Institutionalizing Marketing Improvement Programs

by

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Introduction

The ideas and views contained in this paper have evolved over a period of seven years of research and consulting activities dealing with agricultural marketing problems in Latin America. Our work began primarily as a research activity in three countries (Brazil, Bolivia and Colombia) where we studied existing marketing arrangements with an ultimate objective of diagnosing problems and identifying some practical ways of improving food system coordination. Over time we have gained a better understanding of the existing marketing systems and the political, social and economic constraints on marketing policies and programs as part of the broader economic development strategies being pursued in particular countries. During the past three years we have become more involved as consultants to public and quasi-public agencies that are actually planning and carrying out major marketing improvement programs in Colombia and more recently in Costa Rica.

Our Michigan State University staff participation in these programs has been funded by AID (U. S. Agency for International Development) first by a major contract with the Latin American Bureau and later by the Country Missions in Colombia and Costa Rica. However, we have always worked in close collaboration with local institutions who have been supported by their own national governments.

The main thrust of this paper is to share with you some of our views on a framework for analyzing problems of market organization and then to outline what we have come to believe is a realistic approach to instituting desired
changes in marketing systems. We would be the first to acknowledge the importance of modifying this approach to fit conditions in particular countries. We are, of course, hopeful that some of our experiences can be a useful input into the planning of the IICA Hemispheric Agricultural Marketing Program.

**Need for Public Action to Facilitate Marketing Improvements**

Latin American economies are becoming more industrialized and urbanized with increasing economic specialization. Economic development is more and more affected by the effectiveness and efficiency of market coordination and physical transfer of products among the many specialized components in the system. The demand for agricultural and food marketing services is expanding rapidly as a result of high annual rates of population growth (2 to 4 percent), technification of agriculture, rapid migration to the cities (5 to 7 percent annual population growth in major cities), a high average percentage (40 to 50 percent) of consumer incomes devoted to food and high income elasticity of demand for agricultural products (at least .6). Food costs have become an extremely sensitive economic and political issue. Development strategies in the past decade have stressed increasing agricultural output, productivity and incomes. But now with nearly 50 percent of the population of Latin America living in cities and the agricultural based population sufficiently specialized to require purchase of a sizable percentage of their food and agricultural input supplies in the market, government concern for the organization and performance of the marketing system is rising. Traditional marketing firms cannot be expected to adjust automatically and effectively to this changing environment just as farmers and industrialists are not expected to adjust their behavior without some encouragement. All of us here at this conference would probably agree that governments do have a role to play in stimulating marketing improve-
ments. The nature of that role will depend on individual circumstances but it would probably include facilitative and catalytic activities as well as direct market intervention under certain conditions.

Clearly, specific marketing improvements should and no doubt can be made consistent with the stated development objectives in each country. It is relatively easy to see the importance of marketing improvements in achieving the more traditional development goals such as improving aggregate output and incomes and expanding exports. But evidence also suggests that properly selected market system improvements can help achieve greater equality in distribution of development benefits and even help increase employment opportunities.

**Toward a Systematic Approach to Market Improvements**

If, then, Latin American governments are likely to significantly expand their efforts to stimulate improved market system performance we might well ask what the approach is likely to be. Based on historical patterns we can make some observations on the subject. Generally middlemen in Latin America are viewed at best as a necessary evil. There is a general feeling that an ideal arrangement would be for all farmers to sell their produce direct to consumers and purchase their own needs direct from other producers. Market intermediaries tend to get the blame for all the imperfections and injustices of the present system. We certainly are not here to defend market intermediaries as a class -- many of them deserve their reputation. But in most cases it is not feasible or desirable to eliminate all middlemen nor is it correct to put all the blame for high and unstable prices on them. We have already noted that food prices are often the focus of great political concern. Consequently, there is a natural tendency for government leaders to enact policies and programs that are perceived by the masses as an heroic attempt to keep food costs down not by
penalizing the farmer but by squeezing those who are perceived as the perpetrator of high prices -- the intermediaries. Price control programs, anti-speculation laws, anti-monopoly measures and government-owned direct food retailing programs are examples of the kinds of "marketing" programs that often evolve. The emphasis is on efforts to eliminate the intermediary or at least to force him to "be fair." Not only are such approaches often not effective in terms of lowering prices, stabilizing prices or improving marketing efficiency, they may have negative effects on the food system. They tend to discourage marketing firms from seeking innovative ways of performing the necessary marketing functions. And, they may have certain negative external effects on producers and consumers, e.g., forcing intermediaries to suspend purchases from farmers or sales to consumers who have no other viable alternatives.

There has also been a tendency to overemphasize the value of individual projects to improve physical marketing facilities and equipment. We have been increasingly convinced that marketing facilities play a relatively minor role in market improvement. The human or management and institutional environment factors seem to be more important. Certainly there are cases where market performance can be improved significantly by investment in new facilities and equipment. But the management and institutional environment factors are too often ignored or given only lip service. And the market "system" effects of such projects are sometimes ignored completely. Adequate evidence of this situation is found in the many examples throughout Latin America of unused or poorly utilized retail, wholesale, assembly, storage and processing facilities.

Finally, Ministries of Agriculture and Planning generally have been primarily interested in expanding farm output as rapidly as possible. Concern for marketing the expected output has too often been limited to consideration of the logistical problems of physically moving the product off the farm. This, of
course, has given rise to preoccupation with physical marketing facility projects and government controlled marketing schemes. It has also led to many depressed farm price situations where consumer demand has been insufficient to absorb the induced output or where market intermediaries or government agencies were not managerially equipped to market the additional product.

We do not mean to imply that government programs to "police" the market or to improve physical facilities should be avoided altogether. But based on analysis of historical trends and prevailing attitudes about marketing in Latin America, we believe there has been an uneconomical overemphasis on such approaches.

What then would be a systematic approach to market system improvement? We believe first of all that the approach should have its roots in country development objectives. It should be designed to contribute explicitly to the attainment of the development goals of the people. In most cases the most pervasive development objectives will be those associated with improvements in human welfare, i.e., helping people achieve higher consumption levels of whatever goods or services they choose. Since it is the marketing system that "delivers" those goods to consumers (rural or urban), more consideration should be given to assessing consumer wants and needs and to evaluating the capacity of the production and marketing system to economically deliver the desired goods and services. Poorly coordinated and inefficient markets may be a limiting factor between existing production capacity and latent consumer demand. This more complete understanding of the dynamic role of the marketing system is needed in Ministries of Agriculture, urban development agencies, national planning agencies and specialized public and semi-public development institutions. Next, the production-marketing system should be viewed as a living organism with millions of economic cells. In order to facilitate movement of products through the
organism, internal physical changes may be necessary within certain cells (i.e., new market facilities or equipment); or external restraints (laws, regulations, public intervention) may be necessary to prevent one cell from dominating others; or the behavior (managerial characteristics) of certain cells may need to be changed; or it may be necessary to completely change the environment (legal, political constraints affecting the market) in which the organism functions. But before making such changes in specific cells of the organism or of the environment, one should evaluate the potential effect on the organism as a whole as well as on individual cells. Thus, a systematic approach to market system improvement would be one that starts first with a human welfare orientation, considers product and service needs, diagnoses marketing problems, hypothesizes solutions, evaluates system effects, decides on appropriate action, implements the changes, examines the results and finally makes ongoing adjustments.

Suggestions on Implementation of the Systematic Approach

Various opportunities can be found for implementing the systematic approach to agricultural marketing improvement. Frequently intensive public concern for a specific marketing problem offers opportunities to look more broadly at the marketing system. Examples are specific concerns for price support policies, public storage facilities, transportation facilities, a congested wholesale food market, etc. The systematic approach can be applied in a limited way to these kinds of projects. But more importantly, as one begins to look "systematically at these kinds of issues, he is likely to discover that there are many urgent marketing problems related to but defined outside the scope of the project in question. As the researcher starts to delve into those related problems he begins to recognize the need for a more comprehensive analysis of related
parts of the marketing system. At that point, if not before, the researcher will be asked to defend and justify his "systematic" approach. This produces the opportunity to explain the approach to colleagues, superiors and policy makers. From there the researcher is in a position to help create the kind of ongoing marketing task force that is described later in this paper. Undoubtedly the IICA marketing program will receive many individual project requests, which, if dealt with in this way, could provide opportunities to help the requesting countries evolve a capacity for systematically evaluating and then improving agricultural marketing systems. The result should be more than just a bankable project feasibility study, as important as that may be.

On the other hand, many countries are already recognizing the need to look more comprehensively at agricultural markets. Here in Costa Rica we were asked to assist a national task force in a preliminary diagnosis of the agricultural marketing system. After completing that preliminary evaluation and formulating some suggestions for improving the system's performance, a seminar was held with key government executives, planners and policy makers to present the findings. A national marketing commission has now been organized to provide policy direction and implementation assistance for a number of marketing improvement activities.

Earlier we implied that it might be desirable to move toward a publicly employed task force of marketing specialists in each country. We do indeed see that as a good way of building a critical mass of analytical capacity and experience, of organizing to carry out marketing project development within a systems framework, of helping planners and policy makers to better understand the role of marketing in development and finally of helping to carry out action reform programs in the marketing system. The primary objectives of the task force would be to find ways through public policies, economic and technical
assistance, and intervention to bring about a progressive and efficient agricul­tural marketing system consistent with national development goals and to help effect needed improvements by working closely with appropriate action agencies. This should be a continuing activity not merely an effort to produce a report identifying problems and suggesting a set of recommendations. From the beginning this task force should strive to become closely identified with action agencies and should engage in promotional and educational efforts regarding marketing improvement possibilities. The specific objectives for such a task force might be expressed as follows:

1. To develop, in cooperation with the relevant public agencies and private sector institutions, a general strategy for improving the agricultural marketing system.

2. To promote the acceptance of the general strategy and the development of programs and projects that are consistent with this longer-range generalized strategy.

3. To prepare or assist in the preparation of feasibility studies for marketing facilities and related public programs to develop public and private sector capabilities to institute new marketing activities.

4. To promote marketing projects with appropriate public and private sector institutions and to facilitate inter-agency coordination where necessary.

5. To evaluate ongoing projects and programs as a basis for revising or reformulating these activities.

The following diagram summarizes the tasks specified in the above objectives:
The institutional positioning of the task force activity described above can be a delicate issue and one that has important implications for the potential success of the marketing improvement program. It would seem more appropriate to locate the task force either within the Ministry of Agriculture, perhaps in the agricultural marketing agency if one exists, in the Ministry of Commerce, or in the national agency concerned with urban development. Of course, we recognize that the decision on just where such a task force may be located is largely dependent on national political and public institutional relationships. Thus, one might find some rather strange institutional arrangements evolving in response to individual circumstances. We might offer the following observations on institutional affiliation of the proposed marketing task force. Locating this group completely within a Ministry of Agriculture may limit its ability to adequately deal with urban food distribution problems and maintain a balance between farmer and consumer interests. Ministries of
Agriculture usually place highest priority on farm production problems and the socio-economic well-being of rural people. This is understandable given the political realities of the situation. Hence, there are strong tendencies toward perceiving marketing problems as something that limits farm production rather than taking the view that production and marketing activities should be organized from the consumer end of the market channel back toward the farm. National agricultural marketing agencies are therefore, usually preoccupied with agricultural price supports, storage, food imports and similar farmer-oriented marketing programs. There are similar problems if the task force is positioned within an urban development agency where their principal concerns tend toward the solution of physical and architectural problems of rapidly growing cities with less concern for efficiency of food supply systems and the need to coordinate urban food distribution with rural production-assembly-processing activities. Consequently, some countries have found it expedient to create special institutions to carry out the functions suggested for a marketing task force. In Puerto Rico a special group was organized within the Planning Department, in Colombia regional marketing development agencies have evolved, and here in Costa Rica a National Marketing Commission has recently been organized with representation from all agricultural and urban development institutions, including the Ministry of Agriculture.

Some Examples

At this point we believe it would be useful to share with you some actual experiences with particular marketing reform programs. We will first look at a Colombian program that has been operating for over three years and then take a brief look at the program that was initiated here in Costa Rica just a year ago. Time does not permit a balanced and detailed review of the evolution of
these programs. Hence, we will only try to give some of our own impressions of what has happened and the ways in which technical assistance has been instrumental in program development.

**Colombia**

CORABASTOS (Corporacion de Abastos de Bogota) was created approximately three years ago as a public corporation to carry out a broad food marketing improvement program for the city of Bogota and its closely related rural supply areas. The political decision for this new entity grew out of deliberations involving the city council, the mayor and the leaders of several national agencies. The initial impetus for this program grew out of a perceived need for a new wholesale food marketing facility in Bogota. The mayor asked a young councilman to take on the task as Director of the project that became instituted as CORABASTOS.

Very early the Director contacted Michigan State University and requested our assistance. At that time we were just completing a comprehensive study of the food marketing system serving Cali, a large urban center in the Cauca Valley of Colombia. This had been done as a collaborative effort with the Cauca Valley Corporation and other local entities with funding provided by the national government. We agreed to provide consulting assistance and recommended that several of the local technicians that had participated in the Cali project be hired on the CORABASTOS staff. This was done and the Co-Director of the Cali study actually became the Technical Sub-Director of the Bogota project. In our judgment this was a pivotal staffing decision.

From the outset, the CORABASTOS project was action-oriented. The Director mobilized resources and moved aggressively to plan, organize, and carry out an ambitious marketing reform program. The general approach drew heavily on the
diagnostic studies for the Cali area and the recommended strategy for improving market organization. In addition the MSU staff made substantive advisory inputs into the planning of the Bogota program and have continued to provide consulting assistance up to the present time.

Meanwhile, CORABASTOS has accomplished the following:

1. A series of diagnostic studies were completed with contracted assistance from the National University Center for Development Research (CID) and IDEMA, the National Institute for Agricultural Marketing.

2. A long-range market development strategy and a set of programs have been formulated and periodically revised and improved on the basis of new information and actual experience.¹

3. A five million dollar central wholesale market facility was constructed and placed into operation in July 1972. All of the wholesaling space was rented prior to opening day when wholesalers moved in mass from the old market area in the center of the city. A second stage of the market is being planned to provide additional wholesaling space.

4. A massive educational campaign has been carried forward aimed at informing policy makers, producers, intermediaries and consumers about the food marketing system and the anticipated benefits from CORABASTOS projects.

5. An existing marketing information program has been greatly expanded in collaboration with IDEMA, the national marketing agency. Daily wholesale prices are now collected and widely disseminated for some 150 commodities. Retail prices are also collected and disseminated in a local newspaper and monthly price and supply forecasts are prepared for use by public and private entities.

¹See the CORABASTOS annual report to the President, for the year, August 1, 1970 to July 31, 1971.
6. A program has been instituted to facilitate the development of more efficient private sector retailers, wholesalers and assemblers through training and supervised credit. A scheme for larger scale, more coordinated wholesale-retailing operations in Bogota is also going forward.

7. Studies and experimental programs have been directed to rural assembly of fruits and vegetables in areas that supply the Bogota market.

8. In collaboration with MSU consultants a draft document on future national marketing policies was prepared and distributed for discussion purposes.

In summary, the CORABASTOS program is an example of an institutional innovation that is having a major impact on food marketing in Colombia. To fully understand its role and its limitations would require a fuller explanation of the activities of other agencies such as IDEMA, the Coffee Federation, the Ministry of Agriculture, etc. Perhaps we have stimulated your interest in some further inquiry.

Costa Rica

This past year we were invited to assist the Costa Ricans in the development of an agricultural marketing program. We agreed to provide consulting assistance in the organization of a small group of technicians who would carry out a preliminary diagnosis of marketing problems. This group was set up under IFAM, the Institute for Municipal Development with collaborative arrangements involving personnel from the Central Bank, CNP (Consejo Nacional de Producción), the Ministry of Agriculture and INVU (Instituto Nacional de Vivenda y Urbanización). In this activity the orientation of the work and the actual operations closely parallel the general strategy and program suggestions outlined earlier in this paper. Following preliminary diagnostic studies, a one-day seminar was conducted with approximately 40 Costa Rican leaders and technicians. The semi-
nar provided an information base about the existing marketing situation, some projections of major forces affecting future market system organization and some suggestions for possible lines of action. The latter was reinforced by a presentation of the Bogota experience given by the Colombian Sub-Director of CORABASTOS.

The seminar material was subsequently presented to several influential local groups including CAN (Consejio Agropecuario Nacional), and the San Jose Municipal Council. These meetings increased local leaders' awareness of their problems and provided a realistic basis for beginning to formulate a marketing improvement program.

At that point PIMA produced and distributed an 82-page report entitled, *Como Fomentar Mejoras en El Sistema de Mercadeo de Productos Alimenticios en Costa Rica*. One of the recommendations was to establish a national committee of policy makers to review the report and make a decision on the program suggestions. The national committee has been organized and the decision has been made to move ahead with the proposed marketing program. Additional studies will be undertaken by PIMA to facilitate the actual planning and implementation of a series of interrelated projects.

**In Conclusion**

Institutionalizing marketing improvement programs is a critical and difficult development task. There are many constraints including strong anti-intermediary attitudes, the lack of understanding of the functioning of a modern food production-distribution system and a set of poorly coordinated public institutions dealing with many different aspects of agricultural marketing. The key question is how can national marketing programs be carried forward as an integral part of a broad development effort. On the basis of our experience
we are suggesting that there is a role for IICA's Hemispheric Agricultural Marketing Program in providing consulting assistance to individual countries. The objectives of this program as presented by the IICA staff seems realistic and relevant to the problems as we have perceived them. In conclusion we would emphasize the basic need to create the institutional and human capabilities, to investigate market coordination problems, to formulate realistic programs and to implement them effectively. This is a long-term undertaking but there has to be a fundamental strategy and a series of shorter-term steps toward the country's goals for economic and social development.
AVAILABLE PUBLICATIONS

LATIN AMERICAN MARKET PLANNING CENTER
Michigan State University

RESEARCH REPORTS - Marketing in Developing Communities Series


Market Processes in the Recife Area of Northeast Brazil, Charles C. Slater, et. al., 1969. (Also available in Portuguese.)


Market Coordination in the Development of the Cauca Valley Region - Colombia, Harold M. Riley, et. al., 1970. (Also available in Spanish.)


Fomenting Improvements in Food Marketing in Costa Rica, PIMA, 1973. (Also available in Spanish.)

OCCASIONAL PAPERS

"Approaches to Integration of Rural Urban Food Marketing Systems in Latin America," Kelly Harrison, a paper prepared for discussion at the Agricultural Development Council Workshop in Lexington, Kentucky, October, 1971.

"A Case Study of Carrulla Supermarkets in Bogota," Harold M. Riley, a paper presented at a conference on Agricultural Marketing Problems in Developing Countries sponsored by FAO and the West German Development Foundation, November 6, 1971.

"Improving Internal Marketing Systems as Part of National Development Programs," Harold M. Riley, a paper presented at the First InterAmerican Conference on Marketing and Social Economic Development in Latin America, Cali, Colombia, May 2-5, 1972.

GRADUATE THESES (Available through IICA-HAMP Library)

**Doctoral Dissertations**


"Urban Market Processes in Recife, Brazil," Robert W. Nason, Department of Marketing and Transportation Administration, 1968.

"A Diagnosis of Product and Factor Market Coordination in the Bean Industry of Northeast Brazil," Donald W. Larson, Department of Agricultural Economics, 1968.


"Food Distribution in a Latin American City (Cali, Colombia)," Colin B. Guthrie, Department of Marketing and Transportation Administration, 1972.

"Improving the Organization of Fruit and Vegetable Production-Assembly Systems in the Coffee Zone of Colombia: A Case Study in the La Mesa Region," Pablo Torrealba, Department of Agricultural Economics, 1972.


**Masters Theses**


numero 1 - Aspectos de Integración de Mercadeo en Algunos Centros de Comercio Rurales en el Valle del Cauca.

numero 2 - Producción, Distribución y Uso de Empaques para Producto Agropecuarios en la Zona de Influencia de Cali.

numero 3 - La Distribución y Uso de Insumos para la Industria Agropecuaria en la Zona de Influencia de Cali.

numero 4 - La Producción y Distribución de Algunos Bienes de Consumo en la Zona de Influencia de Cali.

numero 6 - El Sistema de Distribución Urbana de Víveres en Cali.

numero 7 - Estudio de los Consumidores de la Ciudad de Cali: Ingreso Cantidad y Patrones de Compra de Víveres.

numero 8 - El Sistema de Transporte de los Productos Alimenticios en la Zona de Influencia de Cali.

numero 9 - Sistemas de Información y Comunicación de Mercadeo en la Zona de Influencia de Cali.

numero 10 - Leyes y Reglamentaciones que Afectan los Procesos de Coordinación de Mercadeo en la Zona de Influencia de Cali.

numero 11 - Producción y Distribución de Granos en el Valle del Cauca.

numero 12 - Sistema de Producción y Distribución de Leche en la Zona de Influencia de Cali.

numero 13 - Beneficio y Distribución de Carnes de Res y Cerdo en la Ciudad de Cali.

numero 14 - Producción y Distribución de Pollos y Huevos en la Zona de Influencia de Cali.

numero 15 - Producción y Distribución de Frutas y Hortalizas en la Zona de Influencia de Cali.

numero 16 - Análisis Económico de la Construcción Residencial en la Ciudad de Cali.
CORPORACIÓN DE ABASTOS DE BOGOTA


Central Mayorista de Abastecimientos de Bogota, S.A., un folleto descriptivo de la nueva Central Mayorista de Bogota.


Estudio de Consumidores y Distribución Urbana de Víveres de Bogota, Informe Final,

  Numero 1 - Introducción
  Numero 2 - Consumidores
  Numero 3 - Precios
  Numero 4 - Minoristas
  Numero 5 - Mayoristas

SELECTED ADDITIONAL PUBLICATIONS ON MARKETING

FAO, Guias de Mercadeo:


  Numero 4 - La Comercialización de los Huevos y de los Aves de Corral, G. F. Stewart y J. C. Abbott, 2ª edición, 1968.

  Numero 5 - Creación y Funcionamiento de los Juntos de Mercadeo Agrícola, J. C. Abbott y H. C. Creapelanot, 1966.


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Impediments to Agricultural Marketing in the Dominican Republic, Ray V. Billingsley and Harold B. Sorenson, International Programs Information Report No. 68-1, Texas A & M University, College Station, Texas, 1968.


Sugerencias para un Incremento en la Producción y Consumo de Leche en el Peru, William C. Merrill and Lorenzo Sousa C., Estudio No. 4, Programa Iowa-Peru, 1967.