

# MICRO-LEVEL RESEARCH ON RURAL MARKETING SYSTEMS\*\*

by

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The focus of this paper is on micro-level marketing research to support the design and implementation of rural development programs. Contemporary rural development efforts are directed primarily at promoting change so as to simultaneously affect the distribution and growth of income, employment, nutrition, health, and other dimensions of the quality of life in rural areas. Although there is a continuing debate over the appropriate rural development strategy, we argue that adequate analyses of the essential growth and equity issues will not be forthcoming until we better understand the micro behavior of both production and marketing systems in rural areas.

Although our focus is on rural marketing systems, we recognize that food and agricultural markets are ultimately national and in many cases international in scope. Consequently, our plea for more micro research on rural marketing systems does not imply that micro analysis of urban marketing systems, macro analysis of national marketing systems or international trade analysis be reduced. We believe all of these are necessary, but none alone is sufficient for the design and implementation of rural development programs. And while none of these research areas have enjoyed high priority in national economic planning and development programs, we contend that there is a critical shortage of micro understanding and analysis of the rural portions of national marketing systems (1).

## Shortcomings of Previous Marketing Research

Much of the marketing economics research in low income countries has been guided by the traditional efficiency concepts tied closely to the relatively static, perfectly competitive economic models. Important dynamic questions involving growth and equity have been largely ignored. Likewise, much of the research has been concerned with macro issues involved in testing for conditions of structure, conduct and performance predicted by the perfectly competitive model. These studies frequently include assumptions of homogenous behavior on the part of farmers and marketing agents, and use data that are averages of many observations (e.g., monthly price data) thus obscuring important variations in market behavior. Furthermore, there is a "top-down" orientation to the research that emphasizes

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urban and export markets with only minor attention to input and rural consumer goods markets. The results of existing marketing research are often inappropriate for making specific recommendations for improvements in rural markets, especially if the objective is to extend improved services to specific target groups such as small farmers and other low income rural residents. Consequently, the design of rural development schemes continues to be based upon popular beliefs about excessive margins, exploitative middlemen and uninformed farmers. These views, in turn, lead to strong pressures for direct government intervention in marketing. But as Lele found in studying some 17 rural development programs in sub-Saharan Africa, "the foremost shortcoming of the approach adopted in many of the programs is that it has paid little attention to making the traditional forms of marketing organization work" (2).

Micro-level marketing research carried out by other disciplines also has its shortcomings. Much of what has been done rarely contains analyses that yield policy recommendations. For example, geographers with their interest in the location of economic activities have undertaken a large number of descriptive studies of market places, periodic markets and itinerant traders in rural areas of developing countries. This research is important because it provides knowledge of how these traditional trading institutions function. Unfortunately, by geographers' own assessments, much of their research suffers from the inability to offer answers to questions concerning policy and planning of rural marketing systems (3,4).

Anthropologists and sociologists have observed and described rural household behavior relative to production, consumption, storage and sales decisions. Anthropologists also have a tradition of conducting individual village studies. Although their research provides valuable descriptive information about rural populations and economic processes, it rarely contains a policy focus. Currently, a group of economic anthropologists are seeking to use concepts from regional science to put their village studies into a more useful framework for understanding and promoting rural development (5).

The field of business administration also has a potential for contributing to better rural development policy and programs. Improved private and public business management practices are fundamental to rural marketing system reform. Yet there is very little micro-level research indicating what the potentials are and how change can be introduced.

Knowledge about technical alternatives in marketing is another necessary component of rural market systems research. Engineers and marketing technicians often conduct feasibility type studies of new methods of storage, food processing and preservation, packaging and transportation. Unfortunately, their analyses and recommendations can easily escape sufficient socioeconomic content and rigor. This has often resulted in an overendorsement of capital intensive technologies, underutilization of new facilities, and insufficient emphasis on local capacity for continued development of skilled labor and management personnel (6).

### A Suggested Rural Marketing Systems Approach

The conceptual framework of a rural marketing system which we envisage involves the integration of many components. It includes a geographical dimension that may correspond to the area of a typical rural development project. Within this area there are farms, villages and one or more rural towns (county seats). The marketing activities occurring within the area are viewed in terms of their interrelationships involving economic, social, geographic and technical variables. The parameters and variables defining these interrelationships form an endogenous system. At the same time, external or exogenous factors are viewed as having important impacts on the operation of the rural marketing system. These external factors include (1) market linkages with other rural market systems, (2) market linkages with large urban/industrial areas, (3) international market linkages, and (4) government policies and programs.

The endogenous relationships involve the interaction of rural households and rural markets. The rural household is seen as the basic production and consumption unit. Its outputs consist of labor, crop and livestock products, nonagricultural products, and service activities (marketing is an example of the latter). Some of these outputs are initially sold in local markets while others are retained for household consumption (food and home produced consumer goods) and for production (labor and home produced inputs). Sales of labor, agricultural output, home produced goods and/or services result in cash income which permits rural households to make purchases of consumer goods and services, labor inputs, agricultural inputs, inputs for nonagricultural products, and for savings and investments. The rural markets which facilitate these exchanges are normally identified as product (output) markets, input markets, consumer goods markets, and financial markets. The rural financial markets provide important services to the other three markets and directly to rural households. In practice the demarcations between the various rural markets are not nearly so clear. Individual marketing agents may provide services in all four of the markets. It is through these and other rural marketing institutions that important internal and external linkages are developed and maintained. The internal linkages involve the transactions within a particular rural marketing system and the external linkages are with other rural market areas, urban/industrial areas, and export markets.

The internal and external relationships of the rural marketing system, as conceived above, have been independently studied by several disciplines. The integration of these approaches is needed to achieve more policy relevant work supporting rural development. We suggest the following set of objectives for developing an integrated rural marketing systems framework:

1. To develop an understanding of how the system functions at a particular point in time, thereby providing a better basis for identifying the economic, social and technical factors which constrain improvements in the system.
2. To estimate the growth and equity impacts on the rural population of spontaneous and planned changes in rural marketing institutions.

3. To predict and evaluate the impacts on rural marketing institutions of changes in the volume and composition of rural household output.
4. To evaluate the growth and equity impacts on the rural population of changes in external markets, policies and programs.
5. To prescribe policy and program changes that will result in major improvements to the rural marketing system and are consistent with the rural development goals concerning growth and equity.

The above objectives begin to acquire meaning and focus only when specific problems and issues are discussed. Work on the first objective provides a good basis for developing understanding among the relevant disciplines. Because of the emphasis on equity as well as growth, it is important to focus on the operation of the system in terms of the distribution of wealth and income; access to government services and political power; social status and organization; geographic considerations; and technical performance. Qualitative as well as quantitative information is required. The integrated study of a rural marketing system should lead to a better understanding of the factors which constrain its improvement. This involves the determination from the viewpoint of the participants of the rigidities in the private and public components of the system. Technical, social and institutional constraints are involved. The traditional constraints involve various aspects of exchange, transportation, storage, planning, information, and policy.

The emphasis of the second objective is on what happens if specific internal changes are made in rural marketing institutions and services. For example, what would be the growth and equity effects of alternative feeder road systems in a rural development area? An analysis of the feasibility and impacts of group marketing activities by small-scale producers is another example. Clearly, there are interactive effects among possible changes; e.g., access to transportation services of a cooperative could assist small farmers in reaping greater benefits from improved feeder roads.

Since a significant portion of the rural development effort is directed towards expansion of agricultural output, it is imperative that the impact of actual or proposed changes in the volume and composition of output be examined (Objective 3). Bottlenecks and rigidities associated with traditional marketing systems can restrict the spread of "green revolution" technologies by lowering their profitability. Lele observed that proportionally large increases in supply often result in severe price decreases at the farm level (2). The impact of production specialization on the nutrition of rural households is another issue. Also, the ability of the rural marketing system to efficiently and effectively provide the required production inputs and the increases in consumer goods demand (resulting from higher rural incomes and specialization) needs to be investigated. The complementarity of production and marketing research/improvements is clearly articulated in this objective.

Pricing, market intervention, international trade and credit policies are good examples of external government policies that would be investigated under Objective 4. These are often evaluated in the aggregate or macro sense, but their

equity, growth and efficiency impacts on rural households need to be studied. For example, how does national price policy affect small farmers' production, consumption, storage and marketing decisions? Also, how do general employment and income expansion programs affect demand and income distribution at the rural level? Likewise, what are the local impacts on growth and equity of export expansion programs?

The final objective involves the recommendation of policy and program changes to improve the rural marketing system. We conceive of this as a "marketing package" composed of an externally and internally consistent set of prescribed actions which will lead to significant improvements in the well-being of the rural population, particularly the rural poor. Since external linkages to individual rural marketing systems can be strategic, it is important to realize that the minimum marketing package may well include needed improvements in other rural, large urban and/or export markets.

#### Methods and Strategies for Conducting the Research

The principal requirements for conducting the research are that (1) the major part of the research will have to be multidisciplinary, (2) substantial portions of the research will have to occur in rural areas, and (3) a long run by-product of the research should be the development of local marketing research teams and extension workers who receive continuing institutional support.

Successful multidisciplinary research requires that a general conceptual framework exist which all relevant disciplines agree upon. We are therefore calling for the building of a more comprehensive and systematic conceptual framework which permits a clearer understanding of the interdependencies in the economic, social, political, nutritional, managerial, and technical dimensions of rural marketing process. Presently we are not sure that the state of the arts, either in systems science or in our understanding of the full complexities of the rural marketing system, would produce a useful quantitative systems model to assist in analysis and policy formulation. Yet, rural development project designers and administrators need a conceptual rural marketing systems model to assist them in arranging for appropriate design and evaluation research. This research should have an accumulative impact on project managers and help them recognize and evaluate the dynamics of endogenous and exogenous changes associated with the system.

Our attempt to define the major elements of the rural marketing system is a first step in building a comprehensive model. But this conceptual framework needs to be reviewed by the other disciplines and extended to more fully reflect the social, political, economic and technical variables and institutions that comprise the system. All relevant disciplines would be expected to broaden their performance accounts to include at least the following areas: (1) growth in outputs and associated changes in price levels; (2) income distribution patterns; (3) employment impacts; and (4) nutritional impacts. The units of analysis include, as previously

identified, rural households and rural marketing institutions. An important task of the research would be quantifying and describing (1) the production, marketing and consumption relationships among the various subgroups of households and marketing agents and (2) the linkages of households and marketing agents with the exogenous components .

Finally, the importance of creating local applied agricultural marketing research/extension capabilities must be recognized. Even an "equity with growth" rural development strategy involves constant structural transformation of the rural economy. Permanent research/extension services are needed to continually assist farmers and rural marketing firms in discovering and adopting new technologies, management methods and institutional forms. Furthermore, the knowledge generated by these services is needed at all levels in the continuing process of agricultural policy formation. Self sustaining rural development depends heavily upon the availability and leadership such permanent research/extension capabilities provide. Donor agencies and foreign researchers need to place high priorities on helping to design and implement specific rural development projects which contribute to the establishment of these longer run local capabilities. Micro-level research on rural marketing systems can contribute substantially to this goal.

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