

PROPOSED MARKET RESEARCH AND INTELLIGENCE SERVICE BRANCH

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ABSTRACT

A Market Research and Intelligence Service Branch (MRISB) should be established with the ultimate objective to research and provide appropriate market information to the clients in order to improve their production and distribution potential in food, livestock and alternative crops. The assesment and evaluation of marketing and pricing of agricultural products and other inputs and providing marketing information to the smallholder producers, non-government organizations, government agencies and individuals would be an important objective of the proposed branch. MRISB would formulate the criteria and guidelines for export and domestic market, provide practical support to clients, review agriculture market policy and strategy, and furnish other relevant market intelligence.

Key words: Marketing, pricing, market policy, market intelligence.

1. INTRODUCTION

The purpose of this paper is to discuss ways of improving the Market Research Intelligence Service delivery by DAL to the smallholders. This is in line with the overall DAL's strategy of regionalisation and district level delivery of agricultural and livestock services. This report will not explicitly cover the following areas:

- (i) Agriculture Marketing systems
- (ii) Private sector involvement in agricultural marketing
- (iii) physical marketing infrastructures and
- (iv) Corporate Industry Involvement in market.

2. BACKGROUND

The broad policy objective of the department is to assist the rural producers to achieve higher productivity and incomes, to become better oriented towards the market place, and produce for own consumption. The government is in a process to direct its delivery services at the regional and district levels, closer to the majority of the population. DAL in line with this move is preparing to re-organise structurally to deliver its services.

However, PNG does not have a clear agriculture marketing policy despite the recognition of major deficiencies in agricultural development and marketing system. A number of studies including the recent paper by DAL Working Committee on Delivery of Agriculture Services, the 1989 Strategy and White Paper, ANZDEC (1990) Study on Agriculture Extension Delivery, and the 1988 World Bank PNG Agriculture Assessment Review, just to name a few, have identified inadequate marketing facilities, weak infrastructural support system, the fragmented and small size of domestic market, high transport costs, weak institutional capacity, declining world market prices for export crops, limited credit facilities and generally low sector productivity as some of the major factors hindering agricultural productivity in PNG. Thus, there is a need to improve market research and intelligence information by DAL for public consumption. These reasons have promoted the need to improve the current marketing situation.

2.1 Policy Support for Smallholder Sector

The government supports the smallholder sector because it produces much of the agricultural production in PNG. It has advantages in spreading benefits of development, minimal foreign exchange leakages and resistance to natural disasters and adversity. Agriculture sector holds the strategic position in the country's development in terms of

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GDP, employment and export earnings.

The disadvantages are generally low efficiency of Farm Management, lack of economies of scale, irregularity of supply, especially for high income freight produce and lack of agro-processing opportunities.

2.2 CURRENT POLICIES RELATED TO MARKET

2.2.1 International Trade (from 1989, DAL White Paper)

- a) Support a cautious reduction of food imports by strengthening the food production capacity of the sub-sector
- b) Continue to encourage and support the private sector in agriculture produce marketing
- c) Continue to maintain close links with international trade organisations through closer collaboration with industry and government agencies
- d) Encourage the diversification of international markets for exports crops to include non-traditional markets for export crops to include non-traditional partners such as countries of Eastern Europe and Middle East.

2.2.2 Domestic Marketing (from 1989 DAL White Paper)

- a) Continue to encourage the private sector to participate more in marketing of agricultural products
- b) Continue to provide marketing services in isolated areas as a buyer of last resort
- c) Continue to monitor the pricing systems offered by various marketing agencies and companies on all agricultural products
- d) Improve the capacity to provide market information and further develop an effective support service to provinces
- e) Encourage the improvement of basic marketing infrastructure, such as roads, bridges, and ports for market access, and
- f) Encourage improvements in presentation and packaging marketed goods.

2.3 OTHER POLICIES

a) The Commodity Price Support

The Commodity Price Support is a direct support given to the tree crop sub-sector to maintain production, meet PNG exports requirements and maintain grower interest. In 1994 the Commodity Price Support is allocated K75 million which has declined from K102 Million in 1993. In a long run the government wishes to do away with continuous price support to the tree crop sub-sector.

b) The Freight Subsidies

The Freight Subsidies Scheme was initiated in 1992 but has not been implemented due to logistics problems in 1993. In 1994, there are no funds allocated to the scheme. The idea was to assist the smallholder to maintain production and income earning.

3.0 THE NEW DAL POLICY/STRATEGY

The past agricultural development policies and strategies were not matched by commensurate efforts in strengthening and improving the marketing system, especially, for the smallholders. The policy strategy on re-organisation of DAL will enable closer delivery of services to the smallholders (DAL 1993). It will assist the smallholder producers to achieve higher productivity and incomes, and to achieve self-sufficiency by the following strategies:

- a) Improving Current Problems and Institute Efficiency of Existing Agricultural Marketing Research and Information Services
 - i) Establishing a Market Research and Intelligence Service Branch to monitor market trends and disseminate information on a regular basis.
 - ii) Improving the marketing infrastructures by incorporating them with DAL projects/PIPs at regional levels.
 - iii) Market information collation, storage and dissemination through the district based Extension delivery system and various media presentations.
 - iv) Training of extension officers on marketing procedures, and

v) Carry out research on market intelligence in cooperation with the private sector and other NGOs.

b) The State As Buyer of last Resort

i) In areas where the private sector cannot provide the marketing service for economic reasons, the state will purchase produce as a buyer of last resort until the entry of the private sector. The government adopts this policy to increase participation in cash economy, especially in less developed areas.

ii) The State will encourage buyers who will stimulate growers to increase output of the majority of growers. For example, by providing market support infrastructures and credit facilities.

iii) The State will continue to encourage and support the private sector involvement, especially in the physical marketing of produce, market research and intelligence, and helping market organisations.

iv) The State will encourage and support group marketing by organised smallholder farmers.

4. BENEFIT OF HAVING MRIB

The Department of Agriculture and Livestock's approach in establishing Market Research and Intelligence Service Branch, is to emphasize the importance of providing appropriate market information to the clients in order to improve the production potential in Food, Livestock, tree crops and alternative crops. It will help the smallholder sector in making economically rational decisions in production and marketing. The benefits of MRISB will depend on the input support given for it to carry out its objectives.

5. THE MARKETING RESEARCH AND INTELLIGENCE BRANCH SERVICES

The primary objectives of the Marketing Research and Intelligence Service Branch are:-

i) To improve the agriculture market research information storage and communication system in PNG. The main focus is in Village and

Provincial markets which are the most obvious recipients of the information system.

ii) To assess and evaluate marketing and pricing of agricultural products and other inputs.

iii) To provide marketing information to those smallholder producers, NGOs, Government agencies and individuals on request.

iv) To encourage "Group Marketing" to help improve product quality, quantity and grower prices.

6. THE OPERATION OF MRISB

The operations of MRISB will be at three levels; Headquarters, Regional and District (see Figures 1 & 2). To improve market intelligence within DAL would require increases in manpower and resources. Appropriately qualified staff will be employed to administer the operations of the MRISB at the headquarters level and the criteria and guidelines for export and domestic market, provide practical support to clients, review agriculture market policy and strategy, market research, collect and disseminate offshore promotion of sector, and provide other relevant market information.

The Headquarters will be manned by six economists and one account clerk, and the regional offices will each be manned by one senior marketing officer who is part of the regional advisory cell. The Provincial marketing offices will be at the implementation level liaising with many of the organisations in the provinces and helping farmers as well as extension officers at district level.

Adequate resources including computers will be provided for the organisation to work effectively in producing information for dissemination. A major function of the regional offices will be data collection, storage, market research, compiling research findings and dissemination of information.

It is important to develop a strong base and linkages at the Headquarters, Regional and Provincial levels, that will have ready available and appropriate information for dissemination to the clients.

MRISB will have a line management structure. At the Regional level, the Regional Marketing Officer will be directly responsible to the Regional Manager/Director. Any correspondence will go through

Figure 1. ORGANIZATIONAL STRUCTURE OF MARKETING RESEARCH INTELLIGENCE - HQ LEVEL

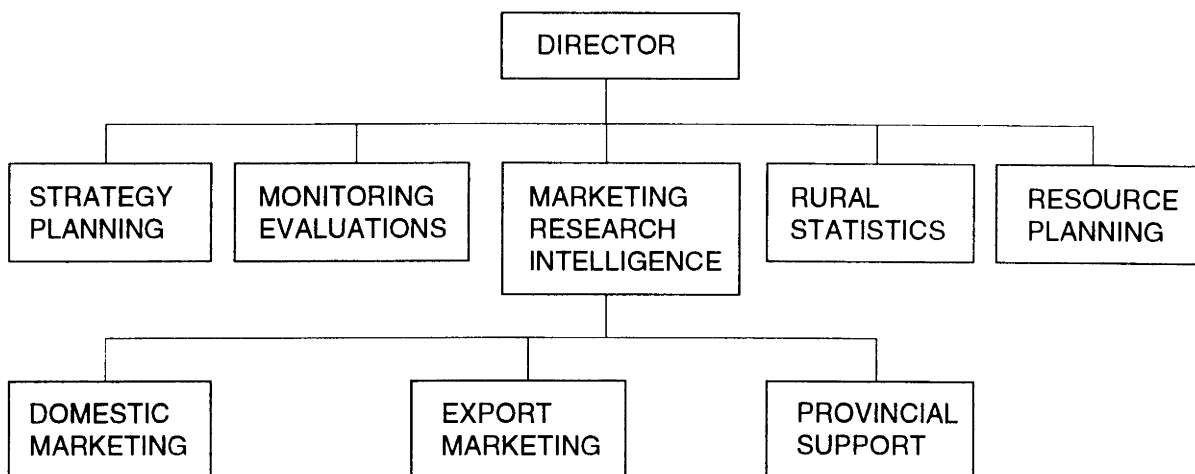


Figure 2. REGIONAL/PROVINCIAL LEVEL STRUCTURE

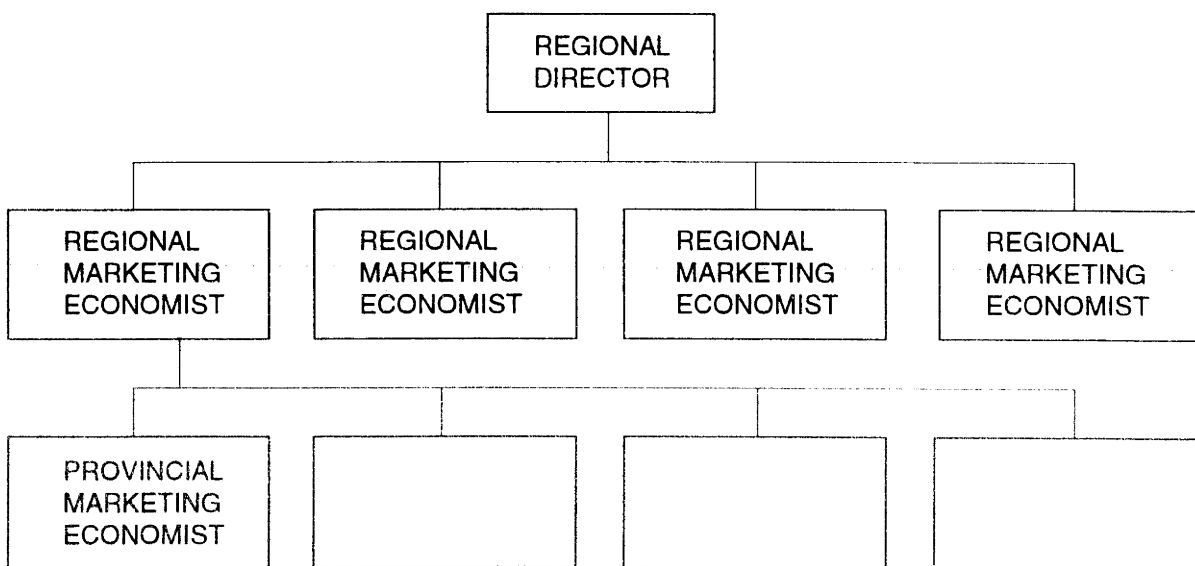


Figure 3. THE FUNCTIONS AND LINKAGES OF AN AGRICULTURAL SYSTEM (ADAMS 1982)

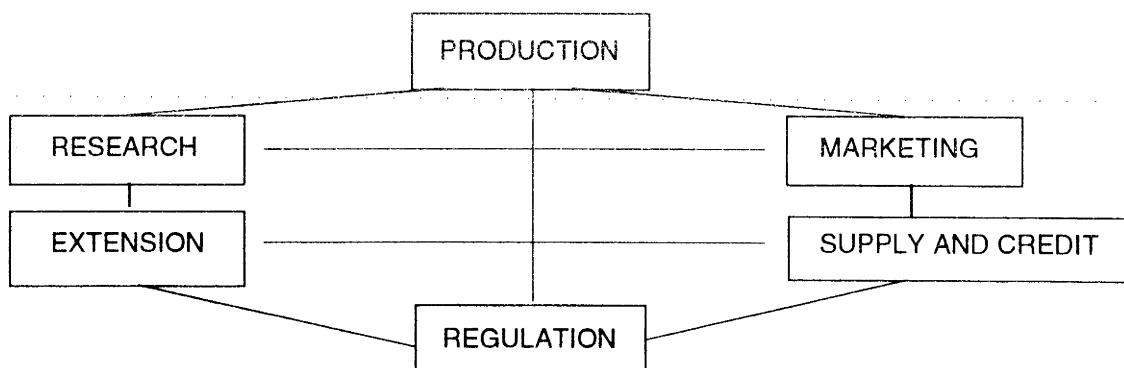
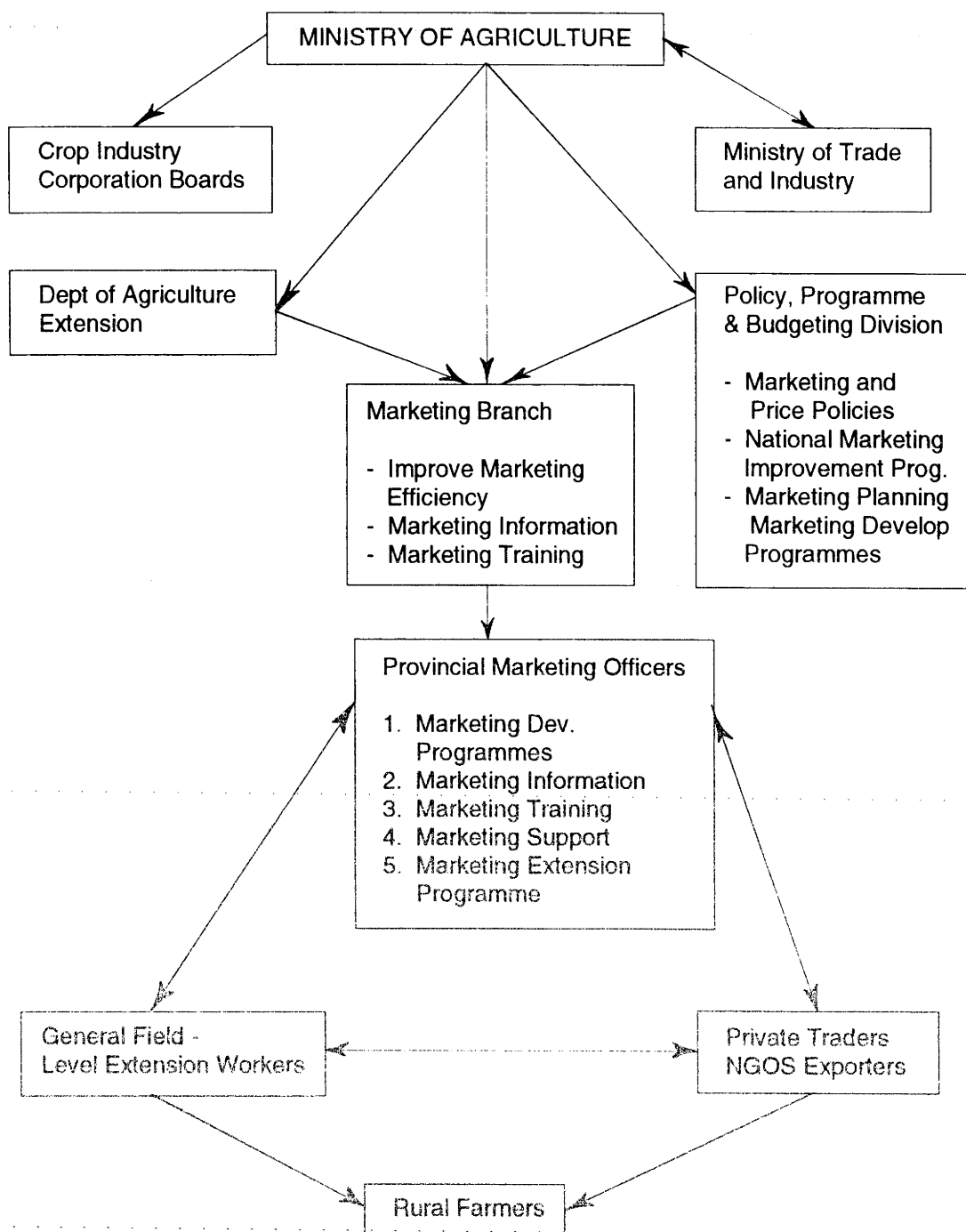


Figure 4. POSSIBLE ORGANISATION FUNCTIONS AND LINKAGES OF A MARKETING BRANCH



the Regional Director to the DAL Secretary and to the Chief Marketing Officer. The RMOs will be responsible in researching and providing specific marketing requirements and other issues in the regions.

The District Marketing Officer will be responsible to the Regional Marketing Officer. They will be researching on marketing issues specific to the district requirements.

7. LINKAGES (Figures 3 & 4)

The MRISB will be linked with many organisations including international and domestic private organisations, NGOs, local level governments, regional, provincial and district level organisations. The success of MRISB will depend on establishing appropriate linkages in the wider sense as well as internal linkages with other DAL functional activities. The private sector in PNG will be encouraged to work closely with the MRISB.

Examples of Linkages:

- i) Within DAL - The MRISB staff will channel their findings through the Information Branch of DAL which will disseminate the information to the Extension Delivery system at the regional and district levels. There will be consultation at all levels of the operation.
- ii) Other Organisations (e.g. with CIC, Cocoa Industry Board) - There will be consultation and on occasions there will be joint market research carried out depending on situation.
- iii) International Organisations - Close links with international trade organisations through close collaborations with Trade and Industry and PNG Embassy in member countries will be established.

8. CONCLUSION

This proposal is the result of DAL's recognition of the need to examine the long term role of marketing toward agricultural production in the PNG economy. DAL is concerned with the impetus that a proper market research, intelligence and information dissemination to the smallholder farmers must be established. At present, the smallholder production is hampered by market related prob-

lems which leads to low productivity and low farmer incomes.

The lack of knowledge and understanding of the whole gamut of the marketing subject is a fundamental weakness. There is no scope at this stage to delay taking remedial actions to improve the situation, especially the provision of market research and intelligence service, market infrastructure support, involving the private sector and training of manpower.

The government recognises that the importance of private sector involvement in marketing to increase rural agriculture sector production. The private sector will be encouraged to take added responsibilities in areas where they can operate at a economic scale.

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