
Mittendorf, H.J.: The Role of FAO in Promoting Effective Agricultural Marketing Systems.
In: Besch, M., Kuhlmann, F., Lorenzl, G. Unter Mitwirkung von Hanf, C.-H., Riebe, K.:
Vermarktung und Beratung. Schriften der Gesellschaft für Wirtschafts- und
Sozialwissenschaften des Landbaues e.V., Band 20, Münster-Hiltrup: Landwirtschaftsverlag
(1983), S. 449-467.

The Role of FAO in Promoting Effective Agricultural Marketing Systems (1)

by

H. J. M i t t e n d o r f (2) , Rom

1 Brief review of Marketing Constraints in Developing Countries

1.1 Infrastructure

1.2 Organisation and Management

1.3 Socio-Economic Environment

2 FAOs Strategy

2.1 Objective

2.2 Resources

2.3 Method of Implementation

-
- (1) The views expressed are those of the author and do not necessarily reflect those of the Food and Agriculture Organization of the United Nations.
- (2) Chief, Marketing and Credit Service of the Agricultural Services Division, FAO Rome

2.4 Progress in Implementation

2.4.1 Policy Advice and Strengthening of National Marketing Institutions

2.4.2 Assistance in Policy Implementation

2.4.3 Training

3 Outlook

Annex I: List of Selected FAO publications on Marketing

Annex II: Areas of Concentration of Marketing Development Work by
FAO and Examples of Field Projects in Operation in 1982

The purpose of this paper is to review briefly the strategies followed by FAO in carrying out its technical assistance programme to build up effective agricultural and food marketing systems in developing countries.

1 Brief Review of Marketing Constraints in Developing Countries

The main constraints limiting the effectiveness of agricultural marketing systems in developing countries can be summarized under three principal headings, namely: infrastructure, organisation and management, and the socio-economic environment.

1.1 Infrastructure

The lack of feeder roads, main roads, storage facilities (telephone, mailing system) constitute, in many developing countries, an important obstacle inhibiting the efficient marketing of agricultural products (outputs) and agricultural inputs. Although considerable progress has been made over the last two decades in building up improved facilities, there are still a number of countries which lack adequate infrastructure, particularly in Africa, or where difficulty is experienced in maintaining existing transport and communication systems. Organizational aspects of maintaining and strengthening marketing infrastructure are a major problem area in many developing countries, and schemes to promote self-help and provide incentives to encourage more active participation by users of the infrastructure call to more attention by policy makers and assistance agencies.

1.2 Organization and Management Capacity

Inability to organize and coordinate effectively the various activities making up the production/marketing process such as assembly, grading, transport, processing, distribution and pricing is a major bottleneck particularly in the perishable produce sector. While private and cooperative marketing enterprises have, in general, responded to incentives designed to promote the building up to efficient marketing systems and to providing services required by consumers and farmers, it has been recognized that the

adoption of new techniques and forms of organization by the indigenous traders to the extent required have often been not fast enough to meet new market requirements, especially in African countries south of the Sahara, where the managerial and organizational skills required in enterprises of larger than family-scale are comparatively scarce. (3)

1.3 Socio-Economic Environment

The socio-economic environment has a determining influence on the development of effective and self-reliant national marketing systems. Firstly, government policies and in particular marketing and price interventions are crucial factors determining the manner in which marketing systems develop or are constrained. Inadequate investment in processing, storage, transport and distribution facilities by the private or cooperative marketing enterprises is often due to the absence of appropriate economic incentives, weak and unstable government intervention through parastatal trading companies. In recent years, shortage of foreign exchange for spare parts and petroleum imports has further aggravated existing problems.

Parastatal marketing organizations, which have been set up during the last decades have faced many problems of operation, partly due to government policies regarding market intervention or partly due to interference in staffing policies. The question has, therefore, been raised whether parastatal marketing organizations necessarily

(3) Mr. H. Adedeji, Executive Secretary ECA, Addis Ababa, writes in SID, Development 1980: 4, The fundamental problem of development and economic growth in Africa reside mainly in the supply side: shortage of indigenous entrepreneurs.....

contribute or hinder development. Many developing countries have made the experience that it is extremely difficult to control the efficiency of the operations of parastatals under monopoly conditions.

In conclusion, it can be stated that although progress has been made over the last two decades in building up marketing infrastructure, there has been increasing awareness that marketing problems arising out of organizational managerial weaknesses and socio-economic policies are of growing importance. This is partly due to the fact that the marketing development process has become more complex and inter-related and also partly due to the fact that government policies have not adjusted quickly enough or adequately to new requirements. As the marketing system and in particular that relating to food, becomes more complex, government policies and services demand a higher degree of fine tuning, a process which policy makers have still to learn in many developing countries.

Against this brief analysis on the major constraints in marketing, FAOs strategy on strengthening marketing systems is reviewed.

2 FAOs Strategy

2.1 Objective

The main objective of FAOs marketing programme is to assist member countries to strengthen national marketing policies and strategies. This includes the development of appropriate marketing support services, price intervention schemes and technology transfer schemes. In pursuit of these objectives a two-pronged strategy has been adopted; (i) to provide assistance for the identification of marketing problems and for the formulation and implementation of appropriate policies, programmes and projects and (ii) to train national staff in marketing support services and enterprises. Both elements of the strategy are intended to promote national self-reliance. The counterparts of FAO in the developing countries are policy-makers, administrators, managers and medium-level technicians employed in marketing enterprises including cooperatives, farm leaders, rural traders and personnel employed in medium and large-scale marketing enterprises, depending upon the target groups concerned.

2.2 Resources

The Regular Programme resources of FAO for marketing development amounted to US 784,000 for the biennium 1982/83. In addition to four professional staff posts at Headquarters, there are four Marketing Advisers in the FAO Regional Offices, namely one for Latin America in Santiago, Chile, one for Africa, Ghana, one for the Near East in Amman, Jordan and one for Asia and the Pacific in Bangkok, Thailand. In addition to the Regular Programme of FAO, the FAO Marketing Group was, in 1982, technically responsible for the operation of some 70 marketing projects in 45 countries which provided for a total expenditure of about US 14 million (see figure 1). More than half of the field projects provide marketing policy advice and the remainder support to marketing structure and organization and for training.

2.3 Method of Implementation

There are two major methods of implementation. At first, assistance is given to the formulation and implementation of FAO field projects covering aspects of marketing or with marketing components. Secondly, under the FAO programme a number of national, subregional and regional technical meetings and expert consultations have been organized to facilitate the exchange of information and experience on aspects, concepts and issues on marketing development. In support of these activities, guidebooks and technical papers have been published (see Annex I).

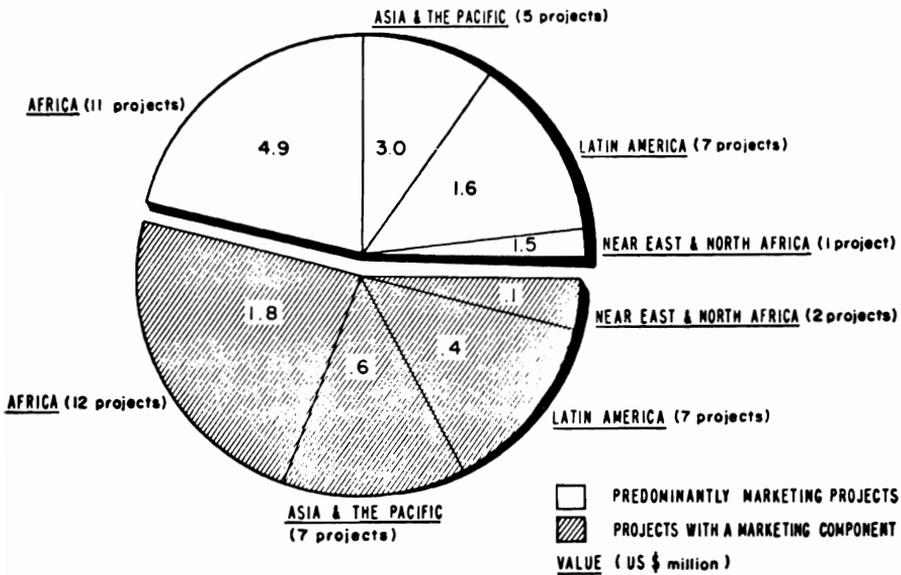
The Marketing Group of FAO works in close cooperation with other units in FAO such as those concerned with credit, storage, engineering, agro-industries, livestock, fertilizers to ensure an interdisciplinary approach, whenever required. It maintains also a close liaison with other multi- (UNCTAD, OECD, ILO, ESCAP) or bilateral agencies, to complement programmes, where desirable.

A major objective of Fao is also to facilitate the exchange of information and experience between developing countries (TCDC) which envisages the institutionalization of a regional or inter-regional network of marketing institutions.

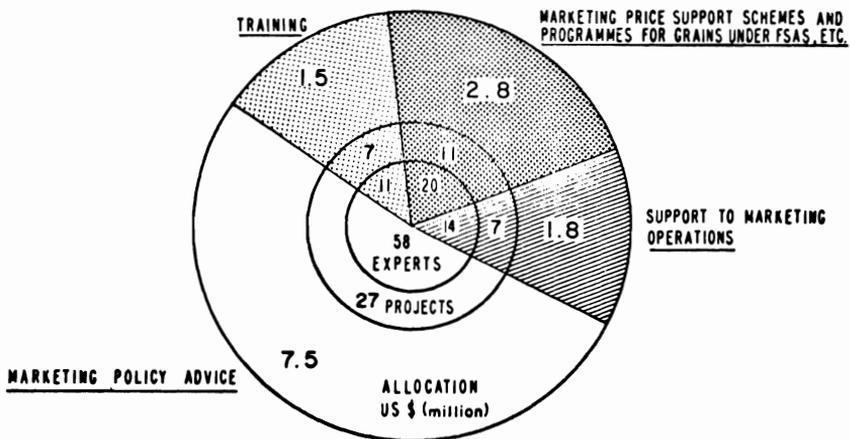
2.4 Progress in Implementation

Progress made in implementing FAOs programme of marketing development can be considered under three major headings, namely (i) policy advice and strengthening of national marketing institution, (ii) assistance in implementing policies and (iii) training.

EXTRA-BUDGETARY ALLOCATIONS FOR FIELD PROJECTS SUB-PROGRAMME 2.1.5.5



PROFILE OF MARKETING PROJECTS



2.4.1 Policy Advice and Strengthening of National Marketing Institutions

A major form of FAOs technical assistance programme has been the establishment or strengthening of government marketing facilitating services, advisory services on marketing structure, methods and operations including analysis on efficiency and effectiveness of operations. A few projects should illustrate the type of activities which are promoted. In Tanzania, the Marketing Development Bureau (MDB) now forming part of the Ministry of Agriculture, was launched with FAO support in 1970 as a major policy advisory unit including advice on price and investment policies. The MDB produces an annual price review which forms the basis for government policies on producer prices for various crops and livestock products. The project has also provided advice on marketing enterprises, efficiencies and on investments. Though the wide dissemination of its technical reports, of which more than 250 have been published since its inception, a major contribution to the awareness of marketing problems has been created, the formulation of more realistic marketing strategies has been fostered and the solution to marketing problems found more readily. The World Bank considered MDB crucial for market price analysis and related policy formulation and has provided continuous financial support in recent years.

A project in Kenya which began in 1975 has similar objectives, although the form is different for the country has different policy objectives than the purely socialist orientated policies of Tanzania. The project makes an annual price review to be used as a basis for fixing prices for agricultural commodities, bufferstock operations and foreign trade policies. It also reviews parastatal marketing operations as illustrated by the recent review of the Kenya Meat Commission, the Dairy Marketing System and the Maize Marketing Board.

2.4.2 Assistance in Policy Implementation

The FAO programme focusses on two major activities, namely (i) on grain price stabilization schemes through the operation of buffer-stock schemes and (ii) improved handling of produce. Technical advice on the methods for grain price stabilization schemes has been carried out in close collaboration with the World Food Programme (WFP) and the Food Security Assistance Scheme of FAO (FSAS).

The development of improved produce handling techniques has been concentrated mainly on perishable produce, particularly fruit and vegetables for export as well as for internal marketing, through improved packaging, sorting/grading and transportation methods.

Another area of concentration has been the planning of viable marketing facilities such as those required for assembly, transport, storage at wholesale level and the provision of processing facilities. It has been recognized that too much attention has been given by governments and bilateral assistance programmes to investment in marketing facilities before making a sufficient marketing analysis to justify the action taken. The results have been a considerable number of investments which have not lived up to expectation.

FAO has focussed on this crucial area and has tried to contribute to a better understanding of economics of marketing facilities, within the overall marketing system.

Advisory work has been carried out on the planning, design and organisation of wholesale and rural farmers markets. Guidelines have been prepared on the planning of those facilities.

Another growing priority area has been the improvement of financial management of marketing enterprises, in particular, parastatal marketing corporations, which are important in many developing countries. This work focusses on the introduction of management

orientated financial information systems as well as on improving cost and programme effectiveness of the companies.

A further important area is the strengthening of small farmer marketing systems, output as well as input marketing, in particular in rural development projects. The work undertaken concentrates on self-help marketing schemes of indigenous developing marketing systems, which are viable in the local context.

2.4.3 Training

The lack of trained personnel able to formulate national marketing policies and make realistic plans for marketing operations at micro level is a major bottleneck in many developing countries. The need is even more urgent, if one is aware of the many suggestions made and options outlined which are made by outside missions, which require careful analysis taking national policy objectives and available resources into account. FAO, has, therefore, given priority to training on three levels:

- (i) on concepts and strategies of marketing development for policy makers. A number of regional workshops have been held on selected issues, which have contributed to a better understanding on marketing development;
- (ii) on education at Universities which are at present inadequately involved in the marketing development process, and
- (iii) on in-service training at national level with schemes tailored to specific target groups. Perhaps the most significant is that of Brazil, which has embarked with FAO assistance, on a large-scale marketing training programme for persons involved in marketing of horticultural products supplied to large urban areas. The programme aimed at 7,800 farmers, 80 marketing cooperatives staff, 480 extension personnel, 500

middle level and 70 high-level marketing staff, 1,200 retailers and 2,700 permanent wholesalers. Training has been given a strong practical orientation and the most able personnel involved in marketing encouraged to serve as trainers. To facilitate vertical coordination between different levels in the marketing process, the programme was organized in a series of workshops in which the leaders and representatives from each level were able to discuss their problems and learn from one another's experience.

A series of other national workshops have also been organized on selected issues which have contributed to problem solving.

3 Outlook

To analyze future needs for marketing advice one has to be aware of a number of trends and issues, some of which are highlighted as follows:

(i) Growing role of marketing systems as coordinating and catalytic force in economic including rural development

Not only will the marketing system for agricultural products and inputs in future years have to handle a steadily increasing volume of produce for feeding rapidly expanding urban population, it will also have to play a more important role as a coordinating and catalytic force for economic development which can have a major multiplier effect on rural development and in associated sectors, through the provision of adequate incentives and the promotion of innovations.

Although governments are coming gradually to recognize the growing role of marketing in the development process, they have not yet been able to develop the requisite capacity to formulate and

implement marketing strategies able to meet national requirements. Therefore, priorities for marketing development have to be taken into account:

(ii) Strengthening governments capacity to analyze marketing problems and to support self-reliant development

As development proceeds, marketing systems and their associated problems become more complex. This calls for a strengthening of government marketing departments so as to be able to analyze problems and provide a minimum of market information and support services necessary for development. Although process has been made in a few countries, lack of the required analytic capacity constitutes a major obstacle to development in most developing countries. Considerably more support by multi- and bilateral agencies is, therefore, required to strengthen the government marketing and facilitating services such as market information, forecasting and advice on marketing organization and management.

The institutionalization of these advisory services in form of independent institutions is desirable to ensure that the analysis of marketing problems including price policies and marketing structure is carried out in the overall interest of the country irrespective of group interests.

(iii) Integrating the private trade into government development policies

The resources of the private sector in terms of entrepreneurial skills, human and capital resource mobilization, in particular for agricultural and small farmer development, are inadequately utilized in nearly all developing countries. Although in most developing countries private trade remains the principal means for carrying out agricultural and food marketing, present government policies are not sufficiently orientated to the encouragement of private investment in marketing facilities, infrastructure or to the stabilization of commodity markets

through adequate storage. Current obstacles have to be removed and the role of the private trading sector better defined in order to maximize its contribution toward meeting development targets.

The private sector should also have access to technical and capital assistance. This requires the development of an adequate institutional framework such as trade associations, chamber of commerce and banking systems through which technical and capital assistance can be channelled.

(iv) Recognizing the limitations of parastatal marketing corporations

In many developing countries there has been in recent years increasing awareness of the limitations that exist in organizing parastatal marketing corporations along efficient lines. The major constraints, which have often been quoted, include too bureaucratic methods, group interference and biased operations and staffing policies, aggravated by rapid changes of policies, high rates of inflation and shortage of foreign exchange. There is an urgent need to set out the options available for implementing government policies other than through parastatal corporations. Such options to include encouragement of the private sector to play a more constructive role in development and the focus of competitive marketing systems against state monopolies.

In countries where parastatal marketing corporations are considered as the only politically acceptable form of organization, serious efforts have to be made to design policy measures to reduce existing management constraints.

(v) Marketing components in rural development projects

Marketing components in many rural development projects are characterized by an overemphasis on physical marketing facilities and a neglect for aspects of organization, management and self-help including entrepreneurship and innovativeness. The marke-

ting system can only make its expected contribution towards rural development through the provision of necessary incentives and support for a self-reliant indigenous-based and viable marketing system which is to continue its services once the external aid has ceased. Therefore, more attention should be given to aspects of marketing policy, organization and management than to mere physical facilities.

(vi) Strengthening marketing training and applied research at Universities

A review made of training and research programmes at universities in developing countries has confirmed their lack of involvement in the marketing development process. Their strengthening in this regard, therefore requires priority. They have not only to teach the "know-how" but also the "do-how", which is often lacking, and design systems for development, which takes the socio-cultural dimension of development fully into account. The design of development projects which have not taken into account the socio-cultural dimension has for many countries become rather costly.

In conclusion, the institution-building process in marketing, in its wider context including the socio-cultural dimension, will require a much higher priority than it received in past decades when over-emphasis was given to investments in physical marketing facilities without proper attention being paid to the software of marketing. The large number of idle or underutilized marketing facilities should provide a serious warning against over-emphasis on providing physical marketing facilities unmatched by adequate attention being paid to the "software" element. The institution-building process is a long term process and requires a longer-term strategy of technical assistance than at present envisaged. FAO will therefore continue to provide assistance to governments in formulating sound marketing policies and help to establish well trained cadres of local personnel involved in marketing policy and implementation, as resources per-

mit. There is an urgent need for bilateral agencies to give higher priority to marketing development, particularly to the strengthening of marketing facilitating services.

ANNEX I

List of Selected FAO Publications on Marketing
(for details see FAO Bibliography on Marketing)

1. FAO Marketing Guides and other advisory material: (prepared in extension style) Principles of Marketing, 1958; Eggs and Poultry, 1961; Marketing Boards, 1966; Fruits and Vegetables, 1970; Rice, 1972; Livestock and Meat, 1977; Fertilizers, 1978; Wholesale Markets, Rural Markets (in prep.); Organisation of Market Information Services (in prep.); Establishment of Bonded Warehousing Systems (in prep.).
2. Reports on Workshops 1980-1982 (discusses selected marketing development issues in regions, sub-regions or countries):

RURAL MARKETS: A Critical Link for small Farmer Development, FAO/DSE Asian Regional Evaluation Workshop, held in Bangalore, India, 28 April - 2 May 1980, 90 p.

AGRICULTURAL MARKETING TRAINING IMPROVEMENT IN ASIA: II, FAO Group Consultation, held in Bangkok, 13-16 January 1981, 64 p.

TRAINING FOR AGRICULTURAL MARKETING, Report of the Workshop on Strengthening agricultural Marketing Training in the Near East, held in Rome, 1-5 June 1981, 68 p.

MARKETING AND REFRIGERATION OF PERISHABLE PRODUCE, FAO/IIR Seminar on Marketing of Perishable Produce under Refrigeration in the Near East and North Africa, held in Kuwait, 5-10 December 1981, 105 p.

MUTUAL COOPERATION FOR FOOD MARKETING SYSTEMS - IMPROVEMENTS AMONG ASIAN AND PACIFIC COUNTRIES, Group Consultation on TCDC for Food Marketing Systems Improvement, held in Bangkok, 12-14 January 1982, 74 p.
3. Occasional Papers 1980-1982 (discusses selected issues on marketing development):

Abbot, J.C., The Marketing of pulses: a neglected area, Proc. Nutr. Soc. (1982) pp. 63-74.

Abbott, J.C., Fertilizer distribution as a spearhead of rural development, Agricultural Administration 6(2), April 1979; pp. 141-155.

Abbott, J.C., Considerations of Alternative Marketing Organisations to Serve Small Tropical Farmers, Agricultural Administration 9 (1982) pp. 285-299.

Mittendorf, H.J., Issues on Marketing of Livestock and Meat in Asian Countries, World Animal Review, No.40. FAO Rome, 1981, pp. 34-42.

Mittendorf, H.J., Improvement of Wholesale Markets in Developing Countries: an essential instrument for development, International Fruit World, Basel, Switzerland, June 1981, pp. 106-127.

Mittendorf, H.J., Topics for studies on Agricultural and Food Marketing in Developing Countries, Quarterly Journal of International Agriculture, DLG-Verlag, Frankfurt (Main), 1982 (in press).

Mittendorf, H.J., Rural Market Centres: potential development centres for small farmer development, Journal of the Indian Institute of Public Administration, New Delhi, 1982 (forthcoming).

Reusse, E., Somalias Nomadic Livestock Economy: its response to profitable export opportunity, World Animal Review, No.44, FAO Rome, 1982, pp.

Reusse, E., The Energy Waste in Food Marketing, CERES, No.78, FAO Rome, November/December 1980, pp.

Barker, E.J.B. and T.A. Banda, Strengthening of Marketing Services in Tanzania: Experiences gained over ten years, (in process)

Lee, C.Y., Stages of Fertilizer Use Development in Marketing Policies, FAO/RAPA Bangkok, 1980.

4. Reports on FAO Field Projects (examples) <analyses markets, marketing problems, and outlines options for improvement; titles are on computer and in FAO Bibliography, see point No.6 below>

4.1 Market including price reviews:

Background Marketing Briefs for the Agricultural Price Review 1982/83, Tanzania

Price Policy Recommendations for the Year 1982/83 - Agricultural Price Review, Kenya.

4.2 Feasibility Studies:

UNDP/FAO, Planificacion de la Nueva Central de Abastos para la zona Metropolitana de Mexico, D.F., Informe terminal DP/MEX/74/029, Resultados y Recomendaciones del proyecto, by H.J. Mittendorf and J.P. Kahla, Rome, 1975.

FAO, Estudio de Factibilidad Mercados Mayoristas de La Paz, Bolivia, TCP BOL/6801, Informe de Mision, Rome 1979.

4.3 Training:

Koinadugu Integrated Agricultural Development Project, Report on Seminar and Workshop on Agricultural Marketing, held in Kabala, Sierra Leone, 16-21 November 1981.

UNDP/FAO, Centre for Human Resource Development in Agricultural Marketing - BRAZIL, Interim Report, Rome 1982, DP/BRA/76/016, 56 p.

4.4 Food Security (analyses aspects of food security including maintenance of reserve stocks at national level.

From 1980 to present the following missions have been carried out: Pakistan, Mauritania, Rwanda, P.D.R. Yemen, Yemen A.R., Somalia, Cape Verde, Swaziland, Sudan, The Gambia, Nicaragua, Bhutan, Sierra Leone, Bangladesh.

5. Advisory Documents under preparation:

(i) Role of the Private Marketing Entrepreneur and Rural Development: case studies and Commentary, edited by Malcolm Harper, Cranfield School of Management - UK, and Richard Kavura, Inst. of Development Management, Tanzania, Rome, 1982, 115 p.

(ii) Bonded Warehouses

(iii) Checklist on Evaluating Performance of Marketing Systems for Field Personnel

(iv) Financial Management of Grain Marketing Boards

(v) Increasing Productivity in Marketing

(vi) Checklist on Assessing Marketing Costs and Margin for Agricultural Products and for Fertilizers including Assessment of adequacy of services rendered.

6. FAO Bibliography on Agricultural Marketing (covers selected publications on agricultural and food marketing in developing countries, published every two years).

ANNEX II

Area of Concentration of Marketing Development Work by FAO
and Examples of Field Projects in Operation in 1982

Major objective and marketing agency	Expected improvements	Examples of Projects in operation
1. Govt. Marketing Dept.	Market information and forecasting service, applied research, Improved policies and advisory service.	Congo, Zambia Swaziland, Uganda Kenya, Tanzania, Gulf countries, India and other, in preparation
2. National grain price stabilization schemes food security	Pricing and price stabilization, organization & management of grain buffer stock schemes, nature of marketing intervention.	West Africa, Cameroun, Bangladesh, Ethiopia, Tanzania, Ecuador and others
3. Rural Marketing for small farmers	Pricing, minimum marketing support package of services to small farmers.	West Africa, Kenya Pakistan, India Indonesia
4. Food Marketing systems for large urban areas	Wholesale markets, market information, vertical coordination, incl. voluntary chains, retail markets.	Lima, Jamaica, La Paz Korea, Indian cities, Latin American countries
5. Parastatal marketing enterprises	Nature of market intervention, efficiency and effectiveness.	Tanzania, Cameroun, Kenya
6. Fertilizer marketing enterprises	Improved logistics, promotion. Marketing Costs & margins, Improved Credit Services.	Bangladesh, Pakistan, Kenya, Gambia, African Countries. FAO/FLAC Working Group on Fert.

Marketing & Credit

Marketing training	University level	Asia, Near East
Men in Marketing	Improving operations, improving social services.	West Africa, Andean countries of South America
Port development cooperation with C Geneva	Fruit and Vegetables, other perishable produce.	Market information services, Guinea, Kenya, India, Malaysia, other countries