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9. ABSTRACT

A seminar sponsored by the Agricultural Development Council was conducted in Washington in September, 1974 with 26 participants from ten countries. These were mainly agricultural economists with broad experience in both developed and developing countries. They discussed marketing institutions and services for developing countries. Titles of the papers presented indicate the topics discussed: How Awareness of Marketing Problems Evolves; Marketing Institutions and Services in the Matrix of Decision-Making--A Conceptual Framework; The Role of Market Institutions--Defining the Rules of the Game Agricultural Markets; Trading and Access to Exchange Facilities: Monopolistic and Competitive Practices and What to Do About Them; Priorities and Sequences in Institutional and Service Development; Standardization on Marketing of Vegetables; The Marketing Intelligence System, Key to Wise Decision-Making; The Agricultural Marketing News Service of the Philippines; Physical Handling of Paddy Rice in Sri Lanka; Physical Handling of Perishables: Markets, Transportation, and Storage Facilities; Changing the Institutions to Meet Developing Needs of Smallholders; Special Needs of Export Development in Vietnam: A Case Study; Development of Integrated Cooperative Export Marketing System of Bananas in Taiwan; Special Needs of Export Development--Reliable Information--The Development of an Information System in the Dominican Republic; Internal Marketing Structure Required for Fruit and Vegetable Exports: A New Industry for Costa Rica; Marketing Control for Implementing Government Policy on Supply Management; and Marketing Controls for Implementing Government Policy Through Price Stabilization.

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## Marketing Institutions and Services for Developing Agriculture

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REPORT ON AN ADC/RTN SEMINAR  
HELD IN WASHINGTON, D. C.

SEPTEMBER 10-12, 1974

### Foreword

*To provide better knowledge for planning and implementing development programs in developing countries, The Agricultural Development Council invited discussants world-wide to participate in a seminar on Marketing Institutions and Services for Developing Agriculture.*

*Brief summaries of the discussion papers presented during the seminar follow to give the reader an indication of the nature of the papers. Copies of complete papers may be obtained by writing directly to the authors listed at the end of the report.*

*Special appreciation is extended to Harry C. Trelogan, Clarence A. Dunkerley, Haven D. Umstott and David P. Winkelmann of the U.S. Department of Agriculture for their work in preparing this report.*

*Marketing is identified as part of the production process that assures market outlets for farm products and makes readily available supplies of production inputs which reduce price uncertainty and risk. Transportation, local market centers, storage, processing, exporting services, credit, price and income incentives, marketing facilities and activities resulting in a favorable marketing efficiency measured by the farmer's share of the retail or export prices received for individual commodities are all subject to serious consideration by managers of a country's resources. Problem-solving for marketing institutions and services is a dynamic process influenced by socio-economic factors such as dominant political power, cultures and customs that must be considered by managers in utilizing marketing as a development tool.*

A. M. Weisblat  
Director  
Research and Training Network

The Agricultural Development Council sponsored a "Seminar on Marketing Institutions and Services for Developing Agriculture" in Washington, D. C., September 10-12, 1974, under the chairmanship of Dr. Harry C. Trelogan, Administrator, Statistical Reporting Service, United States Department of Agriculture. Participants for the most part were agricultural economists with broad experience in both developed and developing countries. They discussed marketing institutions and services for developing countries. The seminar discussants treated aspects of marketing in basically nontechnical language for consideration by decision-makers in agriculture and in governing agencies of developing countries.

Dr. Herman Southworth, the keynote speaker on "How Awareness of Marketing Problems Evolve," Topic I, pointed out that just about everybody is concerned with agricultural marketing including those concerned with the marketing of agricultural inputs. The concept is basically one of how the marketing opportunity evolves and how to use marketing institutions and services to accelerate development and encourage agricultural production. Since every country has institutions, the challenge is how to create an awareness of the absence of or underachieving or need for redirection of marketing institutions and services in a country's economy. A further challenge is to become aware of other countries' experiences to help avoid mistakes rather than to identify ready-made solutions. Finely tuned marketing institutions play many roles—they provide incentives to producers, move an adequate volume of food and fiber to consumers, domestic and export, at reasonable prices and in wholesome condition. When some awareness has evolved that the developing country has a marketing problem

few specialists are likely to be found in this country that understand what to do about the problem in the context of the country's total economy. The country's decision-makers can draw on technical assistance through short-term foreign specialists, sending some of their own people to study other countries' solutions to marketing problems, and send students abroad to developed countries to study the economies and methods of agricultural marketing. The problem is dynamic and calls for constantly changing solutions as population grows, urban incomes increase, centers of population enlarge, and production resources are found farther from the points of consumption. In view of the widespread existence of subsistence marketeers one might anticipate a basic dilemma: namely, that marketing costs need to be reduced to foster development. But the biggest cost is labor; so, unless development moves ahead fast enough to provide more productive work for the displaced labor, there is no gain in saving it. (See Herman Southworth's talk *Some Problems in Agricultural Development*.)

Topic II, "Marketing Institutions and Services in the Matrix of Decision-Making—A Conceptual Framework," is discussed by Professor Eldon D. Smith and Dr. Louis F. Herrmann.

Professor Smith treats "The Role of Market Institutions—Defining the Rules of the Game in Agricultural Markets" by probing into the fundamental underpinning of market regulation. For example, he observes: "Collective action is always articulated through rules and sanctions as means. They are the very stuff which makes institutions function or fail to function. . . ." And:

. . . the issue of free versus controlled market economies is a false one. The real issues . . . are (how) market behaviors (are) to be controlled through collective imposition of market rules, in order to liberate and expand the scope of individual market action, i.e., to develop agricultural markets.

Also:

. . . all public policy relating to markets is articulated through and by institutions, including institutions relating to nominally private transactions. Adam Smith's 'invisible hand' . . . 'works' or fails to work because men have or have not through their customary and formal institutions structured ('controlled') relations among market participants in ways that allow competition to effect a publically satisfactory result.

From his provoking analysis he draws a conclusion:

The specific design of appropriate market institutions must recognize the great differences in political institutions, both formal and customary which delimit available options with respect to workable market institutions. Exceptions notwithstanding, I would concur with the generally held view that human kind is fairly uniformly responsive to genuine economic opportunity. But this is not to say that they will respond similarly to opportunities for various forms of collective action which may be differentially consistent with existing political and social institutions. And herein lies a major problem, a stumbling block

for many foreign technical assistance analysts. We have had developed institutions for so long that we scarcely know how to analyze them or to even recognize the need for analysis!

Professor Smith continues his paper with a discussion of "Direct Regulation of Private Transactions and Public Performance of Agricultural Market Functions," and closes with a discussion of "Institutions and the Public Interest."

Comments on Professor Smith's paper, Discussion of 'The Role of Marketing Institutions—Defining the Rules of the Game in Agricultural Markets' were given by Dr. William E. Hendrix. Examples were drawn from Dr. Hendrix's service in India.

The second part of Topic II, "Trading and Access to Exchange Facilities: Monopolistic and Competitive Practices and What to Do About Them," was discussed by Dr. Louis F. Herrmann in a paper by that title. Dr. Herrmann summarized his paper as follows:

This paper covers problems of market access in three kinds of market: the commodity exchange, the unorganized and off-the-exchange channels, and the Government-controlled Marketing Board. These are Big Business, and an enterprise big enough to be directly concerned may not often go outside its own ranks for recommendations on what to do about its market access problems. The marketing economist assigned to a development program will, however, certainly be aware of peripheral problems of this nature. He is more apt to be providing inputs to decision-makers at the public policy level. Government officials and politicians in developing countries frequently are badly in need of up-to-date information about the state of their country's agricultural marketing system. If marketing access is a problem, the first step to a solution is to obtain an accurate understanding of the situation.

Citing his experiences, Dr. Herrmann appeals for greater objectivity in assessing or judging the conditions conducive to the commodity exchange performing its principal purpose and also the consequences of government intervention that limits access to exchanges and exploits primary producers quite as effectively as private traders ever did. Such public institutions may preclude the performance of the economic functions that could be expected from a market exchange.

Two discussants gave comments on Dr. Herrmann's paper. Abdur Rashid, UNDP/FAO/Iran, presented comments drawing on his Iranian experiences and Alvaro Silva, National University of Colombia, presented comments drawing on his experience in South America.

Topic III, "Priorities and Sequences in Institutional and Service Development" was discussed by M. K. Kambe in his paper "Standardization on Marketing of Vegetables," with comments by V. James Rhodes; and, in a paper by John Fliginger on "The Marketing Intelligence System, Key to Wise Decision-Making," with comments by C. Kyle Randall and Leonardo A. Paulino. Dr. Kambe draws on his experience in Japan

dealing mainly with the standardization of marketing of fresh vegetables at the following stages: Producers, Merchants, and Consumers, and with the stages of marketing innovation evolution in Japan marked by greatly improved communication and transportation facilities. Dr. Kambe's discussion spans a period of about 40 years from underdeveloped to highly developed status in marketing of vegetables. The problems, successes and infrastructure are clearly revealed in his discussion. Dr. Kambe summarized: It is important to standardize vegetables concerning the quality, size and unit of weight in order to realize exact transactions between buyers and sellers. Therefore, simplified and unified standards should be established for produce moving through the huge central wholesale markets in Tokyo Megalopolitan area. The use of established standards for vegetables occurs gradually within a regional area. Vegetable marketing in Japan is different from the highly networked country-wide marketing channels in the United States. There are differences and similarities between countries in the problems of standardization. We need to collect more actual survey data to identify these differences and similarities and to identify the response to the marketing system in different regions and countries to standardization.

Finally, both farmers and consumers need to become aware of the benefits of both quality and good appearing vegetables that result in compensation to the farmer according to the grade of product he produces making available to consumers a choice of standardized grades, priced by grade, to meet personal tastes.

Professor V. James Rhodes describes Dr. Kambe's paper as an interesting and useful exposition of some developments in fruit and vegetable marketing in an area adjacent to one of the world's largest metropolitan areas. Dr. Rhodes makes some generalizations about the subject area and summarizes his remarks as follows:

Grade standardization is a communications device which becomes useful as a market economy develops. Its usefulness depends not only upon the degree of commercialization of the market place but also upon the willingness of market participants to use it. That willingness cannot be taken for granted. Rejection of grading by marketing participants may indicate that economic development has not proceeded far enough to make such standardization useful. On the other hand, such rejection may indicate that some powerful participants oppose it as a threat to their market power. Policy makers need to have the objectives of a proposed grading program clearly in mind and they need to understand how various market participants will perceive it as a help or a hinderance to their market position.

C. John Fliginger in the second part of Topic III discusses agricultural data systems and reinforces the statements of prior discussants in the need for timely, relevant and reliable information about commodities, supply, prices, location, quality and the like. Specific

projects of technical assistance by the USDA's Statistical Reporting Service are discussed with particular reference to the Dominican Republic, Panama, Nicaragua, and Tunisia.

C. Kyle Randall, Outlook and Situation Officer of the Economic Research Service, USDA, comments on Mr. Fliginger's paper:

Market Intelligence and Agriculture Data Systems are not the same thing. They have common elements and it would be difficult to conceive of a useful market intelligence system that didn't include an agricultural data system. But you can't stop with the data. To have a market intelligence system you have to analyze the data and reach some conclusions about what these data mean.

I wholeheartedly agree with John Fliginger's remarks about the need to establish priorities. I also endorse with emphasis his statement that basic crop and livestock estimates should be a major priority in any country. I certainly would rather have data without analysis than analysis without data . . . a market intelligence system includes interpretation and analysis of the data as well as the data itself. The interpretation and analysis must be built on the data. There is often a temptation to try to apply more sophisticated methods of analysis than can be justified by the data . . . what I'm trying to say is statisticians who are responsible for collecting the data, the analysts who interpret and analyze the data and the decision makers who use the results all need to participate in developing the priorities as to how the resources will be used in developing a marketing intelligence system.

It is also necessary to establish methods to ensure that the marketing intelligence developed by the system reaches the decision makers for whom it is intended in time to be useful in the decision making process. Informal methods of communication may suffice within the government but some formalized method of communication will usually be necessary to service nongovernment users of the marketing intelligence.

Leonardo A. Paulino discusses "The Agricultural Marketing News Service of the Philippines" as an element in the agricultural data system of a developing country. Professor Paulino traces the growth of the Agricultural Marketing News Service from the 1964 enabling legislation to the present. Discussed are the activities of the News Service, problems encountered in establishing and operating the system, benefits derived by producers, traders, and consumers, and plans for the future. Professor Paulino concludes his paper by stating:

The Agricultural Marketing News Service, as a relatively young market intelligence system, still leaves much to be desired. The system meets with the usual problems of developing economies on communications, grades and standards, etc. Improvement, however, continues and it is hoped that in time it will have significantly achieved its indicated objectives.

Section III C treats the "Physical Handling of Commodities: Markets, Transportation and Storage Facilities."

Dr. James E. Wimberly discussed the "Physical Handling of Paddy-Rice in Sri Lanka." Dr. Wimberly

has chosen Sri Lanka to discuss the experience of that nation as a small country making it easier to identify problems and needs. Examples of problems and solutions may be relevant to solving similar problems being faced by Pakistan, India, Bangladesh and other Asian countries. Dr. Wimberly places paddy-rice handling in a past, present and future framework. The present procedures for handling paddy-rice began in late 1970 with the Government decision to place the functions of paddy procurement, its storage and processing in a specially constituted government institution, established as the Paddy Marketing Board in 1971. The problems faced by the PMB and the solutions undertaken are detailed by Dr. Wimberly.

The PMB carries out these functions through: 4,000 paddy purchase centers, 365 stores in 260 locations, 20 PMB and 500 private rice mills, and transport of paddy between each of these operations. These facilities, regardless of conditions, are hardly adequate to handle the present paddy production in the country (approximately 75 million bushels).

With the new production target of 100 million bushels, the PMB is now faced with the most difficult problem of creating an additional storage, processing, handling and transport facilities to take care of the expected increase of 25 million bushels. Processing and transport to handle all this 25 million bushels are required. However, due to the procurement pattern (based on the cropping pattern) only 200,000 tons of storage is needed.

As self-sufficiency in paddy production is reached, then the country faces even more problems . . . as it looks to wheat substitutes—in order to be self-sufficient in all food grains. This will present new challenges with the storage, transport and processing of grains such as sorghum, soybeans and maize. Wheat cannot be grown in the country (present level of consumption is approximately 400,000 tons per year) and these crops appear as very good substitutes.

In summary, Sri Lanka, like many other countries, not only faces serious problems in food grains production but also serious problems in the handling, transport, storage and processing of these food grains. It is a country which has studied the industry, made definite plans to improve the industry and begun implementation of these programs.

Dr. John C. Abbott continues the discussion of Marketing Institutions and Services for Developing Countries through his paper "Physical Handling of Perishables: Markets, Transportation and Storage Facilities." Dr. Abbott starts his paper by stating:

The scope for improving the marketing of agricultural perishables in the developing countries is wide ranging and deep. There are limits, however, to the introduction of new methods and equipment set by the extension of local know-how and organizational development, by costs of operation in relation to scale of enterprise and consumer incomes, and sometimes by considerations of a social nature.

The effect on wholesale markets and distribution by the great changes that have taken place in modern transport, communications and ordering sales tech-

niques are discussed. The use of packaging in marketing, storage facilities, and social aspects of marketing are discussed in broad aspects, including the relevance of change to a given country or area. Dr. Abbott concludes with:

Some years ago we began an attempt to classify countries by their stage of development in marketing and from this drew inferences on the need for particular techniques and institutions. Some of the lines of classification are fairly clear, e.g., level and distribution of consumer incomes, degree of concentration of population in large cities, dependence on agricultural export earnings, extent to which labor is in surplus. It would be interesting to carry this approach further and see how far it could be useful in formalizing policy criteria.

Dr. James Snitzler, discussant of Dr. Abbott's paper, stressed the use of transportation studies to review the entire transportation system of a country or region and seek means to improve it so that the system may serve the total needs of the geographical area. Dr. Snitzler used the Central American Transportation Study as a case study having an objective to develop a ten-year transportation development program assuming economic integration of the five countries of Central America and economic and social development plans of the region. Prior to the development of the Central American Common Market, little attention had been given to transportation connections with neighboring countries since the transportation systems were developed to serve the capital and urban centers, and banana production areas with ports on the Atlantic or Pacific Oceans.

The Regional Plan for transportation in the five Central American countries is aiding in expansion of the Central American Common Market both internally and externally and has identified current needs and priorities. As transportation systems improve, the need for improvement in supporting marketing institutions becomes evident—such as the need to relocate and update market handling facilities for easy access by producers and consumer, refrigeration and facilities for preserving the freshness of fruits, vegetables and meats and to improving the efficiency of handling commodities.

Overall Dr. Snitzler thinks the record for transportation planning and investment in developing countries has been quite good but can be improved by better balance between investment to improve or construct primary, secondary and tertiary roads to permit further penetration from production areas to markets; by concentrating on integrated transportation networks rather than individual projects; and, by considering need for additional supplementary investment in irrigation, production supplies and seeds, technical assistance, credit, marketing and storage facilities.

Dr. Milton L. Barnett presented a paper on Topic III-D "Changing the Institutions to Meet Developing Needs of Smallholders."

Dr. Barnett reminds us of the need to take into consideration indigenous social systems, the interacting institutions, in planning programs of change. He points out, however, that doing so is far from a common practice. Great depth of the "cultural field" is required in planning programs of change as enunciated by M. L. Wilson three decades ago on the importance of traditional values, beliefs and modes of social organizations in the shaping of programs of planned change. The emergence of the so-called second generation problems of the Green Revolution has reinforced the acceptance of Wilson's position. The development economist is reminded of the general works of economic anthropology in "which there is a growing body of materials drawn from field investigations focusing on marketing and market places." World-wide, the market place in remote areas is at the core of the community and the surrounding region and is a reflection of local economic behavior and linkages. The patterns of social obligations and rights and patterns of behavior linking the agricultural producer/seller with the transporter/trader must be understood and the contractual inferior status of the small-holder in market relations is obvious.

The staple food psychology is pervasive among subsistence farmers, and farmers are unlikely to take the risk of switching much of their land to a new crop without first providing for the staple foods for the family. Farmers are aware of vagueness in policy of government and past experience counsels caution. Changing institutions to meet developing needs in a predominantly agricultural society will occur successfully when an integrated approach to rural populations and their problems is formulated and implemented at the rural level. Farmers need a unified agency where most of their needs can be satisfied—production inputs, credit, extension services, marketing services—available on a timely basis at reasonable cost. Social needs also need to be met including the opportunity to feel some sense of dignity as a farmer and as a rural person, and a feeling that government personnel work for them. Not to consider the producer level of organization is self-defeating for a program, its formulators and political sponsors. Development involves people, and modes of behavior, newly emerging senses of identity and loyalty to a broader group.

Dr. William C. Merrill comments on Dr. Milton L. Barnett's paper "Changing the Institutions to Meet Developing Needs of Smallholders." Dr. Merrill identifies the major goals of rural development as:

1. increase agricultural output
2. increase rural employment
3. reduce income differences
4. improve health and nutrition levels
5. expand educational opportunities
6. improve the capacity of national and interna-

tional agencies to plan, organize, and manage modern technological packages.

Dr. Merrill proceeds to give examples of technological and institutional innovations required to achieve these goals.

Topic III-E, "Special Needs of Export Development," was discussed by five participants: Dr. William S. Hoofnagle, Dr. Wen-fu Hsu, Clarence Dunkerley, Michael Moran, and Sopin Tongpan.

Dr. William S. Hoofnagle presented a paper on Topic III-E, "Special Needs of Export Development in Vietnam—A Case Study." Over the past two years (1972-1974) studies have been conducted to evaluate the export potential for Vietnam's forestry, fishery, and selected agricultural products in international markets. Of these three categories of resources, forestry likely holds the most immediate and greatest promise for export trade. Dr. Hoofnagle discusses the potential of Vietnam's forest resources, outlook for domestic use and export opportunities. He summarizes the study:

Vietnam has a sizable area of productive forest—apparently totaling about 6.4 million hectares. This forest can contribute substantially to the development of South Vietnam if it is properly used and managed. If, in addition, the timber productivity of the rest of the land best suited for timber growing is restored, the total contribution of the forest can be remarkably high. The annual output of timber products in South Vietnam is presently worth about \$100 million. It could be raised to \$1 billion or more by the end of the century. In pondering the decision as to what priority should be given to forestry and timber industry development on a national scale, several realities are of exceptional importance. The population of South Vietnam is likely to double by the end of the present century, creating a great additional burden on economic development. Barring the discovery of great new mineral wealth, the forest land is the principal non-agricultural resource upon which economic growth can be based.

Although the forestry potential is excitingly large, there is a question as to how much of that opportunity can be captured under the circumstances surrounding South Vietnam today. It requires establishing a control over the forest (nonexistent at present) and the institution of highly disciplined timber management. It requires forbearance in the use of the existing sawtimber to spread it over the next several decades, along with a large tree planting program to more quickly harness the enormous production potential of the forest. Timber industry expansion must be carefully designed if it is to do the most good.

What it boils down to is that, although South Vietnam can make some big economic gains by developing the forest resource, the task will not be easy. An aggressive, continuing, and consistent public effort will be required. Five issues should have top priority at this time:

1. An official policy decision is needed specifying the reliance that will be put on timber development in South Vietnam's effort to gain economic muscle.
2. Land-use commitments must be made soon to minimize misuse, destruction, and wasted effort. Land classification based on soil and hydrologic character-

istics, community needs, and other factors is necessary to definitely establish which areas are to be used for timber growing and which for other purposes.

3. The governmental structure for forestry and timber industry development should be overhauled to handle greatly increased responsibilities.
4. Effort to attract and coordinate assistance from international agencies and developed countries should be increased.
5. A crash effort should be made to restock lands deforested by centuries of neglect and abuse and decades of war.

Dr. Wen-fu Hsu presented a paper on Topic III-E, "Development of Integrated Cooperative Export Marketing System of Bananas in Taiwan."

Dr. Hsu examines some of the evolutionary development processes and the roles played by the Fruit Marketing Cooperatives in export marketing of Taiwan's bananas. The fruit marketing cooperative in Taiwan is organized by growers of bananas, citrus, pineapples and other marketable fruits. The main functions of the marketing cooperative are primarily in providing a wide range of services for marketing growers' production, with emphasis on export marketing of fruits of which bananas are dominant. In addition to rendering a wide range of marketing services to growers, fruit marketing cooperatives also extend their services to production to improve the product quality and volume to meet export demands. Production services include supplying improved banana seedlings and providing production loans; cooperating in research to improve production and plant protection; conducting production extension education; and performing air spraying for disease control.

Dr. Hsu discusses the marketing institutions for bananas at different states of economic development. Presently, Taiwan's export marketing of bananas is handled entirely by the Taiwan Fruit Marketing Cooperative after passing through a long evolutionary process during the past 30 years.

Dr. Hsu concludes:

Marketing institutions for agricultural products in the less developed countries are generally weak and inefficient. Very often, the services performed are poor and less productive. But the innovations and changes of a marketing institution, as experienced in Taiwan, are not easy. They always take a long evolutionary process before some improved systems may be formed. In the case of fruit marketing cooperatives in Taiwan, the evolution took almost 30 years to become the present status. But this may not necessarily be the end of evolution. Its organizational characters and functions performed may need to be improved further in the process of economic development.

It is also realized that the development of marketing institutions is related closely to the stage of economic development of a nation. In the early stage of development, the priority of development is usually placed on the production side because it is the basic problem to be solved in any society. Naturally, lack of capital to invest in the

improvement of marketing facilities and services through reorganization of the existing institution is also the key problem currently seen in the earlier state of development.

It is generally an ideal case that the development of marketing institutions could always keep the same pace with that in agricultural production. Otherwise producers and consumers could not get the real benefits from the increase in efficiency of farm production. But it is usually not the case due to some internal and external barriers. In this connection, wise decision-making and actions should be taken by government authorities at proper time in order to guide toward a more efficient marketing institution.

Clarence Dunkerley presented a paper on Topic III-E, "Special Needs of Export Development—Reliable Information—The Development of an Information System in the Dominican Republic."

Mr. Dunkerley presented a brief resumé of some of the factors entering into the development of an information system to provide reliable information for decision-makers in the Dominican Republic. The information system was developed in 1972 initially for coffee and cocoa, important export crops for the Dominican Republic. The statistical system is flexible and responsive to the need of information on a timely and current basis. Additional studies have been completed in the areas of farm credit, per capita food consumption, population characteristics, labor force makeup and unemployment, prices received by farmers and national health, nutrition and education.

Michael J. Moran presented a paper on Topic III-E, "Internal Marketing Structure Requirements for Fruit and Vegetable Exports: A New Industry for Costa Rica."

Dr. Moran directs his paper to Costa Rican exports of fruits and vegetables other than bananas and plantains. The export marketing system for bananas is highly developed by a few large international companies.

In recent years a variety of fruits and vegetables have been exported on an experimental basis in relatively small quantities. No apparent steady pattern of supplies has yet emerged although an export opportunity exists resulting in large part from favorable climatological conditions, availability of relatively low cost land and labor and proximity to potential markets.

Dr. Moran discusses the transformation of the processing industry for fruits and vegetables in Costa Rica, farm size and area cultivated by commodity. The average number of hectares cultivated per farm ranges from a high of 2.0 hectares for potatoes to a low of 0.12 hectares for sweet corn. The export market patterns suggests small scale operations in absolute volumes. This leads to the basic question of minimum size firm or industry for optimum efficiency in meeting requirements of importers.

Key structural problems discussed by Dr. Moran include for the private sector, lack of commercial producers; availability of farm production inputs; knowledge of export market requirements; development of domestic markets; transportation; and research and promotion. The government sector has an important influence in the marketing of agricultural products in Costa Rica and its role in relation to the development of non-traditional agricultural commodity export is discussed by Dr. Moran. Several important government incentives are available such as the Export Promotion and Investment Center; the Export Promotion Law that provides tax incentives to exporters of non-traditional commodities; the banking system providing financial assistance; and the establishment of CITA, a technological research center. Areas for improvement include coordination of government market functions with those of the private export sector; identifying export capabilities and relating capabilities to development objectives such as small farmer participation in new endeavors.

A discussion of critical factors for export development includes development of quality standards, and quantity necessary to attract buyers on a continuing basis. A critical factor is to create a quality consciousness among producers and laborers.

Some of the most crucial export development factors are: awareness of greater planning and coordination to enter an export market as compared to the domestic market; commercial orientation of farm production; development of the domestic market; improvement of infrastructure such as irrigation; efficient internal transportation; financing capital needs of producer-exporters; services of extension, market information, grades, standards and packing, research; and meeting training and educational needs.

Sopin Tongpan presented a paper on Topic III-E, "Marketing Control for Implementing Government Policy on Supply Management."

Professor Tongpan defines supply management to cover the broad area of production promotion. He addresses the question of what kinds of marketing controls can governments use to give impetus to programs and policies promoting production.

Professor Tongpan indirectly addresses the questions raised by discussing a few examples that involve marketing controls for supply management. One example involves the problem of organizing production to supply the right quantities of bananas of the right quality and the right state of maturity to the ship. Banana export requires very precise supply management. Services and institutions must be developed to support the explicit policy objectives of promoting agricultural production, increasing rural incomes and expanding agricultural exports.

Another example involves the shift of pineapple processing from one country to another. Processing

capacity is over expanded. Local fresh market price increases and producers deliver the product to the fresh market rather than to the canneries. What happened? Existing institutions and services were not adequate to manage supplies.

It is clear that certain priorities and sequences are crucial in institutional and service development of marketing controls for supply management. Experience in developing countries with marketing controls, particularly for supply management, is meager. Supply management or production promotion activities covers a wide range, from programs affecting production at the farm level to the improvement of marketing infrastructure both domestic and foreign market. In most cases the government has to take strong action to both initiate and implement the programs.

Topic III-F, Price Stabilization, was discussed by Dr. William T. Manley and Walter J. Armbruster—"Marketing Controls for Implementing Government Policy Through Price Stabilization."

Using the three stages of development in agriculture described by Schultz—traditional, transitional, and modern—government-sponsored price stabilization programs may be desirable to encourage the adoption of new methods once agriculture begins to move away from the traditional stage. Simultaneously with encouraging the production sector, price stability can also stimulate expansion of market facilities and make possible the further development of markets. Thus, price stability programs may be used to protect and hasten economic growth in the entire agricultural industry in the early transitional period.

As the market develops, institutional arrangements such as contract production of fruits and vegetables may be used to provide a form of price stabilization directly rather than through a government program. As a country's production and marketing system becomes more sophisticated, continued price stability to maintain growth may be achieved through government sanctioned programs operated by industry representatives or marketing boards. Marketing boards may participate actively in marketing or play a less directly involved role. The latter approach is normally the case in an economy with a sophisticated private sector marketing system. Forms of direct market involvement include:

1. domestic monopoly of trading and processing;
2. export marketing and price stabilizations;
3. buffer stocks of basic food grains.

The price stabilization programs may be used individually or in combination. Many of the U.S. marketing orders combine elements of functions attributed to all three types of market boards which exclude direct sales involvement, while being used in conjunction with the private sector contract production and bar-



gaining efforts which help stabilize price. These functions take various forms or combinations: establish minimum marketable quality standards which by law also apply to imported quantities, research to improve production and marketing processes, and market development authorities.

In summary, the purpose to be served, the organization and economic capability of production units, the stage of development of the market system, trade relationships, and the political climate interact to determine the appropriate price stabilization program to be employed.

### Appendix 1

#### *ADC/RTN Seminar on Marketing Institutions and Services for Developing Agriculture*

Summaries of the discussion papers were prepared by Haven D. Umstott, Agricultural Economist, Economic Research Service, USDA.

#### *Participants:*

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