

A PROPOSED NATIONAL PROGRAM
FOR IMPROVING FOOD MARKETING
IN COLOMBIA

Introduction

This paper is a preliminary proposal for a coordinated national program to improve the food assembly-distribution system so as to better serve the needs of a rapidly urbanizing society.^{1/} The proposed national food marketing program is generally consistent with the development policies that have been adopted by the Colombian government. The program includes many of the existing activities of the Ministry of Agriculture and related agencies. Nevertheless, some major program changes and additions are being suggested that will assign a high priority to public efforts to foment progressive and efficient private sector food marketing operations.

Existing Policy Goals

A principal goal of Colombian agricultural policy has been to achieve a rapid increase in production. Other sub-goals that have been identified are as follows:^{2/}

1. To increase the capacity of the agricultural sector to generate employment.
2. To achieve a more equitable distribution of income.
3. To support agricultural product prices at a level that assures sufficient production for growing internal consumption needs and to increase agricultural exports at competitive prices.
4. To reduce the costs of production through an increase in productivity of both land and labor.
5. To improve the system of marketing with a view toward reducing costs and guaranteeing sufficient supplies to take care of internal consumption needs as well as exports.

^{1/}This paper is limited to domestic food marketing. It does not deal with other aspects of agricultural marketing which include the manufacture and distribution of agricultural inputs and the production and marketing of major export commodities.

^{2/}Departamento Nacional de Planeación, República de Colombia; Memorandum Sobre Política de Desarrollo Económico y Social del Gobierno de Colombia, Bogotá, D.E., May 7, 1970, p. 81.

6. To diversify agricultural exports with the objective of reducing the dependence on a few products.
7. To adequately manage natural resources in order to avoid their destruction and inadequate use.

These goals apparently continue to be the basic frame of reference for the new government that assumed office on August 7, 1970. However, some significant shifts in relative priorities have been indicated.^{3/} In general, a higher priority is being assigned to programs that will generate employment, improve the distribution of income and increase the level of living in the various regions of the country. In keeping with this policy orientation a new development effort is being focused on the problems of urbanization and regional economic integration.^{4/} At the same time a recent agricultural policy statement from the Departamento Nacional de Planeación reaffirms the need for improvements in food marketing.^{5/}

Food Marketing and Economic Development in Colombia

Food production, processing and distribution constitutes the largest set of closely interrelated activities in the Colombian economy. It is estimated that as much as one-half of the total gross national product originates in the food industry when defined to include all phases of the food production-distribution process. Approximately 45 percent of the Colombian population still lives in rural areas and gain their principal livelihood from agricultural production activities. In the aggregate, about 40 to 50 percent of total expenditures by urban households goes for food. But the poorest one-half of the urban families are spending 60 to 80 percent of their income for food leaving relatively little for other goods and services.

Approximately one-half of the urban consumers food outlay goes for marketing services involved in assembly, processing, storage, wholesaling and retailing. These services are essential productive activities in a developing economy where productivity gains are closely linked with increased specialization in production and exchange.

^{3/}Declaración del Consejo Nacional de Política Económica y Social, August 21, 1970.

^{4/}Ministerio de Desarrollo Económico y el Departamento Nacional de Planeación, Plan de Desarrollo Económico y Social y Plan de Desarrollo Regional y Urbano, September 11, 1970.

^{5/}Departamento Nacional de Planeación, Política de Desarrollo del Sector Agropecuario, September 1970, p. 5.

The demand for food marketing services is increasing rapidly as the Colombian population becomes more urbanized and as real income increases. At least 40 percent of the Colombian people now live in 26 cities with populations of 100,000 or more. The three largest cities (Bogotá, Medellín and Cali) have populations ranging from 900,000 to 2,500,000. At present rates of growth many of these cities will double in size before 1985. And as consumer incomes rise the demand for higher quality foods, packaging and processing will increase.

The existing food marketing systems serving these large urban centers are becoming increasingly unsatisfactory from both the consumers' and farm producers' viewpoints. From a more macro point of view the lack of effective organization of food marketing activities is hampering economic growth and development.

A brief diagnostic description of the food marketing system serving the city of Cali will illustrate the nature of the problems confronting all of the major cities in Colombia. These observations are drawn from a comprehensive study of the Cali urban food distribution system and the commodity production-distribution systems that link Cali with rural areas.^{6/} Although there are regional differences in food production and consumption patterns the basic structure of the marketing systems and the institutional settings are quite similar among the various Colombian cities and their related food supply areas.

The bulk of the food reaches Cali consumers through about 9,000 small retail outlets. There is an average of one retail food outlet for every 15 households. Food purchases by type of retail outlet were as follows for a representative sample of Cali households.

<u>Type of Outlet</u>	<u>Percent of Purchases</u>
Personal Services Stores (tiendas and graneros)	55
Public Market Retailers (puestos and mobile vendors)	20
Specialized Outlets (meat, poultry, dairy and bakery products)	12
Self-service Stores	<u>13</u>
TOTAL	100

Because of the limited line of products handled by neighborhood tiendas and

^{6/}Véase el Informe Final del Proyecto PIMUR, Coordinación de Mercadeo y el Desarrollo Económico del Valle del Cauca: Diagnostico y Recomendaciones, Cali, Colombia, 1970.

the inconvenience of the public markets, most consumers spend a great deal of time shopping for food. While public markets tend to offer lower prices and a better assortment of fruits, vegetables and meats, the cost of transportation to get to and from these markets adds to total food costs and makes it impractical for many of the lower income families to shop there. Consequently, these low income families purchase much of their food at nearby tiendas where prices tend to be higher and products are of lower quality than in the public markets or in self-service stores.

Retailers, like consumers, also spend large amounts of time buying, assembling and transporting products to their places of business. Individual wholesalers handle relatively few products and offer few services to the retailer other than product availability and short-term credit at high interest rates. Most products are ungraded so the retailer usually finds it necessary to inspect each purchase. Consequently, early each morning thousands of small retailers converge on the wholesale market areas to search for their supplies and to haul them back to their neighborhood stores or to their puestos in the public markets. The physical congestion of vehicles and people in wholesale markets where narrow streets and the logistical problems of using makeshift facilities as warehouses adds unnecessary costs to the food distribution system. Poor handling practices also contribute to significant losses of perishable products and unsanitary conditions which create serious health risks for consumers. In addition, community leaders in Cali and other large cities have become increasingly concerned with the aesthetic and socio-economic problems created by antiquated wholesale markets located in the center of the city.

Many food processors find it impractical to use the existing system of food wholesaling to distribute their products. Hence, these processors have organized their own systems of distribution with trucks delivering small quantities of products to thousands of tiny retail stores. The unit costs of this type of distribution system is obviously very high but processors argue that they cannot get adequate promotional and logistical support for their products through traditional wholesalers.

Based upon the PINUR studies it was concluded that it would be possible to reduce urban food distribution costs in Cali by 20 to 25 percent through a coordinated program to improve the wholesaling and retailing system. Major structural and institutional changes in the system are believed to be necessary. These changes can be facilitated by public policies and programs that are

presented later in this discussion paper.^{7/}

Although it seems appropriate to assign a high priority to the improvement of urban food distribution systems there are also important gains that can be achieved through improved vertical coordination of the commodity, production-distribution systems which supply the large urban centers.

The assembly function is costly because it often deals with the collection of very small quantities of poorly sorted products. It is risky because of the uncertain quality and the uncertainty of finding a profitable market. The channel from farmer to urban wholesaler may involve several transactions and considerable unnecessary handling of the product. This is especially true of the fruits and vegetables. Furthermore, farmers and assemblers may not be able to successfully introduce improved practices, such as grading and packaging, without the cooperation of urban wholesalers. Hence, modernization of urban food distribution systems may provide greater economic incentives for improvements in assembly market operations. This points up the high degree of interdependency between the different stages in the production-distribution process.

Pricing procedures, information flows and transportation services, storage and processing are important elements in an efficiently coordinated commodity supply channel. Special commodity marketing improvement programs are needed not only to reduce marketing costs but to stimulate and give direction to farm production.

The marketing program proposed in this paper can make substantial contributions to the achievement of the national policy goals summarized earlier in this paper. Increases in food marketing efficiency would directly benefit all consumers through lower food prices and improve services. Since low income urban families spend a very high percentage of their earnings for food they would stand to gain relatively more than families with higher incomes. The gains in real purchasing power of urban consumer would increase their effective demand for additional food as well as non-food consumer goods and services. Thus, one of the secondary effects of marketing improvements should be a relative increase in prices received by farmers for raw products which should stimulate an expansion in output. As this occurs farmers would demand additional urban produced agricultural inputs and consumer goods.

Another secondary effect would be the increased demand for non-food consumer goods that would stimulate industrial output. Thus, food marketing

^{7/} For a more detailed presentation of the diagnostic description of the Cali urban food distribution system and related recommendations see Chapter 2 of the PIMUR Final Report.

improvements that reduce food costs to low-income urban consumers can have several favorable effects on internal economic development.

It also seems reasonable to expect that improvements in the organization of the marketing system for domestically consumed food products can lay the foundation for successful entry into international markets. Currently, a major barrier to expanding non-traditional food exports is the lack of sufficient volumes of uniformly high quality products to enter into contracts with large scale buyers in foreign markets. The development of more modern food production and processing activities for internal markets can be a vital step in creating the capability for export market development.

The generation of employment opportunities is a high priority policy goal of the existing government. This national food marketing plan can contribute to this goal by stimulating both agricultural and industrial production. Furthermore, increased productivity in the provision of marketing services can be achieved without serious disemployment effects. Given the expected rapid expansion in demand for marketing services and the prospective rate at which marketing changes can be instituted, it is anticipated that total employment in food marketing activities will continue to rise. Meanwhile, the output per worker should be increasing. Hence, the total number of new jobs created in food marketing will be less than if no attempt was made to improve the efficiency of marketing functions. On the other hand, the secondary and tertiary effects of improvements in food marketing should create additional job opportunities in farming, and in non-food consumer goods production and distribution. While it is difficult to assess the net, longer-run effect of food marketing reforms on aggregate employment it seems unlikely that the negative employment effects would outweigh the anticipated economic and social gains.

A National Food Marketing Program

Colombian development policy has placed high priority on programs to expand agricultural production. Large public expenditures have been channeled into the construction of transport infrastructure to better integrate the national economy. The National Food Marketing Agency (IDEMA) has focused most of its efforts on price stabilization and management of food importations. Relatively little attention has been given to the fomenting of an efficient and effectively competitive private sector in food marketing although this represents a large and increasingly important segment of the food industry.

The program outlined in this paper focuses on those activities which should receive high priority in a recommended public effort to improve the Colombian food marketing system. Heavy emphasis is placed upon the role of government as a facilitator and fomentor of private economic activity but with sufficient regulations to guide these activities toward generally desirable goals for national economic development.

It is recognized that there are many programs currently underway in a variety of public agencies which contribute to the development of an effective marketing process. There has been no attempt to identify all of these programs and to evaluate their effectiveness. Therefore, the recommendations presented below should be viewed as an attempt to identify selected existing programs that should definitely be continued and strengthened and some major new program efforts to foment improvements in private sector food marketing.

Improvements in Existing Programs

Price Stabilization Program --- This program has operated for a number of years as the principal activity of IDEMA and its predecessor INA. Continuous efforts have been made by the Ministry of Agriculture to improve price support and grain importing activities. Grain storage facilities have been expanded, and the information gathering and analytical support of decisions on price supports and importations are being substantially improved. These activities should continue to receive high priority at the national level.

The price stabilization program should continue to be focused upon the use of price supports as a stimulus to farm production and as a means of reducing supply and price fluctuations through guaranteed forward prices. Price supports should not become a means of transferring income to farmers. When used as an income transferral mechanism, price supports (a) tend to be capitalized into the land values and offer no long-run solution to the low income problem in agriculture, and (b) the wealth transfer tends to be in proportion to existing wealth held as land. Thus, the transfers are essentially from poor people as consumers to wealthy land owners as producers.

In order to make fuller use of grain storage facilities institutional arrangements should be made so that approved private storage facilities could be utilized in a loan and storage program. If a farmer so desired he could deliver grain to commercial facilities at harvest time and to receive a loan representing a percentage of the support price. Later if the open market price rose above the support level the farmer could sell the commodity and repay the

loan thus realizing the economic gain of the price advance. If the price did not rise above the support level plus storage charges the farmer could close out a sales transaction to IDEMA. At present INAGRARIO and commercial storage firms (Almacenes Generales de Deposito) can make loans based on a percentage of the IDEMA support price but the farmer does not have the option of leaving the product where it is and closing out a sales arrangement with IDEMA.

Further, the regulation applying to grain storage should be broadened to permit assemblers and wholesalers to use warehouse receipts as collateral for loans from INAGRARIO and commercial storage firms. The additional participation of wholesalers and assemblers in purchasing stocks, storing them and rationing them out as prices increase should help to stabilize prices.

Market Information Programs -- The effectiveness of an open market system in allocating products in consumption and factors in production depends on the flow of accurate and timely information. Recently, steps have been taken by DANE and IDEMA to improve the information flow serving the food system. A price reporting service on selected food products has been instituted in the major cities and a crop reporting and forecasting service is now being developed and tested. Substantial improvements are also being made in the collection and rapid dissemination of basic statistics including data on food production and factors affecting consumer demand. High priority should be given to the continuous effort to maintain and improve this information system. This will require periodic review, evaluation and readjustment of these programs to insure their maximum usefulness given the scarce resources to support such services.

Grades and Standard Program -- The usefulness of a price information system is greatly enhanced by a uniform system of grades, standards, weights and measures. Price quotations on products that vary widely in quality are of limited value to a market operator or farmer in deciding where or when to sell or buy. Also, the potential economies of commodity transactions on the basis of description rather than personal inspection is dependent on an accurate system of product identification.

Progress has been made in developing grades and standards for storable products purchased by IDEMA in their price support operations. These grades and standards need further refinement to make them more useful in commercial trading activities. IDEMA should promulgate voluntary grades and standards

for a broader range of products giving priority to those where there are opportunities to substantially improve market coordination through better product identification. It should be recognized that standard product grades can only be effective when individual traders find them useful and workable.

Price Controls Speculation and Acaparamiento -- The National Superintendency of Prices presently has the authority to fix prices for "goods of prime necessity" and a number of processed foods. National price control policies serve two highly inter-related purposes: (1) to hold in check price increases as part of a total program of inflation control, and (2) to control monopolistic pricing practices in production and distribution. A recent statement by Planeación Nacional indicates that prices are to be controlled at the producer level if excessive economic concentration is likely to lead to monopolistic pricing and thus produce inflationary tendencies. Similarly, prices are to be controlled at the wholesaler or retailer level if there is a clear possibility of monopoly pricing practices at those levels. At present these criteria are not being utilized in establishing price controls on food products. Under present practices, price controls are generally established and sporadically enforced at the retail level regardless of where monopolistic tendencies exist in the production-distribution system. Since the structure of food wholesaling and retailing is characterized by large numbers of competitors, price controls should not be needed at those levels. Moreover, enforcement of retail price controls is both difficult and in most cases ineffective. Sporadic and arbitrary enforcement has both a corrupting effect on businessmen and a negative effect on efforts to allocate resources efficiently.

Price control is also approached by present laws against speculation and acaparamiento. Thus, "the purchase and retention of basic food products, merchandise, and effects (efectos) in order to produce an unjustifiably high price" is illegal.^{8/}

This difficult judgement is to be made by competent authority. Because the legitimate function of storage is to hold supplies in expectation of higher prices, it has been extremely difficult for enforcement authorities to define "unjustifiably high prices". Fear of litigation against speculation has caused assemblers, wholesalers and retailers to avoid performing the storage function,

^{8/} National Decree Numbers 46/65; 1469/63.

resulting in an increase in price instability rather than decreasing it as the law proposes.

Given extensive external effects, monopolistic structures, the pressures of inflation, concentrations of wealth and goals of rapid development, a theoretical argument can well be made for price regulations. But it must be recognized that formulation and administration of such regulations is extremely difficult and may introduce a number of undesirable economic effects. It is, therefore, recommended that price control on food products be reviewed commodity by commodity in order: (1) to assure that the stated criteria of price controls are indeed being applied; and (2) to eliminate or revise price controls where effective enforcement is impractical or where such controls are causing significant distortion in resource use. It is also recommended that the laws on speculation and "acaparamiento" with their arbitrary application be suspended.

Road Improvements -- The current agricultural development plan calls for the improvement of existing feeder roads and for the construction of penetration roads to aid in opening new agricultural areas and in providing better market connections for partially developed areas. This type of infrastructure is fundamental to Colombian development. Although the road construction program is a responsibility of the Ministry of Public Works, it is important that the agencies associated with the Ministry of Agriculture (ICA, INCORA and/or IDEMA) make studies and offer recommendations on priorities for road investments. Priorities should be given to road investments serving areas that have substantial undeveloped agricultural productive capacity and that can be economically linked into the existing market system.

New Programs to Foment Improvements in Private Sector Food Marketing Activities

Increased efficiency in the use of available resources is fundamental to the achievement of rising levels of output and per capita income. Public policies and programs in agriculture have placed major emphasis on stimulating technological change in farm production through research, education, technical assistance and credit programs. However, much less emphasis has been directed to the fomenting of private sector participation in food distribution. Some of the existing public policies actually reflect an attitude of distrust and antagonism toward intermediaries.

If the food system is to make the desired contribution to overall economic development goals a reorientation of national food marketing policies and

programs should be considered.

New Department in IDEMA --- It is recommended that a new department be created within IDEMA to foment private sector activity in food distribution. This department should have the following functions:

1. Promote the development of regionally integrated marketing programs. (These regional programs are described later in this proposal.)
2. Review and coordinate funding requests from regional and local marketing agencies.
3. To provide technical assistance to municipalities interested in planning improved food distribution systems.
4. Coordinate the procurement of external technical assistance for food marketing programs.
5. Arrange for practical training programs in cooperation with SERNA, INCOLDA and the regional food marketing agencies in order to assist managers of food marketing firms and to train employees in food handling skills.
6. Stimulate the development of marketing research and educational programs in ICA, appropriate universities research centers and by institutes such as CEINA and IIT.

Regional Food Marketing Programs -- It is recommended that regional marketing programs be organized and operated through semi-public entities such as those recently organized in Cali and Bogotá. The purpose of these regional entities would be to foment major structural changes in food marketing systems in large cities including the food supply channels serving these urban centers. As the program evolves attention should also be given to food distribution problems in closely related secondary cities and smaller towns.

Currently a major food marketing improvement program is underway in Medellin with its primary focus on the construction and operation of a new wholesale food market and several plaza mercado retail markets. It is suggested that consideration be given to the possibility of broadening the scope of activities of the Medellin program and of organizing a new regional program in Barranquilla. Additional programs could be organized in other regions as resources and as needs become more urgent.

The regional food marketing entities would engage in the following activities with adaptations to local situations:

1. Assessment of the needs for food wholesaling and processing

facilities in the urban centers, the preparation of feasibility studies for needed facilities and detailed plans for constructing and financing these projects.

2. Supervise construction and to operate marketing facilities which are proven to be needed and feasible and which cannot be undertaken by private enterprise. Private firms may not be able to finance major wholesale centers or to carry out other market coordination functions that will benefit the community. However, some private investment funds could be included in the overall financial plan for these market facilities. In operating marketing facilities the regional marketing agency should not engage in the buying and selling of commodities.
3. Foment the development of an efficient and effectively competitive system of food wholesaling and retailing in the large urban centers. This will involve the organization of wholesaling establishments that would carry a broad line of food products with closely coordinated relationships with a group of retail stores. Emphasis should be placed upon achieving sufficient scale to achieve reasonable efficiencies in food handling. These wholesale-retail units could be organized as voluntary chains, as retailer cooperatives, as a federation of consumer cooperatives or corporate chains. Some mixture of the different organizational forms would be desirable as a means of ensuring effective competition.

In order to achieve lower costs and improved services to consumers, voluntary and cooperative wholesaling units should be closely linked with the retail operations through supply contracts and systematized procedures for ordering and delivering products to each retail outlet. The wholesaler should also provide technical assistance and supervision to individual retailers on store modernization, merchandising practices, personnel training, accounting and overall store management.

A number of incentives would be used to foment the recommended changes in food retailing and wholesaling. Those wholesalers and retailers willing to adopt the desired contractual relationships would be offered closely supervised credit, technical assistance and practical training. Personnel from the regional marketing

institution would provide or coordinate the credit supervision, technical assistance and training. The source of credit would be the special line of credit for food distribution firms described later in this proposal. Priority should be given to food wholesalers and retailers serving low income areas.

4. Foment improvements in the traditional retail-wholesale food system. Traditional wholesalers and retailers will remain important in food marketing for many years. Substantial improvements can be made in their operations. It is recommended that the regional marketing agencies cooperate with SENA, and other agencies in offering supervised credit, technical assistance and training to traditional wholesalers and retailers, including plaza stall operators.

In addition, the development institution would search for ways of facilitating changes in the traditional system. For example, by developing new rules for plaza operations, by stimulating the development of rationalized delivery systems, by establishing rules for the central wholesale centers which encourage some scale and greater efficiency and by offering special information and services. Cooperative buying arrangements for market plaza retailers could be encouraged.

5. To foment improvements in the market channels between producers and wholesalers. It is expected that the development of effective wholesalers will provide a major stimulus to improving the assembly functions. Larger wholesalers with established retail outlets can work directly with farmers and processors to stimulate the production and timing of delivery of products of desired specifications. With assured outlets farmers will be in a position to engage in greater specialization and to market in much larger quantities.

The regional marketing agencies would work with other agencies to institute a variety of improvements to the channel. For example, the agency would help develop producer cooperatives and facilitate the development of supply agreements between such cooperatives and major wholesalers. The regional agency would also work with other agencies to promote grading, standards, purchasing and handling practices which are practical and could be agreed upon by all participants in the marketing channel.

Through the Caja Agraria or INCORA supervised credit to farmers could be used to stimulate concentrations of production in areas especially adapted to particular commodities in order to reduce the costs of assembly.

Due to the wide variety of public agencies involved in agricultural production and marketing, the obvious overlap in supply areas for the four major cities and the complexity of the problems being addressed, it is imperative that close coordination be maintained between personnel in the regional marketing agencies and other agricultural agencies. The proposed new department of IDEMA would be the national coordinator but each regional marketing agency would be responsible for seeing that appropriate coordination arrangements are maintained. Through collaborative agreements with entities such as ICA, IIT, IDEMA, agricultural credit agencies, INCORA (CECONA), INDERENA, etc., the regional marketing agencies would organize the applied research, supervised credit, technical assistance and training programs related to the areas of activity described above.

While it would be desirable to immediately establish regional food marketing institutions to serve all metropolitan areas it is recommended that during the initial stage regional institutions be established to serve only the four largest cities. Here improvements are critical. It is recommended that programs for improving food marketing be carried out in the other areas by a coordinated effort of existing national agencies including IDEMA, ICA, SENA and agricultural credit agencies drawing on the experience and personnel of the four major regional institutions.

IDEMA Program in Food Wholesaling and Retailing -- Where feasible it is recommended that existing IDEMA food wholesaling and retailing operations be converted into either retailer cooperatives or a federation of consumer cooperatives. Retailer cooperatives could be formed by selling existing retail units to individual retailers on a contract basis that would link the store to the wholesale warehouse. The wholesale unit would continue to be operated by IDEMA. Through technical assistance and supervised credit the IDEMA wholesale unit would develop viable groups of efficient sized food retailers. Over a period of five years these new retailers could form a retailer cooperative that would take over the wholesale warehouse operation from IDEMA. The alternative to a retailer cooperative would be to organize existing IDEMA retail outlets into consumer cooperatives and over a period of five years to create a federation of consumer cooperatives that would take over the IDEMA wholesaling operation.

This program of converting existing IDEMA food wholesaling and retailing outlets into retailer cooperatives or a federation of consumer cooperatives should be closely coordinated with the regional food marketing programs described earlier in this proposal. In all instances priority should be given to the development of retail food stores to serve middle and low income families.

This recommendation is supported by the belief that the limited resources of IDEMA can probably be best utilized in fomenting the development of efficient private wholesaling and retailing firms rather than in the direct participation in these types of food distribution activities. The existing IDEMA retail outlets are being subsidized and therefore represent "unfair" competition to private retail outlets. Furthermore, there is little evidence that a government agency is better able to provide retail food marketing services than a private firm.

ICA Marketing Research and Extension Program -- The ICA research and extension program is shifting emphasis toward a "package" approach in developing farm production technologies for particular agricultural products. For the small and medium sized farmers assistance is being provided by extension agents on overall management of the farm unit.

It is recommended that the ICA extension program with farmers include explicit marketing considerations. This will require some in-service training of extension agents on agricultural marketing as well as the teaching of appropriate marketing courses in university curricula designed to train future extension agents.

It is also recommended that ICA employ commodity marketing specialists to operate at the national and regional levels. These agents could assist local extension agents in seeking solutions to marketing problems involving assembly market facilities, grading, packaging and merchandising. Where appropriate, group action could be fomented. Several opportunities seem apparent in the production and marketing of fruits and vegetables and milk. Where regional marketing agencies exist the ICA marketing specialists would coordinate their activities with the regional programs.

The agricultural economics research program of ICA should include studies to identify market opportunities and to facilitate effective coordination of the production-distribution systems for agricultural commodities. The research should be closely tied to the activities of the extension marketing specialists. The success of the agricultural program to assist small farmers will depend, in

part, upon the development of effective markets for their products.

Training of Marketing Specialists -- Currently, there are relatively few Colombians with advanced training in food marketing. However, the ILMA (Instituto Latinoamericano de Mercadeo Agrícola) program which operated with FAO support from 1962 through 1969 trained several Colombians in various aspects of agricultural marketing. At present a few students are in the United States for advanced training in agricultural marketing under an ICA beca program. Additional scholarships should be provided by the Colombian government to send personnel abroad for advanced training in food marketing. This should include opportunities for participation in short courses offered by the OAS training center (CICOM) headquartered in Rio de Janeiro or the Instituto Latinoamericano de Mercadotecnia de Alimentos in Guatemala City. Finally, local food marketing seminar and workshop programs should be encouraged and supported by IDEMA and ICA.

Financing New Marketing Programs -- It is estimated that the total financial needs of the suggested marketing programs would be \$740.2 million over a five year period (see Table 1). This total does not include the funds which would be necessary to support the suggested changes in IDEMA, ICA and other national agencies. A closer look at the budget and organizations of those agencies would be necessary in order to determine what additional funds would be required in order to permit them to make the suggested adjustments.

Capital needs for four major groups of activities have been estimated for the five year period 1971-1975. Item A in Table 1 shows the estimated cost of feasibility studies, applied research, fomento, extension and training activities in the four recommended regional food marketing programs. Since these are non-profit autonomous agencies dedicated to improving food marketing efficiency for the public good, it is suggested that for a period of four years annual allocations from the national budget be allocated to them in the amounts indicated in Table 1. The objective would be to provide a subsidy during the first four years of their operation in order to help get their activities underway. The subsidy for the four regional programs would be reduced in the fourth year and removed in the fifth year when the extension and training program for the regional marketing agencies would become completely self-financed. However, in the fourth and fifth years some resources are suggested for other regions which may decide to pattern regional marketing programs after those in the four major cities.

TABLE 1 ESTIMATED COST OF NEW MARKETING PROGRAMS
(Millions of Pesos)

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>Total</u> <u>1971/75</u>
A. Research, feasibility studies, fomento, extension, training and technical assistance of the regional marketing programs.	<u>18.0</u>	<u>8.5</u>	<u>8.8</u>	<u>8.8</u>	<u>6.8</u>	<u>51.2</u>
Cali	2.0	2.0	2.0	1.0		7.0
Bogota	8.0	2.8	2.8	1.8		15.4
Medellin	2.0	2.0	2.0	1.0		7.0
Barranquilla	6.0	2.0	2.0	1.0		11.0
Other Cities	-	-	-	4.0	6.8	10.8
B. Capital needs for Centrales de Abastecimiento	<u>59.0</u>	<u>131.0</u>	<u>128.0</u>	<u>5.0</u>		<u>323.0</u>
Cali (1st and 2nd stages)	48.0	-	30.0	-	-	78.0
Bogota (1st stage)	11.0	95.0	19.0			125.0
Medellin (2nd stage)		30	29			59
Barranquilla (1st stage)		6.0	50.0	5.0		61.0
C. A special line of credit for marketing firms	<u>50.0</u>	<u>100.0</u>	<u>100.0</u>	<u>50.0</u>	<u>50.0</u>	<u>350.0</u>
D. Specialized marketing training and technical assistance programs for IDEMA, ICA, SENA, credit agencies, and regional market development institutions.	<u>3.0</u>	<u>3.0</u>	<u>4.0</u>	<u>3.0</u>	<u>3.0</u>	<u>16.0</u>
TOTALS	<u>130.0</u>	<u>242.8</u>	<u>240.8</u>	<u>66.8</u>	<u>59.8</u>	<u>740.2</u>

Item B in Table 1 presents a breakdown of capital needs for Centrales de Abastecimientos in the four major cities. In the case of Cali and Medellin these estimates are based on feasibility studies and actual construction costs. They reflect only the presently unfinanced portion of those projects. For Bogota and Barranquilla, where feasibility studies are not yet available, financing requirements were based on data from the Cali and Medellin projects.

Item C refers to a new line of supervised credit which would be used to encourage private marketing firms and cooperatives to begin modernizing their operations. That line of credit would be used to finance:

1. Food distribution equipment
 - a. Refrigeration
 - b. Transport
 - c. Handling
 - d. Retail
2. Construction costs for specialized marketing facilities
 - a. Assembly
 - b. Wholesale
 - c. Retail
3. Short term working capital requirements
 - a. Assemblers
 - b. Farmer marketing cooperatives
 - c. Wholesalers
 - d. Private retailers
 - e. Consumer cooperatives

Loans would be made available at regular bank rates to producers, private assemblers, marketing cooperatives, processors, wholesalers and retailers. The borrower would be required to accept and pay for technical assistance (perhaps with an interest surcharge) as a condition of the loan. It is suggested that the regional marketing agencies be authorized to provide such technical assistance and work closely with lending agencies in supervising the loans. One of two alternatives might be chosen for administering the line of credit. Under the first alternative a Fondo Financiero de Mercadeo might be established using the Fondo Financiero Agrario as a pattern. The Corporacion Financiera Agropecuaria (COFIAGRO) might serve as the coordinating agency with private banks carrying out the loan activity. A second alternative would be for either the Caja Agraria or COFIAGRO to accept full responsibility for

administering loans directly to individual borrowers. The regional marketing agencies should not attempt to become the banking agency which would directly administer the loans. They are not equipped nor staffed to accept such responsibilities. Rather their role should be that of providing technical assistance to the loan recipient and technical supervision of the loan for the lending agency.

The final item in Table 1 is an estimate of the minimum cost of training and technical assistance which would be required in order to assure competent, long term leadership of the suggested marketing programs. At least three types of training programs should be employed.

1. Short course type marketing training programs such as those offered by the OAS sponsored Centro Interamericano de Capacitación en Comercialización Nacional e Internacional in Rio de Janeiro, by the Instituto Latinoamericano de Mercadotecnias de Alimentos in Guatemala and by the Universidad de Mexico in Mexico City.
2. Special training programs which might be organized in Colombia through universities or CEIMA with a minimum of foreign technical assistance.
3. Academic type study programs abroad at the Master's and Ph.D. level with the latter serving primarily to prepare personnel for longer term research and teaching roles.

It is important to the success of the total marketing plan that in the first two years experienced marketing personnel not be drained off for long-term (i.e., 12 months or more) training programs. In the early stages the emphasis should be on basic training for new and inexperienced personnel. Later on, arrangements can be made for appropriate training for the more experienced marketing technicians.

There are a number of ways of handling the financing arrangements for the suggested marketing programs. In the interest of effective coordination of financing arrangements it is clear that the Planning Office of the Ministry of Agriculture through the Consejo Superior Agropecuario and in close cooperation with Planeacion Nacional should examine the alternatives and arrange for that combination of financing which blends most effectively with existing fiscal policies. An effort should be made to arrange for generation of the funds required in items A and D of Table 1 by adding interest surcharges to the loans

provided to Centrales de Abastecimiento and private marketing firms. It may, therefore, be desirable to establish a single line of credit to finance both public or semi-public Centrales de Abastecimiento and private marketing firms. Care should be taken to avoid long term de-capitalization of these credit sources, since capital needs for food marketing activities will intensify as the country becomes more industrialized.

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