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TOWARD A NEW STRATEGY IN AGRICULTURAL
MARKETING FOR RURAL DEVELOPMENT

(Small Farmer Participation and Policy Implications)

By

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I N T R O D U C T I O N *

(Hunger is not the Earth's Fault)

Of utmost humanitarian concern is the widespread problem of rural poverty and providing enough food for the world's rising population. The large masses of small farmers are central to this problem.^{1/}

The role of marketing in economic development has moved from a traditional single stage functional, commodity and institutional approach to a transitional model that emphasises the interrelationship of the various marketing subsystems, and commodity flows from an export market orientation of traditional cash crops to one of a combined national and export market development involving the modern agricultural sector of the economy.^{2/}

* The opinions expressed in this document are those of the author and do not necessarily represent policy of the Inter-American Institute of Agricultural Sciences. The basic guidelines for the strategy was a team effort of the author and the following marketing specialists in IICA: C. Fletcher, N. Frigerio, G. Mendoza, H. Morales, J.L. Pando, N. Suarez, J. P. Torrealba, H. Torres, and J. La Gra.

1/ The terms "Small Farmers", "Peasant Farmers" and "Semi-Subsistence Farmers" refer to those that have very limited access to political power, productive services, technical assistance and/or income streams in their society.

2/ These programs concentrate upon policy measures designed to ensure a large-scale and cheap supply of rural foodstuffs to the expanding cities. Emphasis is placed upon the establishment of adequate wholesale markets, on the bulk handling and storage of produce, and on the encouragement of "modern", large-scale retailing facilities such as supermarkets and large stores. Such means have been proposed and are often being implemented in most large cities of Latin America.

Over the past fifteen years marketing experts have been implementing a variety of projects, programs and strategies. But little has been done concerning marketing systems directly serving small farmers. Many of the developing countries today are seeking fresh ways of looking at their growing problems. They are somewhat disillusioned by the experiences of the past.

Providing viable marketing strategies that directly affect the major marketing constraints of poor rural inhabitants in one key instrument in the task of providing more food and accelerating rural development. Agricultural ^{food} marketing programs rarely reach the small farmers or peasants primarily because they are not designed to do so. Marketing policies are generally geared to urban consumers and to the export market where profit and/or political gains are perceived most advantageous.

The Inter-American Institute of Agricultural Sciences (IICA) of the Organization of American States (OAS), of which I am a staff member, places priority emphasis on problems which affect low income producers and rural consumers in Latin America and the Caribbean. In the field of agricultural and food marketing, IICA is providing technical cooperation to national marketing institutions.

The principal focus of our Marketing Program is to improve food supply systems by increasing capabilities of national marketing institutions, in order to better achieve rural development goals. Last year IICA's international marketing team held two important sessions which reviewed the Program's general strategy for technical cooperation.

Here I would like to present in summary form an important output of these sessions - a new agricultural marketing strategy for rural development. IICA is currently conducting further research related to this strategy. One major intensive marketing project is currently implementing it.

AN ALTERNATIVE STRATEGY: A NEW APPROACH

The main beneficiaries of this strategy are the semi-subsistence farmers (Figure 1). The peasants without land will benefit later when other opportunities of employment are generated, such as rural public works, and will require strategies of rural training, colonization or perhaps agrarian reform.^{3/}

Two major subsectors within the rural sector can be identified: the commercial and non-commercial.^{4/} The commercial subsector is that which is oriented primarily toward the export sector and the metropolitan and large urban consumers' centers. Participants in this subsector have dominant access to land, capital markets, technology, government support services and fiscal incentives. The

^{3/} The author recognizes the advantages of an interdisciplinary and integrated rural development approach, and that marketing by itself is no panacea for solving small farmer problems.

^{4/} In practice, however, these two subsectors are not always clearly separated; both require adequate analytical attention in order to foster development. The relative market shares are generally obtained according to bargaining position and ability to use existing opportunities. Market operations are usually carried out among parties of unequal means and power.

channels of this commercial subsector tend to modernize by capital intensive programs, such as agroindustry complexes, new wholesale markets, supermarkets, modern storage facilities, etc.^{5/}

The non-commercial subsector is characterized by small farmers engaged in subsistence or semi-subsistence agriculture. They do not have much land nor many capital resources; they receive few or no governmental services.

There are many complicated reasons for this duality in the rural sector. The following are considered the principal causes:

1. The type of technological production and marketing packages being produced and made available.
2. The existing imperfections in the land and capital markets.
3. The poor allocation, and at times ineffectiveness, of rural public services.

The problem of identifying the clients of the non-commercial sub-sector is a crucial first step. They can be divided into two groups: adaptable and non-adaptable. The adaptable group has land with potential for realizing a profitable production unit and access to some local organizational base to support its participation thus being able to achieve economies of scale.

The non-adaptable group does not possess a production unit to provide the minimum human requirements and thus has little or no

^{5/} . In some instances both small and large farmers confront practically the same marketing problems (eg. grading and transportation) but the major difference being mostly a bargaining problem.

possibility of linking into some organizational base or surviving if other alternatives are not present. Other agricultural policies will be required for the non-adaptable.

Selection of Regions and Small Farmer Participation

The selection of a geo-economic region with a high concentration of small farmers is a primary condition. The region should be selected based on field knowledge which considers felt needs, comparative advantages (social and economical) and alternative development potential of the area in terms of farmer involvement, local financial, human or physical resource commitment, and market potential of selected products.^{6/}

A local organizational base is needed next to support farmers' actively participating in sharing information, ideas, and in the decision making process. Grouping farmers in some viable organization that meets their needs has two important advantages:^{7/}

a) it permits them to achieve economies of scale, to improve their bargaining position by countervailing the power of middlemen and industrial buyers; b) it enables the government to organize its institutional services and physical facilities more efficiently and effectively to help semi-subsistence farmers.

^{6/} It should be pointed out that very few small farmers grow only one commodity. Most cultivate under a multi-cropping system.

^{7/} These organizations should not be judged solely from the economic point of view because they serve other social functions, such as an organizational base for other basic needs, eg. Education.

Vital to success of the local or village grouping of farmers is the continuous access to a central or regional organization to help integrate them into the marketing systems. These second degree organizations can be cooperatives, rural agroindustry, etc.

The policy of grouping peasant farmers in associative forms of first and second degrees accompanied by the market opportunities should reduce the magnitude of problems of rural marginality, permitting some of the associative firms to be able to compete in the commercial market. The extent of this reduction in marginality may vary from area to area, but for the existing conditions in the majority of the Latin American countries the proposed action of an associative and diversification policy appears to be valid.

From farmer groupings at least three possibilities exist:

a) incorporate the producer groups into the commercial sub-sector by way of organizations such as associative firms of the first and second degrees; b) incorporate them into rural agroindustrial development and rural infrastructure; c) or the farmer may choose to continue on his own.

Another action in this strategy is the establishment of the opportune infrastructural and rural agroindustrial development that permits the functioning of marketing channels where these products of small farm origin can flow into the commercial market without unnecessary impediments by unfair competition from the present "modern" marketing system.

Discriminatory Channels

The previously stated elements or phases of the strategy are directed to permit the development of a marketing subsystem by discriminatory agricultural marketing channels, for the factor and product markets in favor of small farmers. The discriminatory channels are those which directly assist small farmer groupings in a transitory way to enable these groups to incorporate into the commercial subsector. They may exist with the commercial channels of the marketing system or be developed initially outside existing channels if necessary. One example of a discriminatory channel is the Rural Market Services Project in the Dominican Republic.^{8/} The proposed field project is aimed at systematically helping small farmers improve their bargaining position. It will consist of 14 rural service centers in three different agricultural regions. Each center will have special characteristics to meet the needs of the "target group" of about 200 organized small farmers and will provide services which may include one or more of the following: retail stores, operated by farmer associations; agricultural input supply and other marketing services; product assembly and sales, grading and packaging, storage, extension services and market and price information services.

These service centers will be the focal point of the major government institutions with marketing functions. They will offer

^{8/} See SEA/IICA Integrated Marketing Project, Santo Domingo, R.D. 1976.

their services in marketing extensions, credit, information, crop forecasting, distribution of basic commodities, etc. Through these service centers the small farmer's position in the market will be substantially improved with respect to the sale of his product, as well as the availability and cost of his farm and family needs.

An example of a major government action to deal discriminately in favor of rural participating development problems is the integrated program of Nicaragua, called the New Campesino Development Institute (INVIERNO). It promotes small farmer organization and provides them with integrated services of credit, technical assistance and marketing.

The discriminatory channels will require a specific market promotion that will have to analyze the best alternatives for placing the products in the market in a profitable way and exploit the perspective of opening and widening the market. Also, the functioning of the discriminatory channel will require the necessary special services of the government.

Special Services of the Government

The implementation of this marketing strategy for rural development will require the national cooperation and support. The marketing policy in terms of Government Services is represented in Figure 1 by a series of arrows that go from NQ 17 to the respective

components of the model. These services can take many forms; for example, the services of supervised credit, technical assistance in marketing, physical infrastructure, price support policies by commodities and areas, which are aimed directly at the small farmer associative groups.

Given the different levels of opportunities between the commercial groups and the non-commercial groups the development of the strategy needs the financial support, credit, technical assistance and other incentives that confront the economic differences of the two groups and permit the free functioning of the discriminating channels. Also, necessary is the availability of an effective service of fiscalization which guarantees that the principal beneficiaries are the small farmers.

In short, institutions and services must be developed in an integrated form principally at the level of the associative groups.

ALTERNATIVES FOR IMPLEMENTING THE MARKETING STRATEGY

1. Alternative Nº 1 Under a Policy of Economic Growth

The necessary political and institutional conditions will require the firm commitment of governments and the existence of a flexible institutional framework that will assure the implementation of the discriminated marketing subsystem. The

strategy recommended for those countries where this situation is not prevalent and where the government emphasizes economic growth and adapts the use of efficiency criteria to improve the marketing system, assuming that "pockets of efficiency" are likely to "pull" the traditional sector into the more modern commercial subsystem. Under these circumstances the only actions possible will be to stimulate the development of economies of scale by means of the associative firms of first and second degree, and to improve the income of the semi-subsistence farmer by means of stimulating productions through policy incentives such as price supports in those areas and commodities that have a better comparative advantage.^{9/}

Hopefully, these firms would then be able to compete in the same market channel as the more modern commercial subsector. In this case a viable action strategy under the proposed plan would be to promote the integration of small exploitations and the modernization of the market channel using only efficiency criteria.^{10/}

^{9/} Experience shows that this strategy generally consists of medium and large farmers achieving greater control over the marketing system and benefiting in the process.

^{10/} Countries normally justify this modernization policy, indicating that it is necessary to be efficient to compete in the foreign markets and each day the problem of internal food supply is more acute, given the rapid population growth and urbanization and the problem of losing foreign exchange to import food products.

2. Alternative Nº 2 Under a Policy of Economic Structural Reform

The implementation of the proposed strategy under a policy of economic structural reform would be quite the opposite to the situation described above. A structural reform situation would exist when the country has a decisive national agricultural program aimed directly at transforming the poor rural subsector. In this case, the small farmer would be the main or only supplier of agricultural products and the market would have to adapt itself to permit an adequate level of retribution and income under these circumstances.

This drastic policy of appropriating land to the campesino will basically eliminate the commercial subsector as such. It will necessitate the grouping of producers and the selection of products and areas not only for redistributive purpose but also in order to reach a productive efficiency level and provide the basic agricultural products that the country needs.

Here the technical cooperation efforts should be directed to support the following: 1) government programs conducive to integrating the producers into first and second degree associative firms, 2) structural reforms within the market that will facilitate the production-distribution policy of the country, 3) an efficient and equitable system of marketing that may supply the large mass of people, 4) improvement of the level of participation of the rural poor in the economic development of the society.

The policy called "structural change" in this document changes substantially Figure 1 presented in an earlier section. For example, the "dualism" of the model could disappear in the sense that these two subsectors be considered as one. In this case, all of the governmental services will be directed at this reformed sector (for example, the case of Cuba).

3. Alternative Nº 3 Under a Policy of Economic Development

With the exception of the two cases cited in 1 and 2, above, the developmentalist alternative illustrated in Figure 1, will have to be applied. This will be consistent with the strategy of facilitating the development of discriminatory market channels for the products of peasant farmers. In other words, the strategy would follow fundamentally the discriminatory channel directed at the non-commercial subsector.

The preceding typology of marketing for rural development corresponds to an abstraction for illustrative purposes, rarely present in practice. A more realistic situation will correspond to cases in which there always exists some ingredients of all three types of developments.^{11/} This will depend, however, on the particular emphasis that a country applies to one type of development or another in order to determine the specific strategy of action that will be taken.

^{11/} See for example the case of Perú, Aplicación del Modelo del Programa Hemisférico de Comercialización, por Hugo A. Torres, prepared for the Annual Technical Meeting of IICA's Agricultural Marketing Program, Bogotá, May 18-21, 1976.

C O N C L U S I O N

This is a time for serious reassessment of research and market development strategies for small farmers. Without new workable strategies, we can expect the millions of people to become poorer and hungrier. New directions and commitments are required.

The evolution of such projects as CAQUEZA and the Integrated Rural Development Program (DRI) in Colombia, the Rural Marketing Service Centers in the Dominican Republic, the Southern Regional Development Agency (CREA) in Cuenca, Ecuador and the recently established National Marketing Service in Haiti, efforts by CONASUPO in Mexico, points clearly in this new direction, and elsewhere we also see signs of the emergency of a "new model".

I feel the marketing strategy presented in this paper has important implications in providing focus to alternative routes for accelerating small farmer development.

Some of these important implications are the following:

Identification of the Clients-Small Farmers

It permits the precise identification of the institutions that attend the small farmers' groups as a "target market" for action. The implication here is that this sector needs to be viewed as a separated and critical development planning subsector in its own right.

Selection of Institutions and Projects

It implies the setting of procedures of creating or selecting institutions and projects which will establish priorities for direct technical cooperation in marketing for semi- subsistence farmers.

Applied Research

Applied research directed towards further insights and understanding of semi-subsistence peasant farming problems related to marketing is urgently needed.^{12/}

One neglected area of research and analysis that should receive high priority is institutional analysis. The focus of the institutional analysis should be directed at two levels:

1. Capability analysis of existing associative forms of farmer grouping and public institutions to conduct market services for members and other producers.
2. Marketing systems analysis (the structure and organization of market channels from producer through consumer including existing agri-business, cooperatives and public marketing agencies. The analysis should address the specific risks that would be incurred by small farmer associations attempting to penetrate and participate in existing market systems for their output.

The proposed strategy enables us to focus more directly on such key elements of research that provides alternative routes for improving small farmers welfare.

^{12/} At the present time IICA is involved in applied research on marketing systems serving small farmers and problems of post harvest losses in four countries.

Building National Institutional Capabilities

Effective public sector management capability is a critical element for successful implementation of all rural development projects. Those projects directed at marketing systems servicing small farmers will be required new and upgraded management skills. The public sector will have to take leadership in providing incentives for new opportunities and provide the necessary protection for the development of alternative routes, for effective programs and projects. They will have to play a key role in eliminating deficiencies that impede effective execution of these programs.

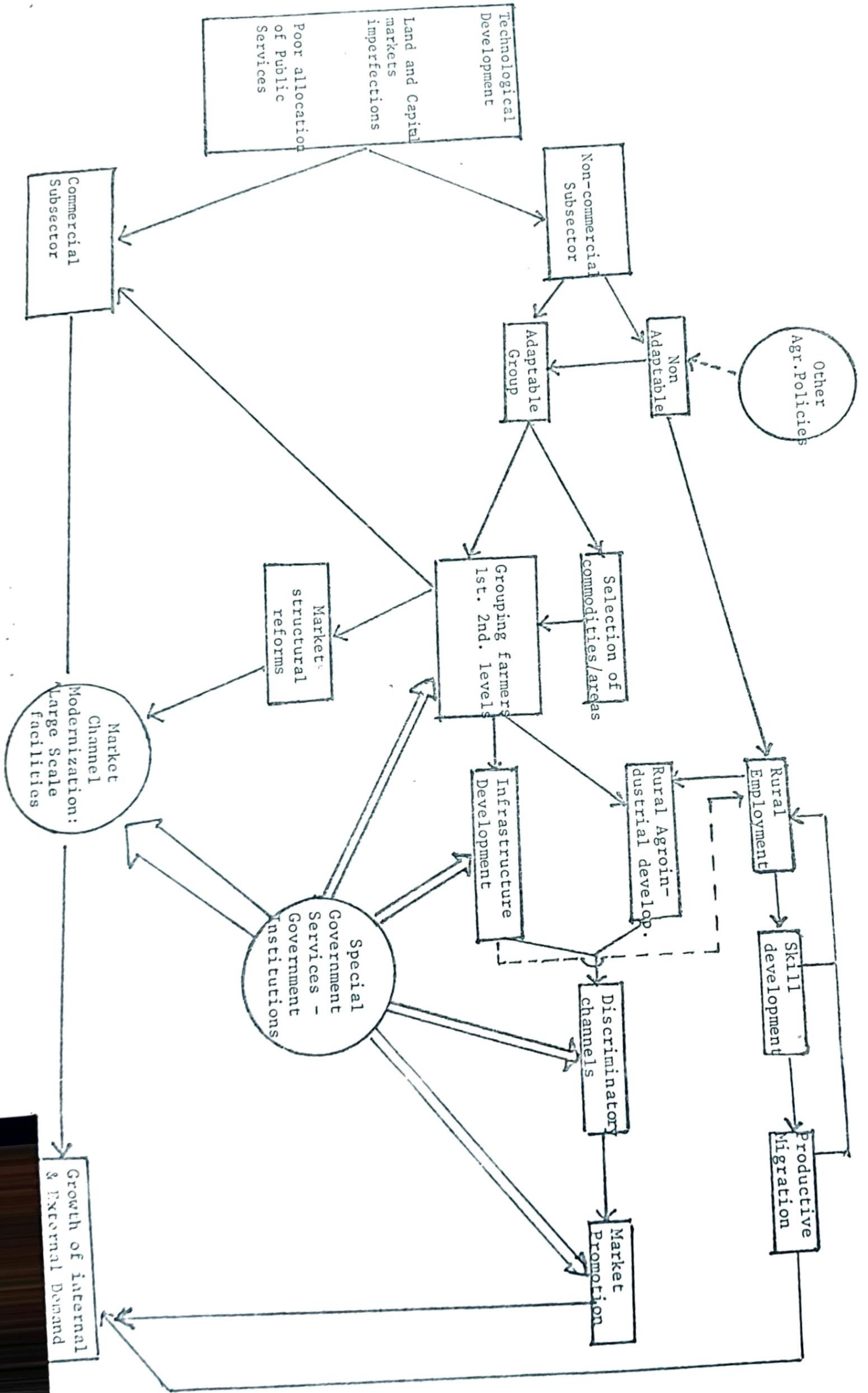
Furthermore, as Clifton Wharton indicated in his keynote address at the World Food Conference, "a pivotal role will be played by those who are involved in making the decision on agricultural development policy and its implementation - the professional politician".

Need for Coordinated Action

The proposed strategy requires a concerted action and responsibility among the cooperating government officials and pertinent private sector institutions, planners and local farmers to work out together solutions for overcoming the limiting factors that prevent the small farmers from benefits of improved marketing systems.

Actually the task involves all of us to try to develop and improve new strategies, programs and projects as a contribution to alleviating widespread poverty and supplying sufficient food in the world. It takes a personal commitment.

FIGURE 1



R E F E R E N C E S

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