

## AGRICULTURAL AND FOOD MARKETING IN SOCIO-ECONOMIC DEVELOPMENT

### INTRODUCTION

This is a short co-paper to supplement the statement prepared and distributed by Dr. Lorenzl. He has done an excellent job of summarizing the dynamic role of market system organization in the development process and has identified a relevant set of deficiencies or problems that are generally present in most developing countries. His observations regarding the relative lack of technical assistance on marketing problems serves as a reminder that many decision makers in development assistance agencies and in the governments of the less developed countries hold somewhat different views on the role of marketing in socio-economic development. Furthermore, the priorities emerging from the recent World Food and Nutrition Study by the U. S. National Academy of Sciences<sup>1/</sup> reflects a similar lack of emphasis on socio-economic research, including marketing. The so-called "Title 12" U. S. University-AID program also appears to be heavily oriented towards agricultural production expansion with initial priorities focused on increasing output of selected crops and livestock. I would also observe that the World Bank policy statements on rural development<sup>2/</sup> and the Bank's program activities reflect a rather limited concept of the role of marketing institutions in integrated rural development. All of this reinforces what I assume to be a major question that is an underlying motivation for this conference -- What can we do to increase professional and political decision makers' understanding of the potential role of market system organization in national development?

---

Prepared by Harold M. Riley, Michigan State University, for an International Expert Consultation on Marketing and Rural Development, November 27 - December 3, 1977, in Feldafing, Federal Republic of Germany.

The main thrust of my short paper is to express some viewpoints and to raise some questions about the conceptual framework for thinking about the role of marketing in rural development and the strategies that might be employed to achieve the development goals of particular countries.

INTEGRATION OF SMALL FARMERS AND OTHER RURAL PEOPLE INTO THE LARGER ECONOMIC SYSTEM

Although conditions vary substantially among the less developed countries, there is widespread concern that the benefits of economic growth are not being shared equitably by the small farmers and other poor people who constitute a large percentage of the rural population. Furthermore, there are serious unemployment and related social problems in the larger cities that are associated with rapid rates of migration from economically depressed rural areas. This is a very complex problem and one that extends beyond the intended scope of this workshop. But we should be conceptualizing approaches to market system improvements within a long term development framework that will facilitate the integration of small farmers and other rural people into that larger socio-economic system. This should be reflected in broad national policies and programs regarding food system organization, infrastructure investments, education and health services. Indeed, unless there is this kind of broad national commitment, there may be relatively little that can be achieved by helping small farmers through direct and narrowly conceived efforts to improve their access to product markets.

Over the past decade a great deal of the efforts to improve food marketing in developing countries have been directed towards improving the efficiency of the physical movement of products from farms to urban consuming centers. Our own university research and technical assistance programs in Latin America have emphasized the improvement of regional and national food systems serving large urban centers. Institutional reforms and marketing facility projects were designed to reduce marketing costs, to improve product acceptability and to expand consumption and production of food.

The basic strategy was to design and implement a set of interrelated programs that would remove or reduce the barriers to improved market performance. Wholesale market facilities and related institutional changes were a pivotal element in implementing a more complete program linking rural producers with urban consumers. An evaluation of such a program in Bogota, Colombia, indicated that substantial benefits had been realized in a relatively short period of about five years.<sup>3/</sup> Nevertheless, it was found that considerable additional program efforts would be needed to further extend potential benefits to small farmers and lower income urban families. But this seemed feasible given the infrastructure and institutional changes that had already been effected. Analysis of rural assembly centers for fruits and vegetables had been conducted as an input into the development of marketing arrangements linking small farmers to wholesale markets in the large cities.<sup>4/</sup>

A conceptual model which summarizes a comprehensive set of food marketing system reforms is shown in Figure 1. The sequence of changes in food system processes indicates the potential dynamics of market system reforms whereby benefits can be shared by small farmers, rural non-farm families as well as urban consumers.

Figure 1. A Conceptual Model Showing a Series of Interrelated Food Marketing System Reforms and Expected Linkages to Stimulate Economic Growth and Development

A Sequence of Changes in Food System Processes	Fomenting Actions Seemingly Needed to Foster Change	Potential Points of Entry in National Food System Reform Process
(1) Reduce marketing costs in urban areas for locally produced food products (2) Lower food prices--increase effective income (3) Increase effective urban demand for food and consumer goods and related marketing services	<ul style="list-style-type: none"> <li>- Capital and technical assistance to foster improvements in efficiency of traditional urban marketers</li> <li>- Timely introduction of infrastructures as a tool to stimulate improvement in channel performance</li> <li>- More effective public facilitative and regulatory programs</li> </ul>	URBAN FOOD DISTRIBUTION COMPONENTS
(4) Increased food production and agricultural production specialization (5) Increased rural incomes and market participation on both the supply and demand sides	<ul style="list-style-type: none"> <li>- Additional and more appropriate agricultural production extension efforts</li> <li>- Development of appropriate packages of inputs</li> <li>- Effective market information and price stabilization programs</li> <li>- Supervised credit programs</li> </ul>	RURAL FOOD PRODUCTION COMPONENTS
(6) Increased rural and urban demand for organization and coordination services of commodity subsystems (7) Increased rural demand for improved physical distribution services--i.e., assembly activities	<ul style="list-style-type: none"> <li>- Foster backward vertical coordination of food marketing</li> <li>- Capital and technical assistance to rural assemblers and transporters</li> <li>- Improve public storage, roads, exchange rules, grades</li> </ul>	RURAL ASSEMBLY MARKET COMPONENTS
(8) Increased rural demand for: (a) farm inputs (b) purchased food (c) rural- and urban-produced consumer goods (d) marketing services related to the above three	<ul style="list-style-type: none"> <li>- Improve rural distribution services and lower costs for:                          (a) farm inputs                          (b) purchased food                          (c) consumer goods</li> </ul>	RURAL DISTRIBUTION COMPONENTS FOR: (a) Purchased Food (b) Farm Inputs (c) Consumer Goods
(9) Increased demand and employment in industry and related services sectors (10) Increased income leading to increased demand for food and consumer goods	<ul style="list-style-type: none"> <li>- Use of appropriate technologies in production processes</li> <li>- Develop more appropriate products for local market demand characteristics</li> <li>- Lower costs of mass distribution to rural and urban areas</li> </ul>	RURAL AND URBAN INDUSTRIAL AND SERVICES COMPONENTS

RURAL FOOD DISTRIBUTION AND RURAL TRADING CENTERS

Integrated rural development programs often include provisions for the distribution of agricultural inputs such as improved seeds, fertilizer and pesticides. Credit arrangements are seen as important to the actual purchase and use of these modern inputs. Relatively less emphasis has been given to the distribution of food, a critical input into development and maintenance of the family labor that constitutes the largest input into most small farmer production processes. Surely the nutritional status of the farm family has an important bearing on their agricultural productivity as well as their capacity to participate more fully in family and community activities.

I find that the literature on agricultural development has perpetuated a myth that small farmers produce nearly all of the food consumed by their families. There is growing evidence to the contrary. Studies of low income farm families in Brazil<sup>5/</sup> and Bolivia<sup>6/</sup> indicated that nearly two-thirds of their food was purchased. A recent study of income and expenditures by a sample of rural families in Sierre Leone revealed that 70 percent of their total expenditures went for food.<sup>7/</sup> This suggests that improvements in rural food distribution systems could benefit farm families as well as the residents of rural villages and towns who also spend a very high proportion of their total income for food.

In our own research program Weber has examined the problems of rural food distribution in relation to regional and national market system improvement strategies in Costa Rica.<sup>8/</sup> His study questions the economic feasibility of traditional public market facilities and points to the need to consider other alternatives for improving the performance of private sector wholesaling and retailing firms along with modifications in the functional design of public market facilities.

The coordination of food distribution with product assembly activities and the distribution of agricultural inputs and other consumer goods should be a topic for more careful consideration in the design and implementation of rural development programs. The assessment of current and projected demand for goods and services is an important part of the needed information base especially if it includes some consideration of the development of small-scale rural industries as a means of creating employment opportunities and stimulating total economic activity in rural areas. The recent work of some of my colleagues in looking at these problems in Africa suggests that there are significant opportunities to increase off-farm employment through the development of appropriate small-scale industries.<sup>9/</sup> The processing of agricultural products, the manufacture of simple agricultural inputs and locally demanded consumer goods can serve as the basis for an expansion in output and employment.

The development of a commerce network linking small villages with rural towns and larger regional trading centers should be included in the conceptual framework for improving rural market systems. Geographers have been doing some interesting and relevant work on this topic.<sup>10/ 11/</sup> The perspectives of anthropologists and sociologists can also contribute to the formulation of strategies for improving the organizational effectiveness of these regional market networks.

EQUITY CONSIDERATIONS

The stated policies of some of the leading international development assistance agencies give high priority to programs to benefit the rural poor. Cooperatives and/or direct government intervention are often suggested as primary mechanisms for achieving more "equitable" marketing arrangements. While I share the concern for more equitable distribution of the benefits from economic development, I continue to believe that marketing can play a major role in stimulating the development of rural areas if approached from a broader and longer-term perspective along the lines I have sketched out in this brief statement.



## LITERATURE CITED

1. The National Academy of Sciences, World Food and Nutrition Study, The Potential Contributions of Research, Washington, D. C. 1977.
2. The World Bank, Rural Development Sector Policy Paper, February, 1975.
3. Alvaro Silva, Evaluation of Food Market Reform: CORABASTOS - Bogota, Ph.D. Thesis, Michigan State University, 1976.
4. Pablo Torrealba, Improving the Organization of Fruit and Vegetable Production-Assembly Systems in the Coffee Zone of Colombia: A Case Study in the LaMesa Region, Ph. D. Thesis, Michigan State University, 1972.
5. George Patrick and Jose Juliano Carvalho, Low Income Groups in Brazilian Agriculture: A Progress Report, Station Bulletin No. 79, Purdue University, 1975.
6. Joseph F. Dorsey, A Case Study of the Lower Cochabamba Valley: Ex-Haciendas Patrotani and Caramarca, Land Tenure Center, University of Wisconsin, 1975.
7. Robert P. King and Derek Byerlee, Income Distribution, Consumption Patterns and Consumption Linkages in Rural Sierre Leone, African Rural Economy Paper No. 16, Department of Agricultural Economics, Michigan State University, 1977.
8. Michael T. Weber, "Towards Improvement of Rural Food Distribution," a paper presented at the Interamerican Institute of Agricultural Sciences Seminar on Marketing Strategies for Small Farmers in Latin America, San Jose, Costa Rica, April 25-28, 1977.
9. Carl Liedholm and Enyinna Chuta, An Economic Analysis of Small-Scale Industry in Sierre Leone, Working Paper No. 14, African Rural Economy Program, Michigan State University, 1976.
10. R. J. Bromley and R. Symanski, "Marketplace and Trade in Latin America," Latin American Research Review, Vol. IX, No. 3 (1974) pp 3-38.
11. Carol A. Smith, "Economics of Marketing Systems: Modeled From Economic Geography," Annual Review of Anthropology, Vol. 3 (1974) pp. 167-201.