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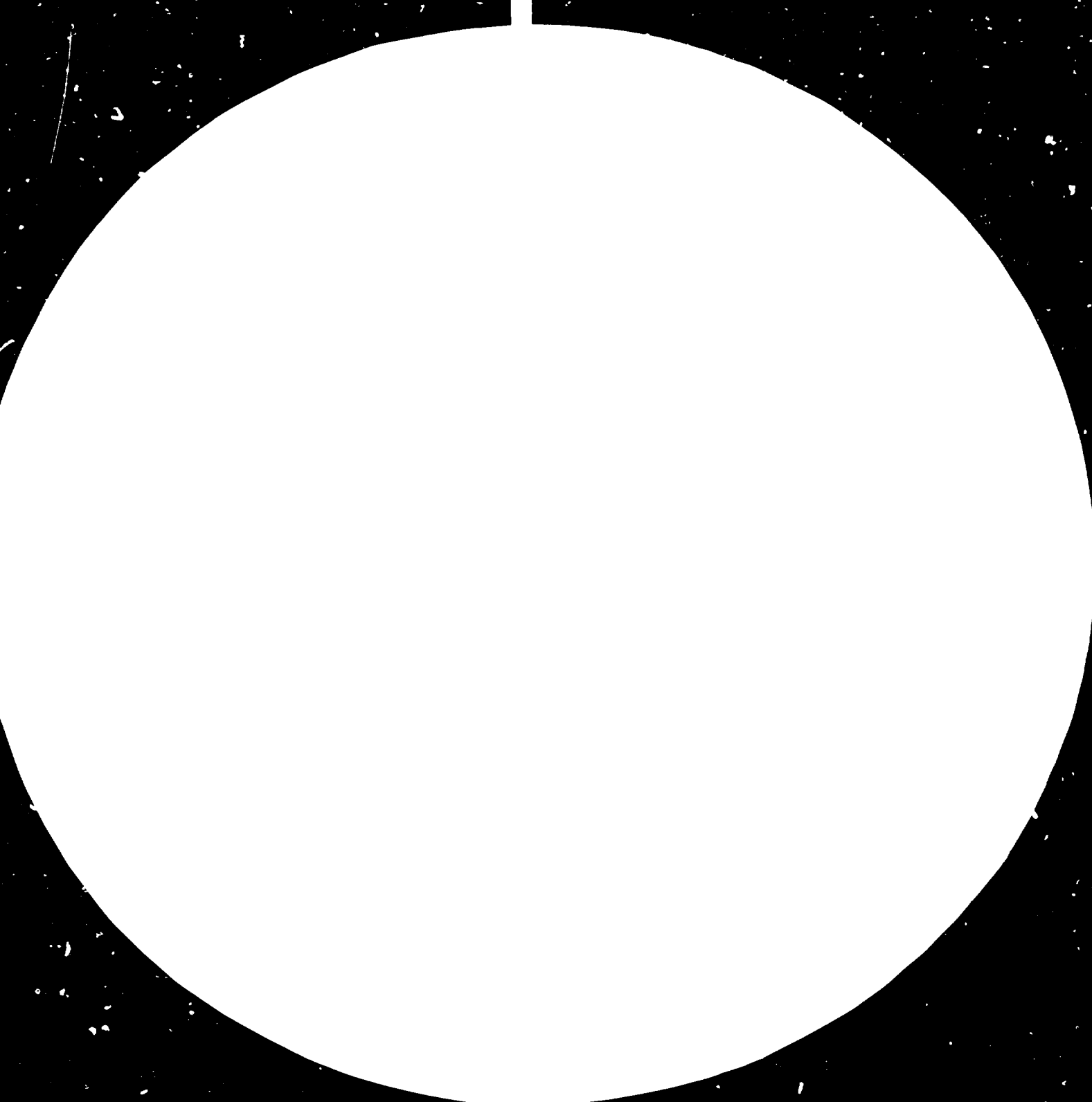
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IRAQI EXPERIENCES IN MARKETING OF AGRICULTURAL PRODUCTS

presented by the

Government of Iraq

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PREFACE

This document, Iraqi Experiences in Marketing of Agricultural Products, is one of 18 studies presented as supporting material to the Iraq country paper about the development of agro-industries and state of agricultural production and supplementary industries. We thought of presenting them to assist the reader in getting acquainted with the pioneering experiment in Iraq in the development of this field of our economic activities. This documentation reflects the great development achieved within the years that have already elapsed since the uprising of 17th July Revolution under the leadership of Arab Baath Socialist Party that aimed at achieving economic and social welfare for the people by rational use of the natural resources and elevating our country to the rank of advanced countries within a considerable period.

From the point of view of the Revolution leadership in Iraq, what has been achieved so far in the field of irrigation development, drainage, mechanization of agriculture, animal production, other agro-industries, and other infra-structural development in this field, are deliberate and effective steps towards reaching our aspiration.

In those studies we have tried to highlight the main development features, the negative sides as well as the positive results achieved so far with the objective of presenting our experience to brotherly and friendly countries in particular to those whose conditions and potentialities are similar to our country. This exchange of experience is not only a necessity but a duty imposed on us by our principles and the current international circumstance in which food weapon becomes one of the important weapons raised by imperialism in the face of developing countries. If those countries do not support each other and exchange national experience their task in achieving their food security will be, if not impossible, difficult to achieve.

We hope that our contribution together with that of other participating states and organizations will contribute to the success of this ministerial meeting on development of food industries in developing countries.

Preparatory Committee
for the Round-Table Ministerial Meeting
on Agro-Industry Development

IRAQI EXPERIENCES IN MARKETING OF AGRICULTURAL PRODUCTS

Introduction

Developing countries faced many problems in developing the agricultural sector, especially after getting their political independence. Most of these countries have taken radical social and economical measures by issuing Agrarian Reform Laws to re-distribute large land ownership among poor farmers, to abolish the semi-feudal relations, which dominated before their liberation, and to extend the opportunities for farmers to work and produce.

Other countries adopted economic policies to develop and modernize the existing production conditions by means of encouraging the use of machinery and modern agricultural methods. Establishment of agricultural companies with special attention to industrial development and services to absorb the manpower surplus in the rural regions, as well as encouragement of foreign capital investments were the main methods used.

Whereas, the second orientation in agricultural development concentrated on increasing agricultural production, the first policy aimed mainly at attaining social justice by means of re-distributing land-tenure. In spite of the diversity of means and objectives, studies on the historical development of the results obtained from these policies after years of implementation show that many problems were encountered and both policies were questioned as to whether they really achieved their objectives.

Unbalance between producers and consumers prices of agricultural goods, as well as between the prices of food and other industrial commodities and services, caused continuing decline in agricultural producers income compared to the income in the other economic sectors. This resulted in the migration of rural people to find jobs with higher income; failure to achieve the planned rate of economic growth in agriculture; thus, changing the situation of most developing countries from exporters of agricultural products to importers.

The socio-economic change in the Iraqi rural areas did not concentrate only on re-distribution of agricultural tenure, but also on radical transition in the marketing system, which is the central chain that links production to consumption, and the key for balancing prices and income between sectors, and for accelerating production growth and economic development in general.

We will try to outline the economic model of the marketing system implemented in Iraq, although our experience in the field of agricultural marketing is at its early stages.

Agricultural Marketing Before the 17th July Revolution

Agricultural marketing in Iraq before the 17th July Revolution had the same characteristics as in the other developing countries which could be summarized as follows:

- 1 - A wide variety of middlemen participating in the different stages of the marketing operation - starting with buying from the farmers and selling the products to the consumers - with different types of collecting commission as well as lending credits with high interest rates which forced the farmers to sell their products through these agents at low prices. The payments made by producers to middlemen constitute the high profits on loans, transportation costs, commissions on wholesale (market entry, commissions on selling, percentage from the quantities of vegetables and fruit offered for selling obtained by the middlemen free as well as the exit commissions paid when the merchandise is taken from the wholesale markets).
- 2 - The fluctuation in prices as a result of changes in demand and supply and the instability of the market, damage caused to producers during the periods of high production and price decline to less than production costs, which caused the loss of interest of farmers in developing agriculture and their immigration to the cities, as well as increased the consuming price as compared to the low income of the population during the periods of production decline.

- 3 - The agents did not try to develop marketing services such as sorting, grading and packing, etc.
- 4 - The absence of state role in supervision, control and financing also caused the worsening of the wholesale market conditions as well as the economic relations between all parties concerned.

The economic situation before the 17th July 1968 Revolution in the field of agricultural products marketing was an obstacle to any radical transition in re-distributing agricultural property and achieving social justice. It is not possible to help farmers to benefit from the agrarian reform law and the other accomplishments of the agrarian revolution with wholesale markets controlled by several middlemen working in full mechanisms of supply and demand. According to this situation, the revolutionary government took many important steps in this field.

The Agricultural Marketing After the 17th July 1968 Revolution

The marketing policy adopted in the beginning of the revolution concentrated its objectives on the following steps:

- 1 - Re-organizing the agricultural marketing operation, and abolishing all commissions which were taken from the farmers.
- 2 - Creating economic security for farmers by buying all their products by the State to encourage them to increase their production.
- 3 - Implementation pricing policy is decided by a central committee in order to determine agricultural products prices, taking into account the production costs and leaving the surplus for capital accumulation to develop agriculture and suitable profit to help elevate the living standards of the farmers.

- 4 - Fixing consumer prices at suitable level in accordance with income rate of the population with due consideration to marketing profit of the retailer, taking into account that pricing does not exclude the role of supply and demand law but tries to control its mechanism according to the interest of the national economy.
- 5 - Developing the marketing management to provide better services to population and to increase opportunities in creating benefits by sorting, grading, packing, storing and transportation from production regions to consumption ones.
- 6 - Financing farmers at low interest rates to encourage their efforts to develop new means of production and to increase rural productivity.

The implementation of an ambitious marketing policy as mentioned above requires great efforts and time, especially that any wrong decision or decision timing in agricultural marketing which is characterized by high sensitivity might affect the whole exchanging operations as well as creating a deficit in foodstuff supply to the population.

To attain the aforementioned objectives within a reasonable plan without disturbing food distribution, the principle of developing agricultural marketing measures has been adopted. In fact, the five-year plan has implemented radical steps such as:

- 1 - Establishing specialized marketing state organizations such as the State Organization for Grains and the State Organization for Agricultural Marketing. The purpose of these organizations is to market all agricultural goods produced by the private, cooperative and socialist sectors.
- 2 - Full control on imported grains has been achieved. The State Organization for Grains actually receive the crop in the central silos at fixed prices. This organization is responsible for grain marketing and for this purpose, a set of silos are constructed all over the country.

3 - The State Organization for Agricultural Marketing is responsible for marketing all agricultural goods except grains. Under the management of this organization, 62 wholesale markets for fruits and vegetables, as well as fish and live cattle, wholesale markets were re-organized and managed directly by this organization after liquidation of the middlemen role and many of the marketing commissions. A fixed commission is decided at the rate of 3% for vegetables and 2% for fruits.

During the first years of reorganizing the marketing system, the government played the role of organizer, supervisor and director on marketing operations between farmers and retailers, for the purpose of protecting the rights of all parts sharing marketing operations. Purchasing the surplus of production mainly the potatoes, onions, dried garlic, tomatoes, etc. Purchasing these products aimed to increase production and protect farmers from losses of unsold goods and protection of prices.

To ensure production growth and protect agricultural producers by purchasing the surplus product had very big influence on increasing the production of tomatoes in the north and south of Iraq, in autumn and winter seasons when the production season of the central region is over.

The same policy was adopted to potatoes, garlic, onions, chicken meat, etc. and had huge influences in increasing the production to meet the rapidly increasing local demand.-

The new stage in agricultural marketing was adopted recently wherein the government guaranteed purchasing all the products. By this policy, the future of the peasants and farmers was secured, it guaranteed that all their products could be sold at same prices and because of this, they no longer feared to be affected by market fluctuations.

The State Organization for Agricultural Marketing manages wholesale markets for livestock and slaughter houses spread all over the country, as well as receiving socialist sector production of livestock, chicken

meat, table eggs and distributed them directly to consumers or retailers. The volume expected to be marketed through the State Organization for Agricultural Marketing and its affiliates during 1980 are 1500,000 tons vegetables, 500,000 tons fruits, 243,000 tons red meat, 147,000 tons chicken meat, 60,000 tons fish and 1,756,000,000 table eggs as shown in the following table.

Table (1)

Year	Vegetables	Fruits	Chicken Meat	Table Eggs (million)	Red Meat
1972	535	60.8	3.0	341	-
1973	613	107.8	3.1	369	-
1974	742	98.0	11.5	435	-
1975	663	89.0	18.9	604	-
1976	1277	150.0	29.0	551	120
1977	975	180.0	23.3	701	180
1980	1500	500.0	147.0	1756	243
planned					

The State Organization for Agricultural Marketing imports all food necessary to cover the local demand when the domestic production is not sufficient; most of its import are red meat, chicken meat, table eggs as well as different sorts of fruits and vegetables.

To control agricultural commodity movements, a system of stores and freezers has been established. The storing fix capacity implemented until the end of 1979 was about 123 thousand tons of freezing and cooled stores, meanwhile, there is a wide expanding program as the following table shows:

Table (2)

Freezing and Cooled Stores in Main Organizations of
the Agricultural Sector (Capacity - Ton)

Organizations	Cooled Stores		Freezing Stores	
	Imple- mented	Under Const.	Imple mented	Under Const.
1 - State Organization for Agricultural Marketing	26850	20000	11250	-
2 - State Organization for Animal Production	1000	5250	500	11700
3 - State Organization for Fisheries	-	-	-	600
4 - Organization for State Farm	12800	30000	-	-
5 - State Organization for Agricultural Establishments	1000	2280	-	-
TOTAL	41650	57530	11750	12300

4 - In order that production and producers are not affected by price fluctuations in wholesale markets as a result of demand and supply, the Organizing Committee of Commerce has fixed the wholesale purchasing prices for grains, industrial crops (such as cotton, sugar, beet, corn, meat, table eggs etc.). These prices are fixed before the agricultural production season. As for vegetables and fruits, their prices are announced weekly because they could be damaged quickly.

When prices are fixed, it is considered that the lower wholesale price covers production cost plus suitable profit to help the producer in capital accumulation and to develop his means of production. It also takes into consideration the balance of agricultural sector production with the other economic sectors to create price balance for the whole

economy and to avoid unbalanced growth and income rates between the agricultural sector and the other sectors.

- 5 - Giving serious attention to provide financial assistance for agricultural producers, conditioned loans at low profits are presented to increase investments and growth rates in the agricultural sector. The interest rate on loans were reduced to 2% for cooperatives and 3% for private sector. The radical steps in the agricultural marketing are in their first phase of implementation to build the fundamental principles to develop agricultural marketing for better organization. The previous phase was characterized by the reorganization of economic and political frames of the marketing policy and the review of the economic relations that result from the flow of agricultural products during its movements from the field producer until it reaches the consumer, with supervision of the implementation of this policy. The previous phase had many partial faults which needed keen efforts to develop grading, packing systems and establishing developed accounting system able to control the flow of agricultural commodities and establishing cooled and freezing stores.

The Economic System for the Suggested Plan

The suggested plan for agricultural marketing will differ according to governates, production methods and agricultural regions. In order to reflect the principles and general bases of this plan, its model will be applied in Baghdad as a model; other governates are similar in bases although they differ in some details.

- 1 - Design of Distribution Movement: The suggested line of agricultural product from the producer to the consumer will be as follows:

A - Product Line:

Establishing complexes in production areas constituting units for sorting, grading, classifying and packing of fruits and

vegetables with cooled stores for the produced surplus. Units of receiving and storing table eggs and ordinary stores for other agricultural products. Freezing and cooling stores for imported products such as red meat, poultry, fish and table eggs. Housing units for workers - four complexes are suggested for this purpose on the main road leading to the capital. Farmers, producers, cooperatives, collective and state farms as well as other state establishments deliver their production to the nearest complex which is responsible for weighing, controlling specifications and paying the fixed prices directly. These prices are decided by the Central Pricing Committee for Agricultural Products.

B - Marketing Complexes Duties:

The complexes receive all agricultural production (except grains), grade, classify, pack and store them until receiving distribution orders. The complexes deliver these agricultural products to:

- Retailers according to delivery orders received from sale offices in the capital (their duties will be explained later).
- Transport agents having contracts with the establishment, holding delivery orders which consist of the kind, grade, quality and quantity for distribution to retailers.
- Establishment trucks according to delivery orders received from sale offices or the general management. Distribution of all foodstuff either directly from marketing complexes or through retailers or through wholesale centers located in the capital (sub-stations).

C - Movements of Retailers and Sale Offices:

The Baghdad Governorate is divided into several areas, each office has certain duties, namely, to serve a group of regions daily and sell agricultural products in his area. Retailers determine his order and pay for it. In case of big orders, some single retailers prefer either to use their own trucks directly

from the marketing complexes, or demanding that the trucks owned by the establishment deliver the merchandise directly. The concerned office collect supply orders and distribute them to transport agents or truck drivers each according to his transporting capacity and to receive them from the marketing complexes or stores and deliver them to retailers.

D - Actual Wholesale Markets:

In the marketing system, full freedom has been accorded to agricultural producers in selling their products to collection centers or to deliver and sell them directly in the wholesale markets in the capital. Wholesale markets will develop their activities to be used mainly as distribution centers or as secondary distribution centers to serve small retailers. These centers will receive merchandise from marketing complexes and sell to those willing to buy.

- 2 - Export-Import: Baghdad, as the biggest consumer city in Iraq, will import its needs either from the production regions of the country or from outside the country through the State Establishment of Agricultural Products Trade. All quantities received will be located in the collection centers mentioned above or in the wholesale markets according to the mentioned distribution model.

As for the export from Baghdad to the other governates or outside the country, it will be delivered after receiving the delivery orders from the sales offices.

- 3 - Management Organization: Management has an important role in the success of the marketing system.

A - The conformity of what is sold daily by the sales offices to thousands of retailers, agents of different kinds and grades of fruits, vegetables, chicken meat, eggs, fish, meat as well as

the variety of prices for each one, with the movement of marketing societies and stores.

- B - Balancing distribution volume with the demand size of consumers according to the regions.
- C - Receiving thousands of farmers and agricultural producers daily and their merchandise along with the accounting measures taken.
- D - Controlling merchandise and statistical and financial information flow, so that each contract and transaction is registered in due course.

In order to solve the above-mentioned problems especially financing problems, it will be necessary to use computer systems for accounting and statistics to coordinate and organize relations between the marketing units and the central management to facilitate the central control on every marketing unit by easy system of ordering and receiving information.

Preliminary studies have been done to connect every marketing establishment by a computer system as follows:

- 1 - Registering all quantities received from farmers in the collecting centers according to sorts and value in the computer.
- 2 - Registering all quantities received from agricultural producers and socialist sectors by the cooled and freezing stores according to quantities and prices in the computers which will be set in these stores.
- 3 - Accounting systems will be connected to sales offices to register the received and delivered merchandise and the remaining stock, according to sort, in order to facilitate reviewing when retailers want to buy.

- 4 - Wholesale distributing centers and markets will be able to use the same systems for the same purpose.
- 5 - All marketing establishments will be connected with the general management to control the merchandise flow and to organize accounting and statistical work to know the quantities received daily of any merchandise, its price and its selling volume and the storing movements.

Participation of Private Sector

The private sector is participating in this system as competitor and as a partner in different part of this plan, and in the following aspects:

- 1 - The private sector participates in the production and its products are guaranteed to be purchased by marketing complexes in good prices.
- 2 - Most of the transport agents are from private sector working with the Establishment according to contracts.
- 3 - All retail marketing will be in the hands of the private sector.
- 4 - The private sector is a competitor in wholesale trade of most agricultural products such as fruits, live animals, meat, fish, etc. but at the same time, it works under the same instructions and laws of the government.

It is hoped that this marketing system will solve all problems and obstacles, and through this, it will be possible to connect the marketing activities in a clear program which will be suitable to fulfill the increasing demand on food guarantee for the peasants and farmers. It will enable them to sell their products and encourage them to increase the production and productivity in the agricultural sector.



