and this, too, will improve the efficient use of scarce resources.

The existing socio-cultural traditions and community ethos of Africa may also provide a foundation upon which a successful marketing plan can be built. African rural societies have traditionally cooperated in community development activities. This ethos of cooperation is based on the bonds of kinship as well as institutional relationships which unite different kinship groups, such as shared membership in an age-set, membership in the same religious brotherhood, patron-client relationships and other socially integrative liaisons.

By building upon these socio-cultural relationships and indigenous institutions, the local people (the beneficiaries) may be encouraged and mobilized to participate fully in grass roots development efforts. This is especially important in activities such as the construction, maintenance, and rehabilitation of infrastructure (roads, market buildings, storage facilities) which is essential to efficient marketing systems. However, it is also important in terms of mobilizing labor, capital and disparate skills in agribusiness based activities which can add value to what local farmers produce. By adding value to what they grow, rural households can increase their incomes and diversify the base of the rural village economy. Indeed, the more remote the area and the more financially constrained the national government may be, the more critical it is that such local grass root efforts are encouraged and promoted.

In addition, there is a tradition of democracy and representative consultations at the village level in Sub-Saharan Africa. By incorporating more people in the decision-making and implementation process, the chances for ultimate success of marketing interventions can be increased.

Indeed, the degree of success of any development activity ultimately depends to a great extent upon the degree to which the local people commit themselves and make an investment in that
activity. Where participation is high, when local people invest their energy, their labor and their cash resources, they have a direct stake in the final result of the activity and they will work as hard as possible to ensure its success.

B. The Evolution of Agricultural Marketing Systems

In examining the economic problems of developing regions, such as Sub-Saharan Africa, analysts often use models of development to indicate at which stage in the development process a particular country may be. Given that stage of development, there may be specific interventions or strategies which would be the optimal ones to pursue in order to help move the country forward to a more advanced state of development or a more productive range of activities.

While models of development are useful for comparative analytical purposes, analysts should be cautious and resist the temptation to classify countries according to rigid, inflexible qualities. Development is a dynamic process, during which there is constant change and adjustment, in which one sector of the economy may move faster than another and be more advanced than another.

Similarly, agricultural marketing is a dynamic process and agricultural marketing systems are constantly changing in response to both exogenous and indigenous factors. Attempts to classify tropical Africa's agricultural marketing systems will only reflect what those systems look like at a particular point in time without reference to the changes which may be happening even as they are being studied.

Therefore, in analyzing agricultural marketing systems, it may be useful to examine some of the key characteristics which differentiate the various Sub-Saharan African countries' marketing systems. Based on that analysis, it may be possible to suggest what the most sound investments are for each stage in the evolution of competitive and efficient agricultural marketing systems.

Sub-Saharan African countries may have agricultural marketing systems which are in different stages of development across regions and across specific crops or commodity systems.

For example, domestic coarse grain marketing systems may be poorly developed in relation to the marketing system for export crops. Alternatively, some regions of a country may be better served by roads and other marketing infrastructure than other regions of the country. Hence, any attempt to classify agricultural marketing systems and place them along a continuum of evolution will only be successful if it recognizes the
important differences as well as the similarities that determine the competitiveness and efficiency of the marketing system.

The model described below suggests that agricultural marketing systems pass through five stages of evolutionary development. (These stages are more fully described in Annex B.)

The variables which propel the evolution of the marketing system from one stage to the next are described as driving forces. The driving forces can be classified as key economic indicators, institutional variables and infrastructural elements; they include levels of income, rates of urbanization, level of technology and industrialization, the legal environment, and so forth.

In addition, there are indicators which reflect at which stage in its evolution a marketing system may be. These indicators are associated with the input and output marketing process; they relate to the state of seed, fertilizer, and equipment distribution networks, the level of post-harvest technology, processing, market information networks, and the like.

The evolutionary continuum ranges from Stage One to Stage Five agricultural marketing systems.

1. STAGE ONE:
   * The country may be landlocked but it will tend to have low population densities with many farmers located far from markets.
   * Many producers focus on meeting their own household food security requirements through producing for themselves (i.e. food self-sufficiency), rather than producing for markets. However, most producers generally sell small quantities of staple foods immediately after the harvest in order to meet cash requirements.
   * The policy and regulatory environment does not provide adequate incentives to farmers to produce marketable surplus nor to private businesses to engage in marketing activities such as collection, storage and processing of commodities.
   * Most agricultural commodities circulate only in local trading networks and inter-regional trade is difficult and costly.
   * SOEs tend to dominate agricultural marketing, especially commerce.
* Private marketing agents tend to be small in scale and undercapitalized, and they tend to turn their stocks over as rapidly as possible.

* The marketing system typically has dilapidated or inadequate infrastructure.

* The country is poorly integrated into world markets.

The countries which are closest to this stage in their marketing development include the Central African Republic, Chad, Burkina Faso, Guinea-Bissau, Guinea (Conakry), Zaire, Angola, Mozambique, Tanzania, Mauritania, and the Republic of Congo. Because of the devastation wrought by war, Ethiopia, Sudan and Somalia could also be included in this category.

2. STAGE TWO:

* The policy and regulatory environment is being liberalized.

* The country has a rudimentary extensive marketing infrastructure that serves a majority of farmers.

* Most farmers still process staple foodstuffs for their own household consumption.

* Progressive farmers emerge, bringing more land under cultivation, applying more inputs to the land, and selling a greater portion of what they produce.

* Inter-regional trade in domestic staple commodities has emerged and links with the international economy are becoming stronger.

* The private sector is competing more intensively with public marketing agents.

* Specialization in marketing activities is beginning to take place at each stage in the marketing process (e.g. transport and storage).

* Trading networks for consumer goods, especially imported manufactured items, emerge alongside input and output marketing networks.

* The road, river or rail transport system is in useable condition and it serves a majority of the farmers.
Many Sub-Saharan African countries may be included in this category, such as Mali, Niger, Zambia, Ghana, and Togo. Other countries, such as Cameroon, The Gambia, Lesotho, Zimbabwe and Uganda could be classified as poised to move from this stage to the next stage of evolutionary development.

3. STAGE THREE:

* The policy and regulatory environment becomes more liberal, providing a broad range of incentives to the private sector to invest and expand the scope of their agricultural marketing activities.

* Trade between neighboring countries and distant markets increases, with fuller integration into world markets.

* Marketing agents become increasingly specialized in their activities, with a simultaneous rise in the scale of their performance of agricultural marketing functions.

* More processing of commodities is being done off the farm by Agribusinesses, as the opportunity costs to farmers for processing their own produce rises prohibitively high.

* More opportunities for off-farm investment and employment open up.

* Vibrant wholesale markets with significant demand pull emerge to serve the needs of a large and growing urban population.

* Formal associations begin to emerge for farmers, traders, processors and other marketing agents.

* The government begins to enforce rigorously formal grades and standards (weights and measures) for agricultural produce, especially commodities destined for export markets.

* Contract law is enforced impartially.

* Private land markets may begin to emerge.

* Viable formal sector financial institutions emerge to serve the needs of agricultural marketing agents.

* Integrated commodity systems emerge which build on the complementary activities associated with the production
and marketing of commodities for which the country possesses a **comparative advantage**.

There are a few African countries which have entered this stage, including Kenya and Cote d'Ivoire, as well as some areas of Senegal, Nigeria, Malawi and Botswana.

4. **STAGE FOUR:**

- There are strong links with international markets for several commodities, including traditional exports of primary products.
- There is an increase in specialization and efficiency in the marketing process as marketing agents engage in economies of scale.
- Domestic and international communication networks have improved so that they facilitate wider inter-regional and international trade.
- Formal financial institutions become far more important than informal financial entities in meeting the capital requirements of marketing agents.
- Rising rural incomes generates a rising demand for consumer goods in rural areas.
- Specialized, large-scale agribusinesses increase their role in the marketing process. Agribusinesses dominate wholesale marketing of inputs and outputs and either support or directly provide extension services for selected high-value commodities.
- Government assumes a largely regulatory role in the marketing process. The government monitors commodity trading and the quality of inputs and outputs assiduously.
- Direct foreign investment expands.
- Commodity systems become characterized by contractual arrangements, such as contract farming, and they become more vertically integrated from producer to consumer.

There are no African countries whose marketing systems have reached this stage in general, although some commodity systems may exhibit many of these qualities.
5. STAGE FIVE:

* The policy and regulatory environment promotes investment and competition in marketing activities.

* The infrastructure, especially transport, is sophisticated and well-maintained. It links even the most remote production zones with consumers.

* Producers and traders are linked to agricultural marketing companies through sophisticated telecommunication networks, including world markets.

* Market information is widely available through public and private information networks and it is used in production and marketing decisions.

* Market participants, especially agribusinesses have the skills, technology and resources to perform their functions efficiently and effectively.

* Farmers understand and use more sophisticated financial instruments and commodity futures markets to protect their investments.

* The most current technology is used in agricultural production, transport, processing, storage, and input and output marketing.

* The agricultural marketing system is organized and operated in a scientific and industrialized fashion.

* The entire agricultural sector is highly industrialized.

* A relatively low percentage of the population is employed in the on-farm agricultural sector and farm holdings have become relatively more consolidated units.

There are no African agricultural marketing systems which are at this stage in their evolution.

C. The Role of A.I.D. In Agricultural Marketing Development

Given the evolutionary process which agricultural marketing systems undergo, what is the most appropriate role for the Agency for International Development (A.I.D.) to take in that process?

Clearly, the first step which A.I.D. can and must take is to analyze the agricultural marketing systems of the countries in
which it has development programs, and to attempt to identify and rank the constraints to the development of an efficient and competitive marketing system. Once the major constraints have been identified and analyzed, A.I.D. will be able to indicate what activities (e.g. support for policy reforms, infrastructural investments, training, institutional development, etc.) are necessary and sufficient to remove those constraints.

The process of analysis and action should be an ongoing process. Removing one constraint may improve the performance of the whole marketing system but other binding constraints will emerge. Hence, A.I.D. should be engaged in an iterative and flexible process of identify constraints, prescribing actions, monitoring and evaluating the subsequent changes, and making new recommendations for additional activities. There is no single solution for the multitude of problems which constrain the development of competitive and efficient agricultural marketing systems in Sub-Saharan Africa.

Although there is no single prescription which, if followed, would relieve all the constraints in the evolutionary development of agricultural marketing systems, there are some general guidelines which can be followed.

For example:

A.I.D. Missions in countries in STAGE ONE: should consider providing support to the following activities:

1. Improving the policy and regulatory environment so that it encourages marketing agents, including farmers, to respond to market signals which reflect the underlying supply and demand conditions for different commodities;

2. Improving the policy environment so that it offers incentives which encourage private entrepreneurship and investment rather than massive government intervention;

3. Improving the transportation and communications infrastructure; and,

4. Improving farm productivity so as to increase marketed surplus.

A different emphasis is required for countries in STAGE TWO. In those countries, A.I.D. should consider the following types of activities:

1. Encouraging governments to open marketing activities and markets to more competition.
(2) Strengthening the policy, legal and regulatory environment so as to encourage private enterprise development and investment.

(3) Support more maintenance and rehabilitation of infrastructure rather than overambitious expansion of capacity.

(4) Support improvements to the rural road networks especially, both to draw more farmers into producing for the market and to ensure that surplus production is encouraged by the delivery of consumer goods to farming households.

(5) Assist private firms, especially agribusinesses, to adopt new technologies, and organizational and managerial methods which can increase their efficiency.

As African countries go through STAGE THREE and become better integrated into international markets and farmers become more commercially oriented, the nature of public interventions will also change. For these countries, A.I.D. Missions should consider giving priority attention to the following types of activities:

(1) Supporting policies to improve and promote exports.

(2) Identifying specialty market niches and orienting marketing activities towards them.

(3) Supporting the dissemination of improved technologies for marketing activities (including production), especially for high quality and attractive export crops.

(4) Encouraging the government to take the lead to ensure that uniform quality grades and standards are met for export and staple crops.

(5) Strengthening the government's ability to regulate private input markets (e.g. seeds, fertilizers, chemicals), in order to assure competitiveness and minimize abuses.

(6) Supporting the gradual expansion of the national marketing infrastructure. This involves delivery of electricity and water supply, telecommunications, sewage systems and waste removal, beyond the primary urban areas to secondary market towns.
(7) Supporting improvements in the financial system so that it will meet the more sophisticated needs of marketing agents. This involves services such as: letters of credit, ease in converting foreign and domestic currencies, and the means to hedge the risks inherent to foreign exchange and commodity markets.

(8) Strengthening the national legal system so that it is more reliable and impartial in enforcing contracts strictly and sanctioning violators.

(9) In addition, if land markets emerge, assist the government in its efforts to ensure land tenure for smallholder farmers and to facilitate and monitor land transactions.

A.I.D. has a comparative advantage in many of the activities cited above. Through the DFA, both project and non-project resources can be provided to Sub-Saharan African countries to promote broad-based growth, especially by strengthening the role of the private sector (agribusinesses).

Fundamental to this approach is policy reform to reduce the role of the public sector in marketing activities while increasing public sector provision of social services on an equitable, efficient basis. Other funding mechanisms, such as the AEPRP (ESF-funding), and food aid programs (whether Title I, II or III), can also be used to help encourage the policy and administrative reform process needed to improve the efficiency of agricultural marketing systems.

The areas in which A.I.D. has a comparative advantage include:

(1) knowledge of the local socio-economic and political environment;

(2) access to government policy-makers and institutions;

(3) capability to conduct policy analysis and policy dialogue; and,

(4) experience in the agricultural sector.

A.I.D. can make its most significant and enduring contribution to the development of efficient agricultural marketing systems by increasing the capability of the private and public sector to do their jobs well. This involves support for training programs.
There is clearly a need to expand the supply of well-trained analysts in government ministries such as Agriculture, Finance and Planning. This will upgrade the capacity of Governments to conduct policy studies, to do applied research, and to link the results of the empirical work to policy and regulatory design and implementation.

The capacity to do sound policy analysis and to evaluate the consequences of marketing reforms is a prerequisite for improving the policy environment on an on-going basis. Strengthening the capacity of the Government to do such analysis is especially critical for countries in the first two stages of marketing system development.

The capacity of the private sector also requires improvement. The private firms or agribusinesses which are involved in agricultural marketing activities will require a higher level of skills and technical knowledge than they have today if they are to improve the efficiency of their marketing systems.

During the past thirty years, A.I.D. has sponsored training in the agricultural (production) sciences, natural resources and agricultural economics, primarily for the public sector. A.I.D. has a strong comparative advantage in this area because of the excellent American university training programs, applied research programs, and the training capacity of many private sector firms involved in agricultural marketing.

In private sector training programs the emphasis should initially be on imparting simple, low-cost technology and simple management systems which fit the specific commodities and country environment. As marketing activities expand in Sub-Saharan Africa, more specialists from the private sector will need to be trained in marketing skills, especially those marketing functions performed away from the farm-gate.

Ultimately, as marketing systems evolve, special technical expertise will be needed in food technology, handling and transport, processing, bulk storage, financial analysis and marketing management, and product packaging, distribution and promotion (involving advertising, labeling, etc.). For this training to be effective, A.I.D. will have to go beyond its traditional sources of training, the universities, and tap the resources and skills of private American agribusiness firms and consulting groups working in agricultural marketing.

A.I.D. works as a government-to-government development agency. With the fairly strong presence of its field Missions in Sub-Saharan African countries, A.I.D. has the ability to engage in effective, ongoing policy dialogue with host country officials. The field Missions also have the ability to draw on
the technical expertise of public policy analysts through the universities and consulting firms. This gives A.I.D. a comparative advantage in the policy dialogue and policy reform process.

However, it should be noted that teams of expatriate advisors performing sophisticated analyses are no substitute for truly collaborative research wherein African analysts work closely with and learn from the expatriate advisors. And without a broad consensus from the host government that a change in policies is needed, expatriate technical advice and studies will have little impact.

During the first stage of market evolution, more technical advice may be necessary than at later stages. But training should be initiated in tandem with the supply of technical assistance so that African analysts are reviewing the studies and collaborating in the research and policy formulation. A.I.D. can also field technical expertise to help solve specific, short-term technical problems which are identified in marketing studies. However, getting the appropriate policy and regulatory environment, with incentives for all marketing agents to improve their performance, will do more in the long run to improve the efficiency of the whole marketing system as well as the specific parts of it.

A.I.D. can begin to work in several areas:

* A.I.D. can probably have its biggest technical impact by working with staple food crops.

The whole marketing process for staple food crops requires improvement in much of Sub-Saharan Africa.

Some of the activities which need support include the upgrading and maintenance of the marketing infrastructure, particularly better storage (on-farm and off farm) and better roads and transport.

In addition, the processing technology for coarse grains needs improvement and dissemination.

A.I.D. can also provide important assistance for certain export crops, such as horticultural commodities. The U.S. is a world leader in horticultural marketing activities. American fresh produce marketing systems are among the most advanced technologically, the best organized and the best managed in the world. US multi-national firms are known world-wide for their expertise in horticultural production and marketing.

However, such investments should proceed cautiously in Sub-Saharan Africa because of the competitive market situation which
exists between the Mediterranean countries (e.g. North Africa, Spain, Portugal, Greece and Turkey) and the Sub-Saharan African countries. Africa's current investment climate, affected by issues related to the political economy and recent historical experience, make it a less attractive place for private firms to invest and do business than other parts of the world, although there are some notable success stories (for example, Heinz in Zimbabwe).

A.I.D. may have less ability to help directly with the marketing systems for traditional tropical African export crops, such as cotton, groundnuts, palm oil, coffee, tea and cocoa. Indeed, A.I.D. cannot work directly on cotton production issues because of the legislative restrictions (the Bumpers Amendment to the Foreign Assistance Act). Moreover, A.I.D. does not have a strong record in improving these commodity systems because their marketing tends to be dominated by SOEs and traditionally the World Bank has worked in the public sector, although that is changing in a few countries. However, A.I.D. has worked on the divestment and privatization of a groundnut marketing board in The Gambia and is currently embarking on reform in robusta coffee marketing in Cameroon. Where A.I.D. can be most effective in regard to these crops is to assist with the policy reform process and to increase the capacity of the private sector to expand their involvement in marketing activity.
ANNEX B

STAGES OF AGRICULTURAL MARKET DEVELOPMENT

### Table 1: Agricultural Marketing System -- Driving Forces

<table>
<thead>
<tr>
<th>Driving Forces</th>
<th>Stage I</th>
<th>Stage II</th>
<th>Stage III</th>
<th>Stage IV</th>
<th>Stage V</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td>Very low levels. Undifferentiated in rural areas.</td>
<td>Low but some differentiation in rural areas. Rising urban middle class.</td>
<td>Emerging urban class with purchasing power. Rural incomes rising, with increasing differentiation.</td>
<td>Increased incomes and wealth spread throughout rural areas. ( \ast ) exposition, larger, more economically viable farmlands remain in rural areas.</td>
<td>High incomes and standards of living prevail. Consumers willing, able to pay premium prices for convenient goods and services.</td>
</tr>
<tr>
<td><strong>Urbanization</strong></td>
<td>Low level. Most people live in rural areas.</td>
<td>Still at low level, but rising urbanization. Largest cities begin to grow rapidly.</td>
<td>Outside of growing major cities, secondary ( \ast ) market towns thriving.</td>
<td>Cities continue to grow though at lower rate than in Stages II, III. Population growth rate levels or declines.</td>
<td>Most people live in cities, though population is diffused in many primary and secondary cities.</td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td>Pre-Industrial.</td>
<td>Limited use of improved technology in agricultural production and marketing.</td>
<td>Improved production and marketing technology has become widespread. Most land given to high-yielding varieties and farms use fertilizers and agro-chemicals. Improved storage and processing techniques. Refrigeration (and cold storage) become widespread.</td>
<td>Virtually all farms use improved seed, fertilizers and agro-chemicals. Post-harvest handling, processing and distribution technology becomes large scale and more efficient. Export crop technologies meet highest international standards.</td>
<td>State-of-the-art technology prevails in agricultural production, post-harvest handling, and other functions. Computers assist in determining optimal crop or feed mix, inventory levels, and financial/marketing management.</td>
</tr>
<tr>
<td><strong>Industrialization</strong></td>
<td>Artisans produce agricultural implements and a limited range of consumer goods.</td>
<td>Some local manufacture of farm implements, low-tech processing units and consumer goods, though on a small scale.</td>
<td>Increasing industrialization. Expanded scale in manufacturing farm implements and machinery. Processing machinery manufactured. Fertilizer mixing plant. Assembly and maintenance of cold storage units.</td>
<td>Go beyond assembly and fertilizer mixing plants to full-scale industrialization. For most parts, country achieves a scientifically and industrially base.</td>
<td>Scientifically advanced, industrial with many &quot;post-harvest&quot; elements. Micro-firms able to produce efficiently for niche-markets.</td>
</tr>
<tr>
<td><strong>Market Penetration</strong></td>
<td>Small, economically competitive firms with circumscribed trading activities.</td>
<td>Increasing scale of some firms, particularly in wholesale trading.</td>
<td>Scale and concentration increases in wholesale trading and processing. Less efficient, smaller-scale competitors struggle. Small retailers provide goods conveniently which are in high demand.</td>
<td>Scale and concentration increases in performance of other marketing functions (e.g. retailing). Small-scale, inefficient operators disappear, except where able to provide greater convenience and efficiency.</td>
<td>High degree of concentration typically emerges in food processing, trading and distribution. Mergers and buyouts become commonplace during food industry consolidation.</td>
</tr>
<tr>
<td><strong>Transport Infrastructure</strong></td>
<td>Underdeveloped. Many rural areas not served by roads. Truck roads dilapidated. Few all-weather roads. No railroads. Few airstrips. Small, non-mechanized ports.</td>
<td>Trunk road grid extended. Expanded rural road network. Limited rail and air transport between key points/facilities. Ports can accommodate larger vessels, but operations are non-mechanized.</td>
<td>All-weather roads penetrate farther into rural areas. Feeder road network becomes better developed. Rail, air networks expand. Ports can accommodate ocean-going vessels carrying containers. Int'l. air freight capacity expands.</td>
<td>Transport infrastructure becomes well-developed and maintained. Truck roads improved. Entry/exit to urban areas facilitated. Rail, airstrips and ports improve.</td>
<td>Paved roads serve most rural areas. Toll roads charge user fees for maintenance. Full systems used to transport grains and bulky commodities. Airports and ports achieve state-of-the-art.</td>
</tr>
<tr>
<td>Driving Forces</td>
<td>Stage I</td>
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</table>
| **Communications Infrastructure** | No electronic communications outside capital city. | Telephone service between major cities. Capital city has limited international telephone and tele capacity. | Domestic and International telephone service improves. Initial telephone and telephone/fax linkages strengthened. Telecommunications in major cities. | Telephone service penetrates into most rural areas. International tele- communications network deepened; secondary towns integrated into it. | Telecommunication networks penetrate into rural areas. Tele, fax, express mail systems well-developed. Car telephones/faxes.
| **Electricity & Water** | Electricity only available in a few cities. It's unreliable and unavailable part-time. Pumped municipal water supply available in few cities. Sewage and waste disposal systems undeveloped in major cities. Water raised by hand or with animals in rural areas. | Electricity, municipal (pumped) water and sewage/waste disposal systems expand to other major cities. Water raised increasingly by motorized pumps in rural areas. | Electricity and municipal (pumped) water, sewage/waste disposal systems developed. Some rural areas, particularly those near cities, become electrified. Water raised by motorized pumps in many rural areas. | Rural areas electrified, and water systems improved. Electricity capacity strengthened to accommodate industry and refrigeration requirements. | National electrification achieved. Pumps or urban authorities meet water requirements. Increasing attention to water contamination and quality.
| **Government Role in Marketing** | Limited involvement in marketing system and little capacity to enforce policies and regulations. | Limited government regulation of food system and enforcement capacity. Government may set up marketing boards for export crops and grain. | Government regulation of input and product markets improves. Unfair trading practices and misrepresentation penalized. Government able to ensure compliance with minimal food hygiene regulations. Grades and standards developed and applied. | Government regulation continues to improve, particularly investigation of anti-competitive practices. Grading system vigorously enforced, but may change to accommodate tastes and preferences. Food safety becomes a high priority. | Government improves capacity to regulate food industry and utilities. Concern over increased concentration, environmental externalities, food safety and truth in advertising and labeling.
| **Financial Institutions** | Predominantly informal. Savings groups and local moneylenders are key financial intermediaries. | Commercial banks lend to larger agro-entrepreneurs. Informal finance still predominates in rural areas and for smaller firms with few assets (as collateral). | As private land ownership expands, larger farmers are able to borrow from commercial or agr. credit banks. Smaller agro-enterprises are also able to use the formal financial sector, which deepens and broadens its asset base and lending capacity. Financial links with foreign countries, including currency convertibility, are strengthened. | Formal financial institutions become stronger, more diversified and deeper. Informal financial arrangements of decreasing importance. Longer term loans for farms, processors, traders requiring investment capital becoming increasingly available. | Banks and firms able to use commodity exchanges and future markets in commodities and currencies to manage risk. Financial system well-integrated into global financial markets. |
Table 2: Agricultural Marketing System -- associated Factors

<table>
<thead>
<tr>
<th>Force</th>
<th>Stage I</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Seed Industry</td>
<td>Farmers rely on nature, crop residues and practice to maintain fertility. Little use of inorganic fertilizers.</td>
<td>Government produces foundation seed in limited quantities and usually multiplies seed. Improved seed usually only available through government seed service or development projects.</td>
<td>While government continues to produce foundation seed, commercial seed firms and specialized contract multipliers emerge. Large numbers of farmers use improved seed.</td>
<td>A vibrant seed industry develops which is able to screen, test and develop improved varieties. Private firms increasingly produce foundation seed, and they use contract multipliers extensively.</td>
<td>Private firms, often with government or university support, improve seeds and plant material through biotechnology, which shortens the testing, multiplication and diffusion cycle.</td>
</tr>
<tr>
<td>Fertilizer Distribution and Use</td>
<td>Farmers rely on nature, crop residues and practice to maintain fertility. Little use of inorganic fertilizers.</td>
<td>Fertilizer used on cash crops, particularly export crops. It is often supplied by parasatal organizations responsible for export marketing. Limited use of fertilizer on staple crops (i.e. grains, tubers, legumes).</td>
<td>Fertilizer is used increasingly on staple food crops, particularly grains. Fertilizer application is often below optimal levels, and farmer knowledge of the benefits of alternative formulations may still be limited. Fertilizer is distributed by commercial firms in many rural areas.</td>
<td>Farmers use higher levels of fertilizer. Their knowledge of alternative formulations, timing and methods of application expands. They increasingly buy in bulk from wholesale dealers. Dealers provide informal extension services with fertilizer.</td>
<td>Farmers are very knowledgeable about fertilizer attributes and requirements for different soil types. Soils are systematically tested for deficiencies and to compensate through fertilizer application. Some farms practice &quot;organic&quot; agriculture in response to environmental and soil erosion problems. Hence fertilizer requirements are reduced.</td>
</tr>
<tr>
<td>Agro-chemical Distribution and Use</td>
<td>Not available or used.</td>
<td>Limited use of agro-chemicals, except on cash crops. Little use of phytosanitary products in storage or transport.</td>
<td>Virtually all farms use agro-chemicals. Use of phyto-auxiliary products for crops stored on the farm or commercially has become widespread. Private practices of agro-chemical suppliers are government in distributing veterinary drugs and providing veterinary services.</td>
<td>Farmers begin to use agro-chemicals widely on field crops and crops in storage. Veterinary inputs are also widely used and available, generally from public animal health agencies.</td>
<td>Farmers are very knowledgeable about pesticides and parasites. Many practice integrated pest management, reducing the need for chemical treatments. When pest problems get out of control, government agencies step in to provide widespread spraying and treatment programs.</td>
</tr>
<tr>
<td>Agricultural Equipment</td>
<td>Farmers practice hand-hoe agriculture. Very limited animal traction. Farm implements produced by artisans using scrap metal.</td>
<td>Farmers associated with export marketing boards are able to obtain animal traction and equipment on favorable terms. Traction not widespread outside of these programs.</td>
<td>Animal traction is increasingly widespread and has diffused spontaneously. Animal and secondary farm artisans manufacture and repair equipment. There are active traction animal and equipment sales and repair services. Farmers raise animal traction or non-motorized machines to produce outputs on the farm.</td>
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<td>Farm operations are heavily mechanized. Larger farms take heavy investments in agricultural machinery. Smaller farms rely on custom hire mechanized units to perform key operations.</td>
</tr>
<tr>
<td>Labor Markets</td>
<td>Inter-household labor exchange predominates in rural areas.</td>
<td>Informal agricultural wage labor markets emerge. Seasonal wages paid during peak agricultural periods. Apprenticeship system prevails in marketing and transport.</td>
<td>Agricultural wage labor becomes an important source of farm labor. It is often full-time, rather than part-time seasonal labor. It often occurs (or is recruited) from distant depressed rural areas. As marketing and processing firms grow, they hire more full-time employees.</td>
<td>Agricultural wage labor becomes an important source of farm labor. It is often full-time, rather than part-time seasonal labor. It often occurs (or is recruited) from distant depressed rural areas. As marketing and processing firms grow, they hire more full-time employees.</td>
<td>As farms become increasingly capitalized, capital and labor are hired together to perform peak-season farm operations. Agricultural businesses compete with other industries and services in competitive, national labor markets for skilled laborers, technicians and managers.</td>
</tr>
</tbody>
</table>
### Table 2: Agricultural Marketing System -- Associated Factors

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Post-Harvest Technology</td>
<td>On-farm storage and processing. Storage is artisanal and unimproved without use of insecticides. Government agencies often perform the longer term storage function on a large scale.</td>
<td>Short-term commercial storage generally without use of insecticides. Insecticides and fumigants become widely used. Producer knowledge of harvesting and handling techniques improves, especially for perishable commodities. Marketing agents improve capacity to handle and store commodities.</td>
<td>Post-harvest handling practices continue to improve, especially for higher-valued, perishable commodities, as well as become more mechanized. Pre-cooling and cold storage become widely used in perishable marketing. Large-scale commercial storage of staples improves greatly.</td>
<td>Post-harvest handling methods become state-of-the-art in order to satisfy increasingly exacting consumer demands. Pre-cooling, shrink wrap in the field, mechanical sorting and grading, standardized containers and palletization and fork-lift handling of all types of produce are among the major post-harvest handling methods.</td>
<td></td>
</tr>
<tr>
<td>Processing</td>
<td>Generally limited to processing for immediate household consumption. Processed products not storable or traded.</td>
<td>Small-scale, commercial food processing emerges. Processing done on a custom basis.</td>
<td>Larger, more efficient processing units emerge, as marketable surplus expands and producers rely on commercial rather than on-farm processing.</td>
<td>Processing units increase scale and efficiency. Processed fruits and vegetables are widely consumed. Such greater convenience is embodied in processed foods, which are ready to eat or cook. Packaging becomes more attractive and important for sales.</td>
<td>Processing facilities are able to operate much of the year at high levels. Processing machinery can be adapted for several related uses. As demand for fresh fruits and vegetables expands, processed output may decline per capita except for frozen produce.</td>
</tr>
<tr>
<td>Predominant Trader Types</td>
<td>Household to household trade predominates. Some part-time rural traders. Few wholesale traders in urban areas.</td>
<td>Urban wholesale traders begin to dominate trade in staple crops. They typically work through commission agents or associated rural assemblers.</td>
<td>Increasing specialization takes place in trading. Scale increases, particularly for wholesalers and processors.</td>
<td>Large-scale wholesale firms trade a broader array of products and are able to supply the needs of grocery stores and other retail outlets. Small-scale, inefficient firms disappear, except where able to provide convenience. Increasing scale in retailing.</td>
<td>Wholesale markets in central cities disappear, and are replaced by direct shipment of food products from suppliers to end users. Supermarkets and warehouse stores become the chief retail outlets for urban and suburban consumers. High incomes and the increasing value of time create expanded opportunities for convenience stores and fast food outlets.</td>
</tr>
<tr>
<td>Spatial Organization of Markets</td>
<td>There are a few periodic, localized markets drawing from circumscribed areas.</td>
<td>The number and size of periodic markets expands. These serve increasingly as bulking points in staple crop trade. Market hierarchy begins to emerge.</td>
<td>A well-articulated market hierarchy develops, with a vibrant, high-volume urban wholesale market in large cities.</td>
<td>Multiple wholesale markets serve large cities, and the variety of retail outlets proliferate. Produce is increasingly assembled on the farm or brought to warehouses or grain elevators directly by farmers. Periodic markets performing assembly and retail functions disappear.</td>
<td>Grades may change as consumer preferences and health concerns change (e.g. beef grades, fluid milk in U.S.)</td>
</tr>
<tr>
<td>Grades and Standards</td>
<td>High degree of product heterogeneity. Limited market differentiation among wholesale markets.</td>
<td>Informal grades and standards are applied by the private trade, although they are not always consistent.</td>
<td>Governments intervene in markets to develop clear, universal grades and standards. Public health concerns become important. Grading schemes reflect previous informal grades used by private trade. Governments begin to apply and enforce standards.</td>
<td>Uniform market measures and weights are universally applied, and violators are sanctioned. Grading schemes become more mobile and differentiated, reflecting higher income levels and greater variety of tastes and preferences (backed by purchasing power).</td>
<td>Grades may change as consumer preferences and health concerns change (e.g. beef grades, fluid milk in U.S.).</td>
</tr>
</tbody>
</table>
### Table 3: Agricultural Marketing System -- Associated Factors

<table>
<thead>
<tr>
<th>Stage</th>
<th>Coordination and Exchange Mechanisms</th>
<th>Risk-Reducing and Sharing Mechanisms</th>
<th>Market Information</th>
<th>Marketed Surplus</th>
<th>Marketed Share of Value-Added</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Informal exchange. Virtually no active coordinating institutions or agents.</td>
<td>Insurance, pooling, and exchange of risks.</td>
<td>Limited and localized. Disseminated by word-of-mouth.</td>
<td>Incidental and unplanned. Determined primarily by weather.</td>
<td>Low marketing margins for most products, which move short distances and have little value added.</td>
</tr>
<tr>
<td>II</td>
<td>Spot markets, characterized by wide supply and price fluctuations, predominate. Traders are required to personally inspect lots of produce.</td>
<td>Market brokers or facilitators assess credit-worthiness of marketing agents and extend short-term credit. Traders turn over stocks rapidly to avoid losses associated with adverse price movements while staples in storage. Informal lenders charge high interest rates to offset high risk of borrower default.</td>
<td>Private market information networks develop, where traders have superior knowledge to producers. Governments may begin to provide limited, but typically not very timely market news.</td>
<td>Larger, better-equipped farms develop a more commercial orientation and produce most of the marketed surplus. Irrigated farms may produce some of the surplus.</td>
<td>Marketing margins begin to rise, especially for food products transported long distances or stored for some time.</td>
</tr>
<tr>
<td>III</td>
<td>Increasing use of formal contracting arrangements by producers, processors, and exporters, with the emergence of uniform grades and standards and warehouse receipts, personal inspection of warehouse lots is no longer necessary.</td>
<td>Contracts with price, quantity, and quality guarantees and provisions for handling production shortfalls and price fluctuations become an important risk-sharing mechanism. Longer term commodity storage becomes a form of speculation. Banks spread risk by lending to farmer organizations.</td>
<td>More reliable, widely disseminated information on production, stocks, trade volumes and prices becomes available and is used by producers and marketing agents in their marketing decisions. Prices printed in newspapers or broadcast over radio.</td>
<td>Marketed Surplus increases as the private surplus is planned. Most farms production is sold, so this surplus becomes the major source of farm income.</td>
<td>Although costs of performing particular marketing functions decline, gross marketing margins continue to increase as more value is added in the marketing process.</td>
</tr>
<tr>
<td>IV</td>
<td>Market coordination becomes more dynamic and precise. Auction markets, commodity exchanges and in some cases futures markets replace spot markets. Electronic marketing is introduced. The food industry becomes more vertically integrated.</td>
<td>Commodities and futures markets continue to develop, traders and exporters/exporters use forward deliverable contracts and hedging to minimize risks. Crop insurance schemes or other farm income guarantee program emerge. Other government programs may help to spread the risk of overseas agricultural investments (e.g. OPIC).</td>
<td>Up-to-date public information is widely available and used. Private information services develop to meet the demand of the private commodity traders, who need high quality and current market information rapidly and are willing to pay for it.</td>
<td>Farmers sell essentially all of their output and buy processed, ready-to-eat foods for small town or small town retail outlets.</td>
<td>As consumers demand more and more convenience and eat more of their meals away from home at food establishments, farmers capture a small proportion of the consumer dollar.</td>
</tr>
<tr>
<td>V</td>
<td>Market coordination becomes increasingly precise with the advent of computerized inventory tracking systems and excellent communications. Contracting arrangements, vertical integration, and the rise of commodity and currency futures markets predominate.</td>
<td>Farmers and firms able to use commodity exchanges and futures markets in commodities and currencies to manage risk. Financial system well-integrated into global financial markets. Private insurance companies willing and able to insure against wide range of risks.</td>
<td>Corporations and public increasingly engage in international markets.</td>
<td>With increasing domestic concentration in the food industry and as more food products are transferred privately within vertically integrated systems, public information may become less, but more representative and timely. Rational, long-term, and global supply and trade information becomes widely available and critical for trading decisions in international markets.</td>
<td>As consumers demand more and more convenience and eat more of their meals away from home at food establishments, farmers capture a small proportion of the consumer dollar.</td>
</tr>
</tbody>
</table>
Selective Bibliography


In recent years the Africa Bureau has been devoting an increasing share of its resources to activities which either explicitly or implicitly address agricultural marketing and agribusiness development. AFR/TR has coordinated the development of a strategic framework which provides guidance to the agency, the bureau and the missions in analyzing agricultural marketing systems for the purpose of designing and implementing interventions which will improve market efficiency and promote the role of agribusiness in market development. This strategic framework complements the plan for supporting agricultural research and faculties of agriculture in Africa (May, 1985), and the plan for supporting natural resources management in Sub-Saharan Africa (February, 1987) to form the foundation for the bureau's activities in the agricultural sector. It should be noted that these earlier plans are relatively more prescriptive in their approach to the agricultural sector than this framework which explicitly recognizes the heterogeneity of marketing.
SYSTEMS WITHIN SUB-SAHARAN AFRICA AND THE DELEGATION OF AUTHORITY WHICH INCREASES THE MISSIONS' RESPONSIBILITY TO DEVELOP APPROPRIATE POLICY AND INVESTMENT INTERVENTIONS.

2. THE SUBJECT STRATEGIC FRAMEWORK HAS BEEN REVIEWED ONLY WITHIN THE BUREAU FOR FORMAL REVIEW SHORTLY. SINCE THIS DOCUMENT IS INTENDED TO SERVE THE FIELD, WE WOULD BE GRATEFUL TO RECEIVE YOUR COMMENTS AND REACTIONS EARLY IN THE REVIEW PROCESS. WE WOULD PARTICULARLY LIKE TO HEAR THE VIEWS OF MISSIONS WITH AN INTEREST IN MARKETING AND/OR AGRIBUSINESS REGARDING: {A} SUBSTANTIVE CONTENT, AND {B} APPLICABILITY TO THE MISSION SETTING. AN EXECUTIVE SUMMARY OF THE DOCUMENT IS PRESENTED BELOW. WE ARE POUCHING THE COMPLETE PAPER WITH ATTACHMENTS TO EACH MISSION.

3. EXECUTIVE SUMMARY.

BACKGROUND:

{A} AGRICULTURE IS THE DOMINANT SECTOR IN MOST SUB-SAHARAN AFRICAN ECONOMIES, ESPECIALLY IN TERMS OF ITS SHARE OF GROSS DOMESTIC PRODUCT, EMPLOYMENT, AND FOREIGN EXCHANGE EARNINGS. AGRICULTURE HAS THE POTENTIAL TO BE THE CATALYST FOR BROAD-BASED, SUSTAINABLE ECONOMIC GROWTH IN AFRICA. HOWEVER, DURING THE PAST THREE DECADES, THERE HAS BEEN NEGATIVE GROWTH, IN REAL TERMS, IN AGRICULTURAL PRODUCTION WHICH HAS HAD AN ADVERSE EFFECT ON TOTAL ECONOMIC GROWTH. WHILE TECHNICAL ISSUES AND ENVIRONMENTAL PROBLEMS HAVE INHIBITED AGRICULTURAL GROWTH, THE INEFFICIENCY OF AGRICULTURAL MARKETING SYSTEMS HAS BEEN A CRITICAL CONSTRAINT TO SUSTAINED INCREASES IN AGRICULTURAL PRODUCTIVITY. MANY AGRICULTURAL MARKETING SYSTEMS IN AFRICA ARE NEITHER EFFICIENT NOR COMPETITIVE. PUBLIC SECTOR MARKETING AGENTS, GENERALLY, HAVE BEEN UNABLE TO DELIVER INPUTS, COLLECT AND PROCESS OUTPUTS, OR PROVIDE ADEQUATE INCENTIVES TO FARMERS TO SUSTAIN INCREASES IN MARKETABLE SURPLUS. WHILE THE PRIVATE SECTOR HAS DEMONSTRATED THE POTENTIAL TO SERVE AS MORE EFFICIENT MARKET AGENTS, THIS CAPABILITY HAS NOT BEEN FULLY UTILIZED DUE TO A SHORTAGE OF HUMAN AND MATERIAL RESOURCES TO RESPOND TO THESE EMERGING OPPORTUNITIES. IN ORDER TO ADDRESS THESE SHORTCOMINGS, THE AFRICA BUREAU HAS DEVELOPED A STRATEGIC FRAMEWORK TO PROMOTE COMPETITIVE MARKETING, IMPROVE MARKET EFFICIENCY AND INCREASE THE ROLE OF AGRIBUSINESS IN THE MARKETING PROCESS.

{B} THE FRAMEWORK TAKES A BROAD APPROACH TO AGRICULTURAL MARKETING BY DEFINING IT AS A PROCESS BY WHICH INPUTS ARE
DELIVERED TO FARMERS, OUTPUT IS COLLECTED FROM FARMERS AND COMMODITIES ARE TRANSFORMED BEFORE BEING DELIVERED TO CONSUMERS. DURING THE MARKETING PROCESS, VALUE IS ADDED TO AGRICULTURAL COMMODITIES, ESPECIALLY BY ENTERPRISES WHICH TRANSFORM PRODUCE. THESE ENTERPRISES ARE OFTEN REFERRED TO AS AGRIBUSINESSES. AGRIBUSINESSES ENGAGE IN MANY MARKETING ACTIVITIES, INCLUDING TRANSPORTATION, STORAGE, PRICING, PROMOTION AND DISTRIBUTION. COMPETITIVE AGRICULTURAL MARKETING SYSTEMS AND AGRIBUSINESSES HAVE THE POTENTIAL TO INCREASE PRODUCTIVITY, INCOMES AND EMPLOYMENT IN RURAL AREAS.

(A) AFRICAN AGRICULTURAL MARKETING SYSTEMS HAVE NOT WORKED EFFICIENTLY BECAUSE TOO OFTEN GOVERNMENT POLICIES AND REGULATIONS HAVE DISCRIMINATED AGAINST THE PRIVATE SECTOR AND DISCOURAGED COMPETITION. IN ADDITION, AFRICAN GOVERNMENTS, WITH DONOR ASSISTANCE OR ACQUIESCENCE, HAVE MADE UNSOUND INVESTMENTS WHILE NEGLECTING THE MAINTENANCE AND REHABILITATION OF THE INFRASTRUCTURE REQUIRED FOR EFFICIENT AGRICULTURAL MARKETING. PRIVATE ENTREPRENEURS HAVE NOT INVESTED IN MARKET INFRASTRUCTURE OR MARKETING ACTIVITIES BECAUSE OF THE ADVERSE INVESTMENT, POLICY AND REGULATORY CLIMATE. FINALLY, BOTH PUBLIC AND PRIVATE SECTOR MARKETING ENTERPRISES LACK SUFFICIENT SKILLS AND KNOWLEDGE TO IMPROVE THEIR EFFICIENCY AND EXPAND THEIR ACTIVITIES.

THE FRAMEWORK:

(D) THE AFRICA BUREAU AGRICULTURAL MARKETING AND AGRIBUSINESS STRATEGIC FRAMEWORK FOCUSES ON THREE BASIC ELEMENTS OF THE MARKETING SYSTEM:

1. THE MACROECONOMIC AND SECTORAL POLICIES AND REGULATIONS THAT DEFINE THE PARAMETERS OF MARKETING ACTIVITIES AND AFFECT THE INCENTIVES FOR MARKETING ACTIVITIES;

2. THE INFRASTRUCTURE THAT IS NECESSARY FOR MARKETING ACTIVITIES TO TAKE PLACE AND EXPAND; AND

3. THE CAPABILITY OF MARKET PARTICIPANTS, ESPECIALLY AGRIBUSINESS, TO ENGAGE IN MARKETING ACTIVITIES.

(E) THIS FRAMEWORK REFLECTS THE TARGETS AND OBJECTIVES OF THE DEVELOPMENT FUND FOR AFRICA (DFA). THE FRAMEWORK ENCOURAGES MISSIONS TO TAKE A BALANCED, BROAD APPROACH TO MARKETING ISSUES, BY ADDRESSING THOSE CONSTRAINTS WHICH HAVE THE GREATEST NEGATIVE IMPACT UPON MARKET PERFORMANCE.
AND ECONOMIC GROWTH OF A GIVEN COUNTRY OR COMMODITY/FACTOR MARKET SYSTEM:

(1) POLICIES AND REGULATIONS (PRICING POLICIES, MONETARY POLICIES, TRADE POLICIES, QUOTAS, LICENSES, MOVEMENT PERMITS, ETC.)

(2) HARD AND SOFT INFRASTRUCTURE (FYI: HARD INFRASTRUCTURE INCLUDES ROADS, RAILROADS, STORAGE FACILITIES, PROCESSING FACILITIES, ETC, WHILE SOFT INFRASTRUCTURE INCLUDES MARKET INFORMATION SYSTEMS, CROP FORECASTS, LEGAL SYSTEM - CONTRACT ENFORCEABILITY, FINANCIAL SERVICES, MARKET REGULATORY AGENCIES), ETC.; AND

(3) PARTICIPANT CAPACITY TO RESPOND TO MARKETING AND AGROBUSINESS OPPORTUNITIES (TECHNICAL SKILLS, MANAGERIAL SKILLS, ENTREPRENEURIAL SKILLS AND LEVEL OF RESOURCES).

(F) THE STRATEGIC FRAMEWORK NOTES THAT AGRICULTURAL MARKET SYSTEMS GO THROUGH FIVE STAGES OF EVOLUTIONARY DEVELOPMENT AND THAT FOR EACH STAGE THERE ARE APPROPRIATE INTERVENTIONS THAT CAN HELP PROMOTE SUSTAINED ECONOMIC GROWTH. WHILE THESE STAGES REPRESENT SEGMENTS OF A MARKET DEVELOPMENT CONTINUUM AND OFTEN REFLECT THE FACT THAT COMMODITY SYSTEMS WITHIN THE SAME COUNTRY ARE AT DIFFERENT LEVELS OF DEVELOPMENT, E.G. EXPORT COMMODITIES SUCH AS COFFEE OR FRENCH BEANS ARE GENERALLY FURTHER ADVANCED THAN THE STAPLE COMMODITIES OF MAIZE OR SORGHUM, WE BELIEVE THAT THE STAGES ARE USEFUL IN IDENTIFYING CONSTRAINTS AND DEMONSTRATE THE DYNAMISM OF MARKET DEVELOPMENT:

(1) STAGE I: THE THREE BASIC ELEMENTS OF THE AGRICULTURAL MARKETING SYSTEM ARE WEAK WITH LOW POPULATION DENSITIES AND MANY FARMERS LOCATED FAR FROM MARKETS; UNDERDEVELOPED OR DILAPIDATED MARKET INFRASTRUCTURE; LOCALIZED TRADE; SMALL-SCALE UNDER-CAPITALIZED PRIVATE TRADERS TURN STOCK OVER RAPIDLY (CAR, CHAD, GUINEA BISSAU, GUINEA, CONGO, MUCH OF ZAIRE, ANGOLA AND MOZAMBIQUE).

(2) STAGE II: MORE EXTENSIVE INFRASTRUCTURE, INTERREGIONAL DOMESTIC TRADE IN STAPLES; MORE COMPETITIVE AND SPECIALIZED MARKETING; INCREASES IN SCALE FOR WHOLESALING AND PROCESSING; GOVERNMENTS DIRECTLY INVOLVED IN MARKETING OF STAPLES AND EXPORT CROPS DUE TO LACK OF PRIVATE SECTOR INVESTMENT CAPACITY (MUCH OF AFRICA).

(3) STAGE III: TRADE EXPANDS WITH NEIGHBORING COUNTRIES AND DISTANT SUPPLIERS; INTENSIFIED SPECIALIZATION AND SCALE IN MARKETING; MORE AND MORE PROCESSING OCCURS OFF
THE FARM; REDUCED DIRECT POLE OF GOVERNMENT IN MARKETING
FUNCTIONS AS PRIVATE SECTOR EFFICIENCY AND NETWORKS
EXPAND; VIBRANT WHOLESALE MARKETS RESPOND TO GROWING URBAN
DEMAND; PRODUCER, PROCESSOR, AND TRADE ASSOCIATIONS FORM;
GOVERNMENTS ENFORCE FORMAL GRADES AND STANDARDS; CONTRACT,
LAW; LAND MARKETS; STRONGER FORMAL SECTOR FINANCIAL
INSTITUTIONS; INTEGRATED COMMODITY MARKETS FOR SELECTED
HIGHER-VALUE COMMODITIES (KENYA, COTE D'IVOIRE, SOME AREAS
OF SENEGAL, NIGERIA, MALAWI, AND BOTSWANA.)

(4) STAGE IV: THE THREE BASIC ELEMENTS OF THE
AGRICULTURAL MARKETING SYSTEM ARE EFFICIENT AND EFFECTIVE.
THE FOLLOWING CHARACTERISTICS MAY BE PRESENT: STRONG LINKS
WITH INTERNATIONAL MARKETS FOR SEVERAL COMMODITIES;
INCREASED SPECIALIZATION AND EFFICIENCY IN THE MARKETING
PROCESS THROUGH ECONOMIES OF SCALE; INTERNATIONAL
COMMUNICATION LINKS; INCREASED RURAL DEMAND FOR CONSUMER
GOODS; INCREASED AGRIBUSINESS PROVIDED EXTENSION;
GOVERNMENT ASSUMES A LARGELY REGULATORY ROLE IN THE
MARKETING PROCESS; MONITORING COMMODITY TRADING AND THE
QUALITY OF INPUTS AND OUTPUTS; DIRECT FOREIGN INVESTMENT
EXPANDS; AND INCREASED USE OF CONTRACT FARMING, AS
PRODUCTION/MARKETING BECOMES MORE VERTICALLY INTEGRATED.
THERE ARE NO AFRICAN COUNTRIES WHOSE MARKETING SYSTEMS
HAVE REACHED THIS STAGE IN GENERAL, ALTHOUGH SOME
COMMODITY SYSTEMS MAY EXHIBIT MANY OF THESE QUALITIES.
(BRAZIL, ARGENTINA, COSTA RICA AND THAILAND).

(5) STAGE FIVE: THE AGRICULTURAL MARKETING SYSTEM IS
ORGANIZED AND OPERATED IN A SCIENTIFIC AND INDUSTRIALIZED
FASHION, SUCH AS IN NORTH AMERICA, EUROPE AND SOME ASIAN
COUNTRIES. IN THESE COUNTRIES: THE POLICY AND REGULATORY
ENVIRONMENT PROMOTES INVESTMENT AND COMPETITION;
INFRASTRUCTURE IS SOPHISTICATED AND WELL MAINTAINED AND
LINKS EVEN THE MOST REMOTE PRODUCTION ZONES WITH
CONSUMERS; PRODUCERS AND TRADERS ARE LINKED TO
AGRICULTURAL MARKETING COMPANIES THROUGH SOPHISTICATED
TELECOMMUNICATION NETWORKS, INCLUDING WORLD MARKETS;
AGRIBUSINESSES HAVE THE SKILLS, TECHNOLOGY AND RESOURCES
TO PERFORM THEIR FUNCTIONS EFFICIENTLY; FARMERS UNDERSTAND
AND USE MORE SOPHISTICATED FINANCIAL INSTRUMENTS AND
COMMODITY FUTURES MARKETS TO PROTECT THEIR INVESTMENTS.
THERE ARE NO AFRICAN AGRICULTURAL MARKETING SYSTEMS WHICH
ARE AT THIS STAGE IN THEIR EVOLUTION.

(6) MOST SUB-SAHARAN AFRICAN MARKETING SYSTEMS ARE Mired
IN STAGE ONE OR TWO. AS A RESULT, A STRATEGY TO PROMOTE
AGRICULTURAL MARKETING AND AGRIBUSINESS DEVELOPMENT IN
AFRICA MAY DIFFER SIGNIFICANTLY FROM A MARKETING STRATEGY
FOR LATIN AMERICA OR ASIA. THE STRATEGIC FRAMEWORK EMPHASIZES THE NEED TO STRENGTHEN THE CAPACITY OF MARKET PARTICIPANTS, ESPECIALLY PRIVATE BUSINESSES, TO RESPOND TO THE ENHANCED INCENTIVES AS POLICY AND INFRASTRUCTURE CONSTRAINTS ARE ALLEVIATED.

{H} THE FRAMEWORK ARGUES THAT DESPITE ITS POOR PERFORMANCE TO DATE, AFRICA DOES HAVE A PROVEN COMPARATIVE ADVANTAGE IN THE PRODUCTION AND MARKETING OF CERTAIN COMMODITIES, AND THE POTENTIAL EXISTS FOR THE MARKETING OF OTHER, HIGHER-VALUED, CROPS. THEREFORE, IMPROVING MARKETING SYSTEMS WILL HAVE A SIGNIFICANT BENEFICIAL IMPACT ON INCOME, DOMESTIC CONSUMPTION, FOOD SECURITY AND FOREIGN EXCHANGE EARNINGS.

{I} UNDERLYING THIS APPROACH IS A STRONG EMPHASIS ON A.I.D. SUPPORT FOR TRAINING. BOTH THE PUBLIC AND PRIVATE SECTOR NEED TO DEEPEN THE EXISTING LEVEL OF TECHNICAL, MANAGERIAL AND ANALYTICAL SKILLS IF THE EFFICIENCY OF AGRICULTURAL MARKETING SYSTEMS IS TO BE IMPROVED AND SUSTAINED.

{I} PUBLIC SECTOR TRAINING SHOULD FOCUS ON:

-- IMPROVING THE ANALYTICAL SKILLS WHICH WILL SUPPORT POLICY AND REGULATORY REFORM; 

-- TECHNICAL SKILLS RELATED TO QUALITY CONTROL AND INVESTMENT PROMOTION; AND

-- FINANCIAL SKILLS RELATED TO AUDITING AND ACCOUNTING FOR BUDGETARY AND REGULATORY PURPOSES.

{2} PRIVATE SECTOR TRAINING SHOULD EMPHASIZE SKILLS RELATED TO:

-- TECHNICAL SKILLS OF AGRICULTURAL MARKETING ACTIVITIES (E.G. TRANSPORT, STORAGE, ASSEMBLY, PROCESSING, ETC.);

-- MANAGEMENT SKILLS FOR INDIGENOUS ENTREPRENEURS; AND

-- FINANCIAL SKILLS FOR DOMESTIC AGROBUSINESSES.

-- MORE SOPHISTICATED BUSINESS SKILLS RELATED TO PRODUCT LABELLING, MARKET-NICHET PENETRATION, PRODUCT ADVERTISING AND THE LIKE WILL BE REQUIRED AS THE MARKETING SYSTEMS EVOLVE.
ROLE OF MISSIONS:

[J] THE FRAMEWORK ENCOURAGES MISSIONS TO INCORPORATE MARKETING AND AGRIBUSINESS ANALYSES WITHIN THEIR AGRICULTURAL SECTOR ASSESSMENTS AND PROVIDES GUIDANCE ON THE KEY ISSUES WHICH NEED TO BE EXAMINED:

[1] WHETHER MARKETING IS INDEED A BINDING CONSTRAINT TO SUSTAINABLE ECONOMIC GROWTH;

[2] WHAT STAGE IN THE EVOLUTION THE AGRICULTURAL MARKETING SYSTEM IS CURRENTLY AT;

[3] WHAT THE MOST APPROPRIATE ACTIVITIES/INTERVENTIONS TO SUPPORT MAY BE.

[K] IN THOSE COUNTRIES WHERE A.I.D. IS ASSISTING THE HOST GOVERNMENT WITH AGRICULTURAL DEVELOPMENT, MISSIONS ARE STRONGLY URGED TO SUPPORT INTERVENTIONS THAT WILL REMOVE THE MOST IMMEDIATE AND MOST DELETERIOUS CONSTRAINTS TO MARKET DEVELOPMENT. THIS FRAMEWORK ENCOURAGES MISSIONS TO EXAMINE ALL DIMENSIONS OF MARKET DEVELOPMENT INCLUDING THE SUPPORT OF POLICY AND REGULATORY REFORM, INFRASTRUCTURE DEVELOPMENT AND MAINTENANCE, AND STRENGTHENED PARTICIPANT CAPACITY. GIVEN THE SCOPE OF MARKETING ACTIVITIES, MISSIONS ARE ENCOURAGED TO FOCUS THEIR EFFORTS ON THE MOST BINDING CONSTRAINT(S) WHILE BUILDING AN ANALYTICAL CAPACITY THAT WILL ENABLE ADDITIONAL CONSTRAINTS TO BE IDENTIFIED AND ADDRESSED AS THE MARKET SYSTEM EVOLVES.

MONITORING AND EVALUATION:

[L] MARKETING PROGRAM OR PROJECT MANAGERS WILL CONTINUE TO CONSIDER THE RELATIONSHIP BETWEEN PROJECT/PROGRAM INPUTS AND OUTPUTS DURING DESIGN AND IMPLEMENTATION, ESPECIALLY IN TERMS OF THE MONITORING AND EVALUATION PLAN. BUT MORE CONSIDERATION WILL ALSO NEED TO BE GIVEN TO THE MARKETING PROJECT/PROGRAM CONTRIBUTION TO THE MISSION'S STRATEGIC OBJECTIVES IN THE AGRICULTURAL SECTOR AND THE OBJECTIVES OF THE OVERALL MISSION DEVELOPMENT PROGRAM. THE FRAMEWORK PROVIDES INDICATORS WHICH MAY ASSIST THE MISSION IN MEASURING PURPOSE, GOAL AND PEOPLE LEVEL IMPACT.

[M] AGRICULTURAL MARKETING IS A DYNAMIC PROCESS. THEREFORE, THE FRAMEWORK RECOMMENDS THE DEVELOPMENT OF AN INTEGRATED AND FLEXIBLE MONITORING AND EVALUATION SYSTEM. THE MONITORING AND EVALUATION SYSTEM SHOULD NOT ONLY TRACK MARKETING PROJECT/PROGRAM IMPACT, IT SHOULD ALSO CONTRIBUTE TO THE ANALYSIS OF THE IMPACT AND IDENTIFY

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POTENTIAL SUBSEQUENT INTERVENTIONS WHICH WILL CONTRIBUTE TO THE PROCESS OF MARKET GROWTH AND AGIBUSINESS DEVELOPMENT. REMOVING ONE MARKETING CONSTRAINT MAY IMPROVE THE EFFICIENCY OF ONE PART OF THE MARKETING SYSTEM, BUT OTHER PROBLEMS WILL CONTINUE TO EMERGE AS THE MARKETING SYSTEM EVOLVES. HENCE A.I.D. SHOULD BE ENGAGED IN AN ITERATIVE AND FLEXIBLE PROCESS OF IDENTIFYING CONSTRAINTS, PRESCRIBING ACTIONS TO OVERCOME THEM, MONITORING AND EVALUATING THE SUBSEQUENT ADJUSTMENTS, AND MAKING NEW RECOMMENDATIONS FOR ADDITIONAL INTERVENTIONS BASED UPON THE LESSONS LEARNED.

4. WE WELCOME YOUR COMMENTS/SUGGESTIONS AT YOUR EARLIEST CONVENIENCE, BUT REQUEST THAT THEY BE RECEIVED NO LATER THAN SEPTEMBER 30. SHOULD YOU HAVE ANY FOLLOW-UP ISSUES OR INTEND TO DEVELOP EITHER AN AGRICULTURAL MARKETING OR AGIBUSINESS PROGRAM/PROJECT, I WILL BE HAPPY TO DISCUSS THESE WITH YOU AT THE REDSO SCHEDULING CONFERENCE. REGARDS.