AEC 841- ANALYSIS OF FOOD SYSTEM ORGANIZATION AND PERFORMANCE TS

Discussion Session
Monday January 31, 2005

Friday Session: The Economic Rationale for "Middlepersons"

Location Code

1. Main library Assigned Reading
2. Set of assigned readings (course packet)
3. Available from Pat Neumann (213 AGH)
4. Required text
5. Optional text
6. Main Library, regular collection
7. Class handout
8. Available from instructors
9. Cook Hall reading sets

A. Required Reading


Questions to Guide Individual Reading

The readings and discussions for this week are aimed at preconceived ideas, stereotypical images and conventional wisdom associated with marketing agents in high and low-income countries. Terms such as "middlemen," "middlewomen," "speculators," "parastatals" are often used in a negative sense to denote "socially damaging" actions by marketing firms. The purpose of this session is to facilitate thinking and discussion of the reality and myths surrounding marketing agents in the food system.

You may want to think about these readings from the perspective of a country or industry with which you are familiar. Also examine your own experience for examples of preconceived notions--either positive or negative--toward different types of marketing agents. Come up with questions/discussion
points that your group feels are important in thinking about this issue. Some questions discussed in the past are listed below, but your group should not be limited to just these. Each group should be prepared to start off the Friday session with its own priority question/discussion and related comments.

1. In many high as well as low-income countries, particular marketing functions are dominated by particular ethnic groups. The reading by Jaffee and Morton treats this very explicitly for a number of African settings. Are there similar cases from Asia or Easter Europe, or the U.S. that class members are familiar with and can briefly explain? What ideas from readings and class discussion to date may help to explain these?

2. The reading from Abbott has some interesting stories about specific indigenous private "middlemen and middlewomen" performing various marketing functions. Are there potential disadvantages of private marketing agents that could have been discussed in this section? What about other possibilities?

3. The paper by Holtzman does not really explore why these preconceived notions towards intermediaries continue to exist in both low and high income countries. Can you draw on your experience to hypothesize why the ideas persist?

4. Holtzman highlights the tension between the perceived benefits of atomistic competition among traders versus the perceived benefits of traders that capture gains from scale economies. How can he justify the trend towards larger economic units given that such a transformation is not Pareto optimal, imposes social costs on defunct marketing enterprises, and seems to imply less competition in the system?

5. What can/should governments do when constituents (producers, consumers and/or taxpayers) complain about the high margins of private or public marketing agents?

B. Further reading on this topic (optional)

The readings from the Timmer, Falcon and Pearson book are excellent introductions to dealing with marketing functions and efficiency in a food policy framework. Chapter 4 is a good example of how basic neoclassical economic theory can be used to begin to think systematically about marketing functions, market efficiency, and cases of market failure. Timmer et al. place emphasis on the key physical marketing functions and costs of transportation, processing, and storage, and on the market working efficiently to motivate marketing agents to undertake these.


   Location Code: (downloadable as mentioned in the AEC 841 Course Outline, section on recommended texts)
Suggestion to Organize Class Discussion

We will discuss the following questions in class by relating to experiences/examples of your own country or countries you are familiar with. Each discussion group will be responsible for starting the discussion on the topics specified below. Each discussion group should plan on using half of their time for their own presentations/comments, and the remainder of their time for open discussion with the rest of the class.

Group # 1. (10 minutes for each question)

1. Do you agree or disagree with the alleged misconceptions/myths raised by Holtzman? Explore why these preconceived notions towards “middlemen/middlewomen” private marketing agents continue to exist in both developing and industrialized countries?

2. Do you agree or disagree with Abbot’s perspectives on the characteristics of indigenous entrepreneurs (attributes, advantages, and support needs) who have contributed significantly to their success. Why/Why not?

Group # 2. (10 minutes for each question)

3. The reading by Jaffee and Morton discusses the power imbalance within marketing systems in terms of ethnicity. Do you have any examples of power inequality in the market in terms of ethnic conflicts? How about the power inequality in terms of other social systems such as gender, race, class and age?

4. In every society, business people “network” with one another to facilitate business transactions. As we have seen in the readings, in many places the networking is based on things like ethnicity, gender, or geographic origin. Are there some forms of business networking that are socially preferable to others? If so, why?