We have brought together in this book a large number of readings, some of which are very short. It seemed necessary to tie this material together with numerous editorial comments. The editorial comments are printed in reduced type in order to distinguish them from the readings. Each reading is designated by three numbers; for example, 2.1.4 is the fourth reading in the first subsection of Section 2.

A complete citation is given at the head of each reading. In addition, all the readings in each section are listed by author and title at the head of the section. Footnotes have been omitted from the readings except where they seemed essential.

SECTION 1

Introduction

Section 1 provides introductory material: definitions of common terms, statistics concerning the size and cost of agricultural marketing, material on public attitudes, and a discussion of the aims of agricultural marketing.

— EDITOR

1.1 Definitions

Marketing is sometimes defined as buying and selling, i.e., the exchange of goods and services. But much of the marketing work done by the colleges and by government agencies would not be covered by such a narrow definition. Agricultural economists have rather generally followed a broad definition of marketing, covering not only buying and selling but also such subjects as transportation, processing, and storage.—*Ed.*

1.1.1 Thomsen, Frederick Lundy. *Agricultural Marketing.* McGraw-Hill, New York, 1951. P. 1. Reprinted by permission.

The study of agricultural marketing, then, comprises all of the operations, and the agencies conducting them, involved in the movement of farm-produced foods and raw materials, and their derivatives such as textiles, from the farms to final consumers, and the effects of such operations on farmers, middlemen, and consumers.

This sort of broad definition has been rather generally accepted by the colleges and the governmental agencies working in the field of agricultural economics. For example, the following excerpt provides a good working definition of marketing research.—*Ed.*

1.1.2 United States Agricultural Research Administration. *Administrative Procedures for State Agricultural Experiment Station Research Under Agricultural Marketing Act of 1946.* Washington, Nov., 1951. P. 3. (Processed.)

More specifically, for administrative purposes, marketing research under the Agricultural Marketing Act is interpreted as research on the organization, methods, and practices used, and the operations involved, in the transfer of title and in the physical handling of products, in their natural or processed form. Projects giving primary emphasis to utilization research are excluded under this definition.

So interpreted, marketing research includes, but may not be limited to, research on assembling, packing, packaging, handling, transporting, and storing farm products; on standardization, grading, and distribution; on the operations of middlemen and marketing institutions, including financing; on problems basic to effective educational, service, and regulatory activities designed to improve distribution; and on the development of improved ways of moving farm products through the distributive channel.

The above definitions are broad, but they emphasize the production aspects of marketing, rather than those of pricing. This book covers the *economics* of agricultural marketing. Prices and pricing are at the heart of marketing. This aspect of agricultural marketing is emphasized in the following definition of market organization.—*Ed.*

1.1.3 Rowe, Harold B. "Economic Significance of Changes in Market Organization." *Jour. Farm Econ.*, Vol. XXII, No. 1, Feb., 1940. P. 173–74.

But the ultimate economic significance of a change in marketing is not determined solely by its influence upon costs and efficiency. It depends also upon the promptness and precision with which this influence is reflected in the prices of marketing and processing services — that is, in the charges established — and how these charges affect volume and price adjustments at all stages from farm to consumer. Hence, in order to consider the problems raised . . . it is necessary to examine the bearing of combination and integration upon marketing as a process of exchange — a process in which prices are established.

The dictionaries give several definitions of the word *market,* and there often is confusion about that word, even in professional literature. While this is undoubtedly unfortunate, we can do little about it. We can't very well decree that from now on everyone must use the word in one particular sense. But it is well to remember the different meanings of the word *market,* and it is often wise to qualify the word to indicate in which sense it is used.—*Ed.*

1.1.4 Larson, Adlowe L. *Agricultural Marketing.* Prentice-Hall, New York, 1951. Pp. 33–34. Reprinted by permission.

The term *market* has a variety of meanings. In some cases the *market* may mean (1) the *place* where buying and selling take place, such as the public market, the retail store, or the vegetable market in a city. Again, it may be thought of as (2) an *area* in which a good is sold, such as the United States market, the European market, or the world market. The market may be thought of as (3) a *group of people* carrying on buying or selling. This group may be (*a*) unorganized (for example, ladies selling cake at a church bazaar) or (*b*) organized (for example, board of trade). Too, the market may be (4) the *commodity* traded, such as the corn market, the cotton market, or the livestock market. The market is also defined with respect to (5) *time* (for example, the cash market and the futures market).

More general definitions include: The market is the opportunity to buy or sell. The qualifications of this definition might be met when two or more people are in communication with each other. Hibbard's definition is "A market is the sphere within which price-making forces act." Kiekhofer states, "Markets may be properly described as the entire area within which the forces of demand for and supply of a given commodity or service interact in effecting exchanges and establishing prices. Wherever and whenever buyers and sellers are brought together, whatever the means for achieving communication, markets exist."

A market, therefore, is the ~~mechanism through which exchanges are~~ made. The term "mechanism" is a broad concept similar to "sphere" in the definition above. There must be communication between prospective buyers and sellers, and facilities for completing transactions.

1.2 The Size and Expense of the Job

Agricultural marketing, as we have defined it, is important partly because it is a big, expensive job.

We are not concerned here with the details of costs and margins, but we shall provide a few general facts and figures to give some idea of the magnitude of the job.

The data given in the following excerpts relate only to foods. Hence they underestimate the importance of agricultural marketing. Food products account ultimately for only about 80 per cent of farm marketings, and an even smaller percentage of marketing charges, since nonfood products like textiles require more expensive processing than do most foods.—*Ed.*

1.2.1 United States Bureau of Agricultural Economics. *Marketing and Transportation Situation.* Oct., 1952. (1953 Outlook Issue). P. 15.

The Bureau of Agricultural Economics makes annual estimates of the total farm value, retail cost, and marketing charges of all farm foods bought by civilian consumers in the United States. Estimates also are made for the six major farm food commodity groups. These estimates reflect variations in the total volume of food marketed, as well as variations in prices and marketing that are measured by the "market basket" series. . . .

The total retail-store value of all farm food bought by civilian consumers in the United States in 1951 is estimated at 38.8 billion dollars and the total charges for marketing these foods at 19.1 billion dollars. This estimate of the total marketing bill includes charges for local assembly, transportation, storage, processing, wholesaling, and retailing, but not the additional service charges for food sold in the form of meals in restaurants and other eating places.

1.2.2 **United States Bureau of Agricultural Economics.** ***Marketing and Transportation Situation.*** **Oct., 1951, p. 12. Oct., 1952, p. 16.**

TABLE 4

DOMESTIC CIVILIAN PURCHASES OF FARM FOOD PRODUCTS

Farm Value, Retail Cost, and Marketing Charges, All Farm Foods and Six Major Commodity Groups, 1913–51 (*in Billions of Dollars*)

	All Farm Foods			Meat Products			Dairy Products			Poultry and Eggs		
	Farm Value*	Retail Cost†	Marketing Charges‡	Farm Value*	Retail Cost§	Marketing Charges‡	Farm Value*	Retail Cost§	Marketing Charges‡	Farm Value*	Retail Cost§	Marketing Charges‡
1913.......	3.53	7.41	3.88	1.35	2.26	0.91	0.62	1.23	0.61	0.45	0.66	0.21
1919.......	7.55	15.22	7.67	2.50	4.14	1.64	1.34	2.38	1.04	1.03	1.45	.42
1921.......	5.05	12.57	7.52	1.40	3.45	2.05	1.15	2.34	1.19	.77	1.16	.39
1929.......	7.22	17.08	9.86	2.23	4.45	2.22	1.76	3.33	1.57	1.12	1.70	.58
1932.......	3.40	10.61	7.21	.91	2.67	1.76	.97	2.21	1.24	.54	.88	.34
1935–39 average..	5.43	13.63	8.13	1.72	3.65	1.89	1.37	2.76	1.39	.76	1.15	.39
1940.......	5.57	13.77	8.19	1.75	3.56	1.81	1.48	3.05	1.57	.78	1.23	.45
1944.......	11.20	21.35	10.72	3.52	5.32	2.13	2.35	4.15	1.91	1.73	2.48	.75
1948.......	18.69	35.83	17.13	7.26	11.55	4.29	4.07	6.97	2.90	2.83	4.14	1.31
1949.......	16.59	33.66	17.05	6.48	10.76	4.28	3.46	6.33	2.87	2.71	4.06	1.35
1950.......	17.06	34.92	17.84	6.80	10.91	4.11	3.50	6.43	2.93	2.52	4.08	1.56
1951.......	19.62	38.77	19.13	7.90	12.29	4.39	3.99	7.23	3.24	3.28	4.93	1.65
1952**.....	20.0	40.5	20.5	....	....	....	....	....	....	....	....	....

(*Continued on next page*)

TABLE 4 (*continued*)

	Fruits and Vegetables			Bakery and Other Cereal Products			Miscellaneous Food Products		
	Farm Value*	Retail Cost§	Marketing Charges‡	Farm Value*‖	Retail Cost§	Marketing Charges‡	Farm Value*	Retail Cost§	Marketing Charges‡
1913........	0.55	1.44	0.89	0.44	1.42	0.98	0.12	0.40	0.28
1919........	1.13	3.33	2.20	1.21	2.90	1.69	.34	1.02	.68
1921........	.95	2.64	1.69	.62	2.42	1.80	.16	.56	.40
1929........	1.21	3.89	2.68	.68	2.86	2.18	.22	.85	.63
1932........	.61	2.29	1.68	.26	1.91	1.65	.11	.65	.54
1935–39 average....	.88	2.83	1.95	.50	2.42	1.89	.20	.82	.62
1940........	.92	2.65	1.73	.44	2.35	1.91	.20	.93	.72
1944........	2.17	4.83	2.70	.92	3.20	2.37	.51	1.37	.86
1948........	2.47	6.58	4.11	1.39	4.85	3.46	.67	1.74	1.06
1949........	2.15	5.85	3.70	1.20	4.82	3.62	.59	1.84	1.23
1950........	2.23	6.33	4.10	1.26	5.24	3.98	.75	1.93	1.16
1951........	2.35	6.80	4.45	1.38	5.57	4.19	.72	1.95	1.21

* Farm value is adjusted to eliminate imputed value of nonfood by-products and income from products not purchased by domestic civilian consumers. It does not include Government payments to producers such as soil conservation payments and feed subsidies.

† Retail cost equals the sum of the retail costs for the six commodity groups. For derivation of retail cost by commodity groups, see footnote §.

‡ Marketing charges equal margin (difference between retail cost and farm value) minus processor taxes plus Government payments to producers. Taxes and payments are estimated by applying ratios from price-spread data to retail cost. (Agr. Inf. Bull. No. 4, "Price Spreads Between Farmers and Consumers," Nov. 1949.)

§ Retail cost for each commodity group is derived by dividing farm value by farmer's share estimated from commodity price spreads.

‖ Farm value includes bakery ingredients other than flour.

** Preliminary estimates.

1.2.3 United States Bureau of Agricultural Economics. *Marketing and Transportation Situation.* March–April, 1952, p. 6. Oct., 1952, p. 10.

TABLE 1

THE MARKET BASKET

Retail cost of 1935–39 average annual purchases of farm food products by a family of three average consumers, farm value of equivalent quantities sold by producers, marketing charges, and farmer's share of the consumer's food dollar, 1935–52

Year	Retail Cost*	Farm Value†	Marketing Charges‡	Farmer's Share
	Dollars	*Dollars*	*Dollars*	*Percentage*
1935–39 average..	341	135	204	40
1940...........	319	127	192	40
1941...........	349	154	194	44
1942...........	409	195	213	48
1943...........	459	236	229	51
1944...........	451	233	230	52
1945...........	459	246	229	54
1946...........	528	279	258	53
1947...........	644	335	308	52
1948...........	690	350	340	51
1949...........	646	308	338	48
1950...........	645	308	337	48
1951...........	722	361	361	50
1952§..........	740	355	385	48
1952—Jan.......	746	364	382	49
Feb.......	726	354	372	49
Mar......	725	356	369	49
Apr.......	738	358	380	48
May......	744	362	382	49
June.....	746	359	388	48
July.....	755	365	390	48
Aug.......	754	359	394	48
Sept.§....	738	348	390	47

* Calculated from retail prices collected by the Bureau of Labor Statistics and the Bureau of Agricultural Economics.

† Payments to farmers for equivalent quantities of farm produce minus imputed value of by-products obtained in processing.

‡ Marketing charges equal margin (difference between retail cost and farm value) minus processor taxes plus Government payments to marketing agencies.

§ Preliminary.

1.2.4 Black, John D. and Kiefer, Maxine E. *Future Food and Agriculture Policy.* McGraw-Hill, New York, 1948. P. 150. Reprinted by permission.

. . . In the United States around 1913 to 1915, the statistics show that 46 per cent of the consumer food dollar went to the farmer. The rest went to transportation, storage, buying and selling, and the other middleman activities. This percentage increased in the early years of the First World War because farm prices rose faster than transportation rates and middleman margins, but it fell off to 40 per cent in the postwar depression of 1921 to 1923. After some recovery, it then fell off to 32 per cent with the very low farm prices of 1932. In the immediate prewar years it had returned to a level of around 39 cents. With the subsequent rise in prices, the percentage rose to 55 at the peak. No doubt the Office of Price Administration (OPA) program of putting ceilings on prices had much to do with the attainment of this high level — these held retail prices down while farm prices were rising. One might assume that the marketing agencies lost money as a result, but the evidence runs to the contrary. They handled a larger volume with less labor and other inputs and furnished less services with the goods. Whether this 55 per cent of the war years and postwar years to date will return to 39 per cent depends in considerable part upon the level to which prices of farm products fall. If such prices are kept above 90 per cent of parity, as under present legislation, around 45 per cent is likely to be the lower limit of the farmers' share of the consumer dollar.

1.3 Public Attitudes

Middlemen have historically been looked upon with great disfavor and suspicion. Both the farmer and the consumer have often suspected that they were being robbed by parasitic dealers, transporters, bankers, and others who lived off the marketing of food, yet contributed no essential service. This suspicion has largely developed from the fact that many middlemen perform no apparent physical function.

The essentiality of the middleman's function has become increasingly obvious, however, as our national economy has grown. Farmers have become specialized producers of raw materials, which are far separated in form and time, as well as in space, from the processed food products purchased at retail by consumers in our great urban centers. Marketing research has contributed to a change in public attitudes by showing that many of the vague suspicions of the past are not well founded. It has shown the futility of general attacks upon middlemen and, instead, has pointed the way to concrete, specific improvements which can benefit farmers, consumers, and dealers alike. Some thoughts on the efficiency of marketing and specific measures to improve it appear in Section 4.

We first present an excerpt from a letter written by George Washington; following this are excerpts from J. M. Cassels tracing the attitudes of leading thinkers in history toward marketing and the role of the middleman.—*Ed.*

1.3.1 **Washington, George. From a letter to Joseph Reed, dated Dec. 12, 1778, in *The Writings of George Washington.* Vol. 13, ed. by John C. Fitzpatrick, U. S. Government Printing Office, Washington, 1936. P. 382.**

It gives me very sincere pleasure to find that there is likely to be a coalition of the Whigs in your State (a few only excepted) and that the assembly of it, are so well disposed to second your endeavours in bringing those murderers of our cause (the monopolizers, forestallers, and engrossers) to condign punishment. It is much to be lamented that each State long ere this has not hunted them down as the pests of society, and the greatest Enemys we have to the happiness of America. I would to God that one of the most atrocious of each State was hung in Gibbets upon a gallows five times as high as the one prepared by Haman. No punishment in my opinion is too great for the Man who can build his greatness upon his Country's ruin.

1.3.2 **Cassels, J. M. "The Significance of Early Economic Thought on Marketing," *Jour. Marketing,* Vol. 1, No. 2, Oct., 1936. Pp. 129–33.**

The place given to marketing in Plato's brief but penetrating analysis of the economic foundations of society is highly significant. The Greek city states of his day were, in his opinion, essentially economic communities which owed their very existence to the advantages that were to be gained in the production of economic goods from the application of the principle of division of labor. He recognized that individuals, although acting purely from self-interest, would gradually discover the benefits to be gained from specialization and exchange and would thus be drawn together naturally into economically efficient social units. "All things," he says, "will be produced in superior quantity and quality, and with greater ease, when each man works at a single occupation, in accordance with his natural gifts, and at the right moment, without meddling with anything else." Having pointed out that even the minimum amount of specialization would bring into existence within the economic community separate classes of husbandmen, house-builders, weavers, shoemakers, carpenters and blacksmiths, he goes on to ask "how are they to exchange their several production?" He recognizes the need for an established market and an acceptable medium of exchange. Then he proceeds to explain the function of the middlemen in the following passage:

"Suppose then that the husbandman, or one of the other craftsmen, should come with some of his produce into the market, at a time when none of those who wish to make an exchange with him are there, is he to leave his occupation and sit idle in the market place?

"By no means: there are persons who, with an eye to this contingency, undertake the service required; and these in well-regulated states are, generally speaking, persons of excessive physical weakness, who are of no use in other kinds of labor. Their business is to remain on the spot in the market, and give money for goods to those who want to sell, and goods for money to those who want to buy." The development of a specialized class of middlemen was, to Plato, merely a further application of the same principle of social division of labor which gave rise to the different classes of basic and secondary producers referred to above. His reference to the fact that they would be persons unsuited to more strenuous types of labor is typical of his whole treatment of specialization and is especially interesting because it illustrates a point on which his discussion of this subject differs fundamentally from the more famous one given by Adam Smith in his *Wealth of Nations.* Plato, reflecting the characteristic views of his age, recognized the existence of innate differences between individuals and attached much importance to the advantage of fitting people into the occupations for which their "natural gifts" best suited them, whereas Smith, writing in an era of revolutionary democracy and liberalism, accepted the general view that men were born equal and was obliged, therefore, to develop an explanation of division of labor in which "natural gifts" play no part at all.

The views of Aristotle on marketing are strikingly at variance with those of Plato, but they are typical, nevertheless, of an attitude towards traders which has been shared by many in all periods of history not excluding the present. He regarded them as useless profiteering parasites. A certain limited amount of direct exchange between the primary producers of the necessaries of life he was prepared to accept as a part of the "natural art of acquisition" contributing to the "good life" of the families concerned, but professional trading he condemned as unnatural, mercenary, exploitative and corrupting. It was unnatural, in his opinion, because the wealth obtained from trading was not "given by nature" but was acquired by "experience and art"; it was mercenary because money, "a spurious kind of wealth," was "the starting point and the goal of the exchange"; it was exploitative because the services for which the traders charged added nothing to the life-sustaining qualities of the goods they handled; and it was corrupting because the desire for money, unlike the desire for natural forms of wealth, was absolutely insatiable. In summing up he says:

"Of the two sorts of acquisition one is a part of household management and the other is trade: the former is necessary and honorable, the latter a kind of exchange which is justly censured; for it is unnatural, and a mode by which men gain one from another."

Partly as a result of Aristotle's influence on their thinking and partly as a result of certain passages contained in the Bible itself the teachings of the early fathers of the Christian Church were frequently unfavorable to the activities of middlemen. Cassiodorus, for example, had said that trading was sinful because "he who in trading sells a thing for more than he paid for it must have paid for it less than it was worth or must be selling it for more than it is worth." Others condemned trading not because it was inherently unproductive, but because it developed in the individuals engaged in it characteristics which were unchristian. These views, however, were not universally accepted and as time went on there was a tendency for the hostility of the Church towards middlemen to be gradually relaxed.

An authoritative refutation of the Aristotelian views was given in the thirteenth century by the greatest of all the scholastic philosophers, Thomas Aquinas. Living at a time when the Italian cities were rising to positions of prosperity and power on the basis of their commerce, he was naturally inclined to look more favorably on the activities of the merchant class. He points out in the first place that although the object of trading is to make money and although that in itself is not an honorable end, it is not necessarily sinful since the gains may be quite moderate and may be devoted to ultimate objectives which are definitely honorable. Then he goes on to deal specifically with the question of "whether in trading it is lawful to sell a thing for more than was paid for it." Although he seems to disapprove of purely speculative transactions in which the trader "buys for the express purpose of selling dearer," he states quite definitely that a person may lawfully sell a thing at an enhanced price "either because he has improved the thing in some way, or because the price has changed with a change of place or time, or because of the risk he takes in transporting the thing from one place to another, or even in having it transported for him. According to this reasoning neither the purchase nor the sale is unjust." This, it will be observed, is not a complete justification of the middleman's activities since it takes no account of those productive services which result merely in the creation of possession utility through the transfer of goods into the hands of those who have the greatest need for them, but it marks, nevertheless, a turning point in thought in favor of the merchant class.

* * *

. . . Sir William Petty, classified in the history of economic thought as a liberal mercantilist, expressed the opinion that "a large proportion of these merchants and retailers might be retrenched, who properly and originally earn nothing from the public, being only a kind of gamester that play with one another for the labor of the poor; yielding themselves no fruit at all, otherwise than as veins and arteries, to distribute forth and back the blood and nutritive juyces of the body politick, namely the products of husbandry and manufacture." Petty seems to have been particularly concerned about the tendency he observed for wasteful duplication to develop in the distribution field but economists in general since his day have, until very recently, remained optimistically oblivious to the problems thus created.

A good statement of the case for the middlemen was given in 1734 by Richard Cantillon. He stresses the "uncertainty" of the mercantile "entrepreneur's" activity when he is obliged to pay for commodities at fixed prices and then sell them later for what he can get. Cantillon then proceeds to explain the function of the storekeeper in terms reminiscent of Plato. "What encourages and maintains entrepreneurs of these kinds," he says, "is the fact that the consumers, who are their customers, prefer to pay a little more in order to find at hand what they need in small quantities, rather than to lay in a stock of it."

* * *

To bring this brief survey of thought relating to marketing down to the beginning of modern times it remains only to mention finally the characteristically optimistic views of Adam Smith. In a digression concerning the corn trade he gives an interesting discussion of the functions of the dealers and of the attitude of the public towards them. The dealer with his knowledge of crops and markets is able by raising his price in time of threatened scarcity to restrain consumption and thereby confer great benefit on the community. "It is his interest," says Smith, "to raise the price of corn as high as the real scarcity of the season requires and it can never be his interest to raise it higher. . . . Without intending the interests of the people, he is necessarily led, by a regard to his own interest to treat them, even in years of scarcity, pretty much in the same manner as the prudent master of a vessel is sometimes obliged to treat his crew." Smith recognized that in times of scarcity the dealers will make enormous gains, but these he regards as natural and necessary. That they are no more than sufficient to put this trade on a fair level with others and to compensate for the many losses sustained on other occasions is evident, he says, "from the single circumstance that great fortunes are as seldom made in this as in any other trade." He also believed that the numbers of middlemen engaged in different trades and located in different places would be so regulated by natural economic forces as to be most conducive to the general welfare. According to him "the prejudices of some political writers against shopkeepers and tradesmen are altogether without foundation" since "they can never multiply so as to hurt the public although they may so as to hurt one another."

From Adam Smith's time to the present day this age-old controversy about the nature and value of middlemen's services has continued. There have always been some who were inclined to regard middlemen as robbers who took advantage of their strategic positions of control over the channels of distribution to exploit both the producers and the consumers, while there have also been others who were ready at all times to defend them on the ground that their activities were economically productive (creating at least possession utility) and that under the competitive conditions which seemed generally to prevail in this field their services were probably paid for roughly according to the marginal productivity principle. Classical and neoclassical economists have been infected to a considerable extent with the optimism of Adam Smith and have been much less critical of the agencies developed for commodity distribution than were the ordinary untrained observers and the minority of economists who held unorthodox points of view. There have been in recent years, however, certain significant changes both in economic theory and in the methods of distribution which have aroused among economists in general a new interest in marketing problems and created an attitude towards them more likely to lead to practically useful results.

It is widely recognized today that the sort of competition which is so much in evidence in the marketing of various types of products and between various types of outlets is not the "pure competition" which is postulated in the deductive analyses of economic theory. It is recognized that, even where the number of middlemen in the market is large and the rivalry between them, as evidenced by sales efforts, is keen, their policies may nevertheless be non-aggressive and the system as a whole may be wastefully inefficient from a social point of view. As a result of this new attitude towards the problems of distribution attempts are now being made to study them more directly and specifically by methods of theoretical analysis combined with empirical research. Considerable progress has already been made and much more may be hoped for in the future from efforts directed along these promising lines provided always that the details of empirical research are not allowed to obscure the broader issues that are involved nor the basic principles of social efficiency which were outlined so long ago by Plato and have been further developed by so many important thinkers between his day and the present time.

> Mention should be made here also of Colin Clark's *The Conditions of Economic Progress,* which distinguishes primary, secondary, and tertiary industries. Agriculture, fishing, forestry, and hunting are classified as primary; mining, manufacturing, construction, gas, and electricity as secondary; and distribution, transport, public administration, domestic services, and all other activities as tertiary. Clark shows that the most prosperous nations have highly developed tertiary industries.
>
> The remaining three excerpts in this subsection give the attitudes of modern students of agricultural marketing. —*Ed.*

1.3.3 Reid, Margaret G. *Consumers and the Market.* 3rd ed., Crofts, New York, 1942. Pp. 123–24.

The present marketing system is a direct outcome of certain areas specializing in the production of fruits, vegetables, cotton, corn, clothing or some other product; of giant factories replacing small community shops, where with simple tools goods were formerly manufactured; and of people living in great cities far from sources of basic raw materials. Exchange and specialization go hand in hand, and markets provide the channels through which goods flow from makers to users. Without an elaborate system of exchange and a means of physical transfer of goods, mass production and specialization of territories and of workers would not occur, and people would live and work close to sources of supplies or raw materials used.

Marketing is one of the steps in making goods available. Were it not for our elaborate marketing facilities agriculture and manufacturing would be very different. This simple fact needs emphasis because some people are prone to think that agriculture, manufacturing and certain other industries — such as lumbering and mining — in some mysterious way render more important functions in society than does marketing. They fail to recognize the importance of services performed by middlemen; some people, in fact, go so far as to infer, perhaps unintentionally, that middlemen are often little better than highway robbers, who levy high charges and render little or no service in return. This idea probably arises from the fact that manufacturers and farmers, for example, change the form of the commodity, or, in the terms of the economist, they create substance and form utility. What they do is thereby quite conspicuous. The marketing system effects no such change in commodities. Retailers, wholesalers, and other market agencies merely transport, store, buy, and sell goods so that finally they reach consumers. Marketing services, even though they do not change the form of goods, are yet indispensable. Apples in the State of Washington may be crisp, lovely to look at, delicious in flavor, beautifully packed, but they are of no use to a consumer living in Missouri. The latest model from a New York dressmaker is not yet ready for the consumer living in Cleveland, Ohio, who has neither time nor money for a trip East. In our economic system the functions of creating time, place and possession utilities are exceedingly important.

* * *

In the process of marketing certain functions have to be performed. To be socially necessary, an activity must be an essential part of making goods available at the place and time desired by consumers. The nature of marketing, the reason for the development of certain agencies and the incurring of various costs, can best be appreciated by examining the major functions to be performed. Four major groups of functions are noted here: those related to (1) exchange, (2) information, (3) physical supply and (4) general business.

MARKETING FUNCTIONS

A. Exchange
 1. Merchandising
 2. Selling
 3. Buying
 4. Price setting

B. Information
 5. Market news and information
 6. Grading and description of products

C. Physical Supply
 7. Transportation
 8. Storage

D. General Business
 9. Financing
 10. Risk taking

1.3.4 Clark, F. E. and Weld, L. D. H. *Marketing Agricultural Products in the United States*. Macmillan, New York, 1932. Pp. 16–18.

The Farmer and Marketing. The grower labors under distinct disadvantages in his attempts to market. He has frequently neither the time, the merchandising ability, nor the information necessary to market his products successfully. He is, moreover, likely to be particularly busy caring for one crop — plowing, planting, or harvesting — just when it may be the most opportune time to market another. And in the winter season, when he has time to market, country roads are often impassable. Since effective production calls for a high degree of specialized knowledge, most farmers are unable to become specialists in marketing as well. They have, consequently, insufficient knowledge of marketing methods and of market conditions, and possess little or no information as to the price of their products in other markets than the local one in which they sell. They know even less of the broad market influences which determine prices. They are often uninformed as to the type of product that factories and final consumers are most willing to purchase.

The operations of the average farmer are on too small a scale to warrant giving much time to marketing or to the performance of certain important marketing activities. This is true in spite of the high degree of specialization that has taken place in agriculture. And it is one of the most important limitations to effective marketing. With his operations conducted on such a small scale the average farmer cannot effectively sort and grade, sell or advertise his crop. His total crop is so small and its quality so variable that he can gain few of the advantages of branding, and for these same reasons he cannot make or maintain effective sales contacts. He cannot, as a rule, economically operate the most effective storage, sorting, and other mechanical equipment for the physical handling of his product. In other words, the individual farm unit is too small to utilize effectively and economically the methods of sale and the physical equipment for effective marketing which have been developed in the industrial field.

These facts are largely responsible for the development of independent local middlemen, who operate on a large enough scale to warrant devoting their time to marketing and their capital to the construction of marketing equipment. And it is to overcome the disadvantage of individual and scattered efforts that farmers have been resorting more and more to cooperative marketing.

1.3.5 Nourse, Edwin G. *The Chicago Produce Market.* Mifflin, Boston, 1918. Pp. 11–12, 235.

. . . It is not strange that the irritation of consumers against any one who may be suspected of responsibility for any part of the rising prices of food products should be somewhat pointedly directed at the dealers in farm produce. The grocer is so close to the consumer that a measure of friendship often protects him from attack. Besides this, his unstinted services and modest profits are patent. The producers, likewise, offer no fair target, being too far away, too numerous, and too little organized. But the commission man is protected neither by distance nor by friendship; he is at once impersonalized and accessible. For the same reasons he is exposed to the missiles of the grower, who cannot fight a whole world of consumers, but who finds in the produce dealer — a shrewd city fellow reputed to be making enormous profits from speculation in the farmer's wares — a shining point for his attack. We are all prone to retain a good deal of the mediaeval philosophy which gives all the credit of wealth-creation to the man who performs the technical process of production and calls the merchant a parasite. This is natural enough in the farmer who has sweated through planting time and harvest.

* * *

The Chicago market is a conspicuous example of the fully developed "middleman" system against which so much complaint has of late been directed. Whatever burdens the roundabout method imposes fall upon Chicago's trade; whatever merits the system possesses she may claim in full measure.

Some of the ways by which the middleman system has grown up through the differentiation of marketing functions in the hands of specialized agencies have been pointed out. Such division of labor means increased efficiency in the business of marketing in quite the same way that it does in other lines of economic activity. From Böhm-Bawerk's classic discussion of the superiority of the roundabout over the direct method to Weld's excellent exposition of the gains from specialization in marketing, economic literature is strewn with evidences that society's progress from crude to efficient methods of carrying on its economic life has been accompanied by the multiplication of processes and the appearance of new intermediaries — possessed of special training and equipment — between the one desiring goods and the source from which the satisfaction of his need must come. It is naive in the extreme to suppose that the efficiency of a given marketing system varies in inverse ratio to the number of types of middlemen engaged in it.

The new market agencies added from time to time have been enabled to gain foothold only by rendering a service in return for which they could secure a wage or profit. To admit this historical justification, however, does not constitute a valid argument for their continuance through all time. They have no vested interest in their job or its emoluments for a moment longer than the time when we can dispense with them. If we can devise a simpler market mechanism all superfluous wheels and levers must go. Mr. Edison is credited with having said that the best way of accomplishing a mechanical task is the simplest, and is the last and hardest to find out. Presumably the same may be said of socio-economic undertakings.

1.4 Aims of Agricultural Marketing

Some of the aims and purposes of agricultural marketing have been implicit in the preceding expressions of attitude towards it. A more explicit statement of aims is necessary, however, to come to grips with the problem of "improving" the marketing system.

Just what do we want from agricultural marketing? What is the purpose of research in this subject? Obviously, the answer depends on one's point of view.—*Ed.*

1.4.1 Thomsen, Frederick Lundy. ***Agricultural Marketing.*** **McGraw-Hill, New York, 1951. Pp. 3–4. Reprinted by permission.**

Marketing Objectives. — Frequent public references to the "marketing problem" raise the question, What is the problem? What do people mean when they use this term? In few instances, probably, do they have any definite idea concerning a single problem. They are thinking about the assumed general inefficiency of marketing, the "small" proportion of the consumer's dollar spent for food which is passed on back to farmers, the sometimes erratic price fluctuations for farm products, which are commonly attributed to deficiences of the marketing system, the fact that many people may be suffering from malnutrition while producers search vainly for satisfactory markets for their food.

Actually, there is no *one* marketing problem. Farmers, middlemen, and consumers have different ultimate objectives in their desire for better marketing, although the means to these ends may be similar in many respects. It is difficult even to state their general objectives in simple terms which stand up under careful scrutiny.

The consumer wants a marketing system which will provide adequate quantities of foods and fiber products, of appropriate qualities, conveyed to him, with all necessary incidental services, at the lowest possible cost. But the terms "adequate," "appropriate," and "necessary" cover a multitude of questions which make the statement little more than a restatement of the original question.

The agencies which operate the marketing system, commonly referred to as "middlemen," have as their primary objective the largest possible total net profit. But this, too, is not as simple as it sounds. Total profits may be largest when profit per unit is relatively small. Not all middlemen seek maximum immediate profits.

The farmer's objective is a marketing system which will give him the largest possible returns for the products which he can produce most efficiently. Obviously, this statement also begs the question. If we assume the production of fixed quantities of specific products, the problem is simple. The farmer would want to obtain the highest possible prices for these commodities. But marketing affects the kinds and proportions of products which can be sold, and these in turn affect the costs and efficiency of production. Therefore, the "perfect" marketing system, from the farmer's standpoint, is one which will induce him to produce those quantities of those products which, when sold to consumers, will result in maximum returns after deduction of minimum marketing charges for these commodities and his own production costs. This is complicated, but not ambiguous.

From the public standpoint, the marketing problem is how the operations involved in marketing can be rendered with maximum efficiency or minimum costs. Here, again, we see the difficulty of generalizing. "Marketing operations" may include services which from a social standpoint are not essential or which consumers or producers would not be willing to pay for if they had a choice.

In studying the subject of marketing, our approach must be affected considerably by which of these objectives is our primary goal. . . .

> The Congress of the United States set forth several important aims in connection with the Agricultural Marketing Act of 1946, which authorized an expanded program of research, service, and educational work in agricultural marketing.—*Ed.*

1.4.2 7 U.S.C. 1621 (Public Law 733, 79th Congress, Title II, Sec. 202).

The Congress hereby declares that a sound, efficient, and privately operated system for distributing and marketing agricultural products is essential to a prosperous agriculture and is indispensable to the maintenance of full employment and to the welfare, prosperity, and health of the Nation. It is further declared to be the policy of Congress to promote through research, study, experimentation, and through cooperation among Federal and State agencies, farm organizations, and private industry a scientific approach to the problems of marketing, transportation, and distribution of agricultural products similar to the scientific methods which have been utilized so successfully during the past eighty-four years in connection with the production of agricultural products so that such products capable of being produced in abundance may be marketed in an orderly manner and efficiently distributed.

1.4.3 H. Rep. 2458, 79th Congress, 2nd session, July 8, 1946.

. . . to the end that marketing methods and facilities may be improved; that distribution costs may be reduced; that the price spread between the producer and the consumer may be narrowed; that dietary and nutritional standards may be improved; that new and wider markets for American agricultural products may be developed; and that the full production of American farms may be disposed of usefully, economically, profitably, and in an orderly manner. It is generally recognized and admitted that many of the major and most pressing problems in agriculture lie in the field of marketing and distribution. In the past, major emphasis has been placed on problems of production, and marketing problems to a large extent have been ignored. Unless intensive research is carried out to improve the processes of distributing agricultural products capable of being produced in abundance, many of the benefits and improvements developed through research in the field of production will be dissipated. Production is but half the problem. It is equally important, if agriculture and the Nation is to prosper, that there be an efficient marketing system to distribute in an economical and orderly manner that which is produced.

The following comment emphasizes two of the Congressional aims.—*Ed.*

1.4.4 Wells, Oris V. "Summary of Presentation on Scope and Objectives of Marketing Research," U. S. Agr. Research Admin. Marketing Research Notes from National Workshop, Aug. 29–Sept. 8, 1949. P. 18. (Processed).

. . . I want to turn to the Research and Marketing Act and try to reconstruct what was in the Congressional mind when the Act was passed and appropriations made. It seems to me that Congress had in mind first that marketing research and services should be developed which would reduce the cost of marketing agricultural commodities and the products thereof, preferably in such a way that the reduced costs would be reflected in terms of increased prices to farmers. Second, the Congress had in mind as an alternative, the development of additional or increased markets for farm commodities, the successful criteria for which would be to sell more farm commodities at essentially the same price that prevailed for the smaller quantity.

None of the above aims can be accomplished without efficient pricing, and it is well to emphasize that efficient pricing is an aim in itself.—*Ed.*

1.4.5 Norton, L. J. "The Effectiveness of Market Mechanism for Adjusting Farming to Public Need," *Proc. of the Sixth Internat'l Conf. of Agr. Econ.*, Oxford Univ. Press, London, 1948. Pp. 113–116.

The pricing process is the heart of the market mechanism. What are the criteria of efficiency in this process? I tell my marketing classes that the pricing mechanism is to be judged by the following tests. It should: (1) develop prices which reflect to producers the basic demands of consumers as to kind, quantity, and quality of goods and so guide production; (2) reflect prices which will move existing and forthcoming supplies into consumption; (3) provide a price structure that maintains economically justified stocks both within and between production seasons; (4) treat all parties alike; (5) reflect the quality differences recognized by the trade and consumers; and (6) do these things economically and efficiently.

* * *

The only concept of 'public need', a phrase used in my topic, that the farmer can grasp is the willingness of consumers to buy his products. . . .

* * *

It is clear by now, I hope, that the pricing function of the marketing mechanism is the only phase of that mechanism which I consider to be relevant to my topic and that 'public need' is made known to farmers by demands in the market or reflected in prices . . .

* * *

I am old-fashioned enough to believe that the best test of any economic policy is: Does a programme contribute to maximum production of things for which there is effective demand? All programmes should be subjected to this test of maximizing production of needed things. To raise the level of food consumption we must increase the level of production of food. Many technical factors are involved, but a consideration of these is not a part of my assignment. On the market side, however, a mechanism of free, open, competitive markets will, in my opinion, maximize production. Most control programmes aim at curtailing or withholding output to sustain market prices. All of these fail the test of maximizing production of goods for which an effective demand exists.

> Consumers, as well as farmers, obviously have a major stake in agricultural marketing. This stake is often overlooked, since it is commonly assumed that the consumer's interest is automatically protected by the working of the free market mechanism. But with the recent recognition of widespread imperfections of the market, consumers' aims and interests have begun to receive more attention in agricultural marketing research.—*Ed.*

1.4.6 **Reid, Margaret G.** ***Consumers and the Market.*** **3rd ed., Crofts, New York, 1942. Pp. 111, 115.**

Consumers want certain goods and services; their quality and cost in time and energy as well as money are important. A good market thus has several characteristics:

(1) It provides commodities which consumers want and stand ready to pay for.

(2) It provides wide variety from which to choose, without needless variety to confuse.

(3) In it no "harmful" products are offered for sale without taking precautions to protect consumers.

(4) Information is provided about the presence of goods in the market and about their relative merits so that comparisons are facilitated.

(5) There is no pressure to buy.

(6) Retailing services are provided for those who want them.

(7) There is no inefficiency or waste.

(8) Prices are fair.

* * *

The final criterion of a good market relates to price. To some consumers the market may be rated unsatisfactory if the price is higher than they can afford. The best that consumers as a whole can ask is that prices be "fair." They do not want to pay more than is necessary to ensure a continuous supply of the commodity in the market.

We must briefly explain "fair" price as here used. Some people are inclined to say that consumers want *low* prices, not *fair* prices. But low price for one product may not be in line with consumers' interest if it is accompanied by "high" prices at another point. Low prices for one or more products may occur because an undue quantity of labor and other productive resources is being used in producing them. A condition of oversupply exists. Consumers' needs would be better met if production of them were contracted somewhat and production of something else expanded. A satisfactory economic system must use resources fully, and a market system that functions well is efficient not only in getting goods to consumers from producers, but in bringing price adjustments between products that reflect consumer preferences and the cost of making them available.

The six excerpts in this subsection present aims from somewhat different points of view. It is important to bear in mind that divergent views exist in agricultural marketing as in all fields of human endeavor. Without such differences in perspective, agricultural marketing would be a dry, noncontroversial subject.

Many groups of people are concerned with agricultural marketing. They include farmers, processors, bankers, dealers of various kinds, college professors, congressmen, and government bureaucrats. Each has a different point of view, and each emphasizes certain aims. To some extent the aims of these groups may conflict with one another. In such cases the average farmer or businessman will defend his own special interests as he sees and understands them.

But there is to some degree a harmony of interests — some elusive but important general interest, or public interest. Our aim in this book is to place proper emphasis upon this public interest.—*Ed.*