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THE ROLE OF SAGRIC IN MARKETING

WORKING PARTY REPORT



**DEPARTMENT OF AGRICULTURE
SOUTH AUSTRALIA**

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THE ROLE OF SAGRIC IN MARKETING

WORKING PARTY REPORT

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South Australian Department of Agriculture
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Chapter 1.

SUMMARY OF RECOMMENDATIONS

The Working Party defined marketing as "the performance of all activities involved in the flow of goods and services from the point of initial production until they are in the hands of the ultimate consumers from whose needs and desires rational production and business decisions emanate".

Two important considerations are implicit in this definition. First, the multidisciplinary nature of marketing, involving economic, technical and business aspects. Second, the wide range of SAGRIC activities - research, extension, regulation - that should encompass relevant aspects of marketing as an integral component.

Given the relevance of the marketing concept across a wide range of SAGRIC activities, marketing considerations need to be the concern of all officers involved in these activities and not just the concern of a few marketing specialists.

After reviewing SAGRIC's existing involvement in marketing and considering the views of industry, the Working Party made the recommendations listed below. Recommendations 1 to 8 relate to the direction that the South Australian Department of Agriculture (SAGRIC) should take in the provision of marketing services. Recommendations 9 to 15 relate to the organisation and operation of marketing in SAGRIC.

THE DIRECTION THAT SAGRIC SHOULD TAKE IN THE PROVISION OF MARKETING SERVICES

Market Information

Recommendation 1

- . The need for the provision of primary information should be determined by discussion with industry groups. If a need is determined then SAGRIC should assist in the development of the information system and the funding system for such a service.

- . SAGRIC should not be involved in the provision of short term secondary information.
- . SAGRIC should discuss with industries their exact needs for secondary information.

Product Specification

Recommendation 2

- . SAGRIC involvement in establishing grading schemes should be more a facilitating rather than an administrative arrangement.
- . The impetus for the investigation or initiation of grading schemes should emanate from industry study groups such as the formal SAGRIC/industry groups envisaged by the Working Party.
- . The need for grading systems to be standardised on a national basis should not necessarily deter SAGRIC initiatives with local industry groups. This type of initiative in the past has led to the national adoption of S.A. innovations e.g. pig classification.

Product Development

Recommendation 3

- . SAGRIC has a continuing important role in primary product development.
- . Marketing considerations need to be incorporated into SAGRIC research and extension programmes.
- . SAGRIC has a less important role in secondary product development This should largely be the prerogative of the food processing industry. The major exception here relates to those industries which are too small to carry out their own research e.g. post harvest technology for horticultural industries. SAGRIC should only undertake secondary product development work (except on a contract basis) if it satisfies the following criteria:-

- cost/benefit aspects of the project.
- SAGRIC has expertise in the area of interest.
- the prospects of success of the work are high.
- the work cannot be effectively undertaken by industry itself or in other organisations.

Market Research and Development

Recommendation 4

- . There is a need for SAGRIC to undertake market research to ensure that its own products and services are appropriate to its clients requirements and as a basis for market development work.
- . SAGRIC has a role in market development work for new or small industries that do not have the appropriate resources or organisation.

Product Promotion

Recommendation 5

- . SAGRIC should provide objective information to consumers of farm inputs and farm products.
- . SAGRIC should promote actively overseas relevant aspects of our farming technologies.

Marketing Systems Research and Development

Recommendation 6

- . SAGRIC should continue to monitor and evaluate existing marketing systems, and, in liaison with industry, evaluate options for the introduction of improved or new marketing systems.

Direct Marketing Involvement

Recommendation 7

- . Apart from any marketing activities involving SAGRIC International Pty. Ltd., SAGRIC should not be directly involved in the marketing of industry products.
- . SAGRIC representation on statutory marketing boards should primarily be to facilitate communication between SAGRIC and industry. Appointments should be in line with normal membership regulations, but a SAGRIC appointee should not be chairman.

Education and Training

Recommendation 8

- . Producer and industry training and education in marketing should be given a higher priority by SAGRIC.
- . Producer education and training should take place in several ways -
 - There needs to be an adequate incorporation of relevant marketing information when providing technical production information to producers and in the planning of extension programmes.
 - Seminars and workshops should be developed with particular industries to update producers on developments in marketing relevant to their particular industries. These ideally would involve other members of the marketing chain and marketing specialists to allow an interchange and sharing of information and ideas.
- . For industry organisations with a marketing role seminars and workshops should be developed to satisfy the marketing training needs of managers, boards of directors, etc.

- . All producer and industry training needs must be developed in close consultation with industry. One possible mechanism is through the use of Industry Study Groups.

The education of consumers in nutritional aspects of food requires a co-ordinated approach between the various organisations with an interest and involvement in this area. However the specific role for SAGRIC in this area is beyond the Terms of Reference of the Working Party.

THE ORGANISATION OF MARKETING WITHIN SAGRIC

Organisational Options for Business Marketing

Recommendation 9

- . Industry Divisions and Regions should be strengthened in business marketing skills through a training, education and recruitment programme.

Organisational Options for the Economics of Marketing

Recommendation 10

- . There should be a more effective integration of economists in Industry Division and Regional marketing activities. Discussions should be held between the Chief Agricultural Economist and Chiefs of Divisions and Regions to develop ways by which this can be achieved.

Other Organisational Aspects

Recommendation 11

- . SAGRIC's role in food technology and human nutrition should be reviewed.

Recommendation 12

- . There is a demonstrated need for increased horticultural marketing expertise in SAGRIC. A new position of Senior Horticultural Marketing Officer (AS3/AA5) should be created and a suitably qualified officer recruited.

- . The location of this officer should be decided at a meeting between the Chiefs of Economics Division, Plant Industry Division, Central Region and Murray Lands Region.

Operation of Marketing Within SAGRIC

Recommendation 13

- . The Working Party should continue as a Steering Committee for a period of one year to overview the implementation of its recommendations.

Recommendation 14

There is a need for an active training and development programme in marketing for SAGRIC officers. This programme should include the following aspects -

- . Conduct a seminar/workshop for top level SAGRIC management to create an understanding and awareness of the role of marketing in SAGRIC activities and agriculture in general.
- . Conduct a part-time in-service training course in marketing for officers with prime contact with industry on marketing matters. The approach used would be based on that developed in the N.S.W Department of Agriculture. It would involve an Action Learning approach and be designed to meet individual officer training needs.
- . Applied training may also be obtained by a staff exchange programme for individual officers with appropriate industry marketing organisations or marketing consultants for a given period to undertake a particular marketing project.
- . For those officers with a major part of their work devoted to marketing, more in depth training may be provided by either short courses or post graduate training.

Recommendation 15

The Working Party recommends the establishment of multidisciplinary groups to examine marketing issues. The Working Party recognises an urgent need to establish such groups in the horticulture area and suggests that the options be explored by the Plant Industry Division, Economics Division and the three Regions concerned with horticultural production.

Chapter 2.

INTRODUCTION

2.1 Background

The impetus for more emphasis on marketing in agriculture has increased in recent years due to various pressures affecting the profitability of Australian agriculture. The provision of marketing services by the South Australian Department of Agriculture (SAGRIC) is seen by some as an important step in improving the performance of marketing and hence the profitability of rural producers and others involved in agriculture. SAGRIC has developed operated and modified services related to marketing as demand for these services became apparent. Because of this increasing demand it was considered timely for SAGRIC to examine its role in marketing.

2.2 Terms of Reference

In July 1981 the Director-General appointed a Working Party with the following Terms of Reference:-

- . To review briefly the current marketing arrangements for agricultural commodities in South Australia.
- . To establish and review the current involvement of the South Australian Government in the marketing of agricultural commodities and inputs.
- . To recommend on the future role of SAGRIC in agricultural marketing and on the organisation and resources necessary to fulfill that role.

2.3 Membership of the Working Party

The membership of the Working Party was -

Pat Harvey, Director, (Chairman),
Ian Lewis, Senior District Officer. Central Region,
Hadyn Hanna, Principal Officer (Meat), Animal Industry Division,
Garry Osborne, Senior Agricultural Economist. Economics Division,
George Muir, Chairman, South Australian Potato Board,
Jon Presser Regional Economist, Eyre Region (Secretary).

2.4 Methodology

The Working Party recognised that many disciplines are involved in marketing and that marketing can be defined in different ways. Before commencing its task the Working Party considered it necessary to give its definition of marketing as a basis for establishing a framework within which the Terms of Reference could be examined.

Marketing was interpreted in its broadest sense - as a process of facilitating exchange of goods and services. In order for an effective marketing process to operate, consumer wants need to be satisfied and producer and other organisations objectives need to be met. The definition adopted by the Working Party is as follows:-

"Marketing is the performance of all activities involved in the flow of goods and services from the point of initial production until they are in the hands of the ultimate consumers from whose needs and desires rational production and business decisions emanate".

In assessing the marketing involvement of SAGRIC a number of inter-related aspects of marketing were considered. These were:

- . market information
- . product specification
- . product development

- . market research and development
- . product promotion
- . marketing systems research and development
- . direct marketing involvement
- . education and training

To help satisfy the first two Terms of Reference, written submissions were sought from all Divisions and Regions of SAGRIC. Subsequently a questionnaire was sent to Divisions and Regions seeking further information in specific areas.

A second questionnaire was prepared and sent to a range of industry, consumer and producer organisations in South Australia. A list of respondents to the questionnaire is included in Appendix I. This questionnaire was also sent to State and Commonwealth Government departments in South Australia as well as to other agricultural departments in other states of Australia, to seek their role in marketing.

A background paper was prepared incorporating the current marketing arrangements for agricultural commodities in South Australia, the activities of SAGRIC in marketing and the views of industry. This paper formed the basis for a workshop held on 5th November 1982 with representatives of key industry and service organisations and SAGRIC officers involved with the marketing function. The need for a workshop emanated from the diversity of viewpoints expressed by industry. The Working Party identified the need for a consolidation and consensus of these views. The workshop programme and list of participants is presented in Appendix II.

Views given at the workshop both from the papers presented and from the discussion groups have been incorporated into the summaries and recommendations of the Working Party.

The Working Party wishes to record its appreciation of the cooperation and assistance it received from all interested parties.

Chapter 3

CURRENT MARKETING ARRANGEMENTS FOR MAJOR AGRICULTURAL COMMODITIES IN SOUTH AUSTRALIA

Agricultural commodities produced in South Australia come under a variety of marketing arrangements, some administered by statutory boards others by voluntary boards or co-operatives. Some industries have adopted price stabilisation schemes with the general aim of achieving stabilisation of income for producers.

The current marketing arrangements for each major agricultural commodity are as follows:-

3.1 Wheat

Complementary State and Federal legislation requires all wheat produced in Australia (except for small quantities retained on farms) to be marketed through the Australian Wheat Board (AWB). Growers usually deliver their grain to the bulk handling authorities who act as authorised receivers for the AWB. In South Australia the handling authority is the Co-operative Bulk Handling Ltd. The wheat is weighed and the growers are given receipts for the quantities delivered. The AWB makes an advance payment soon after delivery. The AWB obtains finance from commercial sources.

3.2 Barley and Oats

The Australian Barley Board (ABB) was established under complementary legislation enacted by Victoria and South Australia. It acquires and markets all barley produced in these states except that retained by growers for their own use.

Barley varieties are normally segregated into two classes of malting barley, principally for brewing, and into three classes of feed barley.

The prices of malting barley for domestic consumption are formulated based on the home consumption price for wheat whilst domestic feed barley prices are set monthly and take into account the prices of available substitute grain on the Australian feed grain market.

The ABB became the oat marketing authority for South Australia in 1977. It has powers of acquisition over all oats produced in South Australia. The exceptions to this are oats retained by growers or purchased off farms for livestock feed, and oats sold to feed manufacturers or oat millers for conversion into further products.

3.3 Cattle

Most beef cattle are sold through saleyard auctions which are located in Adelaide and country centres. Some abattoirs are operated by State or local Government authorities, while others are run by private firms. Meat for domestic use is largely retailed through butchers shops. However, supermarkets and fast food outlets have increased sales in recent years.

Most trading in the domestic market is carried out under relatively free market conditions. However export sales on several major markets are constrained by import restrictions. The Australian Meat and Livestock Corporation (AMLC) roles include issuing export licences, involvement in international trade negotiations, meat promotion and in the past, allocation of export quotas

3.4 Wool

Most of the shorn wool produced in South Australia is sold by public auction using objective measurement and sale by sample. The rest is mainly sold by private treaty.

There is no Government control over the marketing of wool but a statutory body, the Australian Wool Corporation (AWC) performs a number of functions aimed at assisting the orderly and efficient disposal of wool as

well as promoting and developing markets for that commodity. Its chief activity is the operation of a flexible reserve price scheme for wool sold at auction.

3.5 Sheep

The majority of sheep sold in South Australia are sold through the auction system. The alternative selling methods are selling in the paddock and selling "over the hooks" in carcase form. The three major segments of the market for sheep are lamb, mutton and sheep for the live sheep trade. Most mutton is exported while most lamb is consumed on the domestic market. A significant proportion of lambs produced in South Australia are slaughtered in Victoria while many of the live sheep shipped from South Australia come from interstate sources.

3.6 Dairying

The Metropolitan Milk Board determines prices of liquid milk and cream for the metropolitan area. Prices outside the metropolitan area are controlled by the Prices Commissioner and are generally related to Adelaide prices.

The marketing of prescribed manufactured products such as cheese butter, whole and skim milk powder and casein is controlled by Commonwealth Government legislation and is administered by the Australian Dairy Corporation.

Prices paid to producers of milk are fixed on a regional basis by equalisation schemes operating in the Adelaide Metropolitan Milk Supply Area and in the South East; and by the Company/producer schemes in the Mid North, Port Lincoln and Riverland Regions.

Major promotion of dairy products is carried out by companies. the Metropolitan Milk Board and the Australian Dairy Corporation.

3.7 Pigs

Most pigs produced in S.A. are either sold through saleyard auctions which are located in Adelaide and country centres, sold "over the hooks", or produced by integrated processing/production operations

Sale of pigs by classification was introduced in October 1979. Under this system, producers assess their pigs according to weight and back-fat depth. Buyers bid by progressive auction on the catalogued description without physically inspecting the pigs. Approximately 10 per cent of pigs sold in S.A. are now auctioned under this system.

Pig sale by classification allows for telephone link-up with interstate buyers permitting buyers from Victoria, N.S.W. and other states to buy according to the description of the pig.

3.8 Chicken Meat

Poultry meat is marketed by individual companies in a competitive market. Marketing of whole poultry is based on selling a bird of a particular size with a specific code number - this relates to the weight range of the bird.

3.9 Eggs

Marketing of eggs in South Australia is controlled by the South Australian Egg Board. The Egg Board licences commercial grading floors and certain egg producers to grade and distribute eggs. It also determines the required handling and grading charge. Only eggs surplus to the domestic shell egg market are handled directly by the Egg Board. The majority of these eggs are pulped and exported, mostly to Japan. A small proportion is used by the domestic baking industries.

The Egg Board sets the wholesale price of eggs.

The industry is subject to price equalisation, by means of hen levies and "pool" charges according to seasonal oversupply. The industry is also subject to production control by means of hen quotas.

3.10 Fruit and Vegetables

The marketing of citrus potatoes and dried fruits in S A. is controlled by statutory authorities:-

- . Citrus

The Citrus Organisation Committee regulates the marketing of citrus fruit through

- setting and policing packaging and quality standards.
- licensing wholesalers, packers and processors.
- setting minimum wholesale citrus prices in South Australia.

Maximum wholesale sellers' margins are fixed.

- . Potatoes

Potatoes are marketed through the S.A. Potato Board. Growers are required to be registered by the Board. All potatoes are required to be delivered to the Board's receiving agents except for potatoes sold on the interstate market. The Board operates a pooling system and licenses wholesale merchants, washers and packers. The Board determines maximum wholesale and retail margins.

- . Dried Fruits

The Dried Fruits Board only controls conditions and the regimentation of standards. It does not do any marketing although under the Act it could. The Board determines annual quotas for the sale of dried fruits in S.A.

By registering producers, dealers and packing houses, the Board ensures proper standards for the receipt and storage of dried fruits. It also inspects fruit for sale. The Board may provide its own distribution and storage centres.

Apart from the above commodities, a declining proportion of fresh produce is sold through the East End Wholesale Market in Adelaide, either through wholesalers or directly by the grower to greengrocers. Produce not sold through the East End Market is mainly sold direct to supermarkets.

Co-operatives play an important role in marketing fruit from the Adelaide Hills and Riverland areas, but are not generally involved in the marketing of vegetables. Fruit and vegetables grown for processing do not pass through the central wholesale market in S.A.

3.11 Winegrapes

South Australian produces around 60 percent of Australia's winegrapes. Minimum prices for winegrapes are set by the State Commissioner for Consumer Affairs. However, co-operative wineries are free to set their own prices for produce purchased from their members.

Chapter 4.

AGRICULTURAL MARKETING IN THE 1980's

4.1 Introduction

The major theme in the history of agricultural marketing in Australia has been the gradual introduction of publicly-regulated marketing institutions at the expense of marketing systems that were more organised by market forces. In the main, government intervention was inspired by the concern to protect farmers' incomes through price support and/or stabilisation schemes. Concern with marketing efficiency *per se*, in terms of either the costs of providing marketing services or the performance of the co-ordination function of marketing, has been far less important than the pursuit of price and income-related goals.

From time to time, difficulties are bound to arise for Australian farmers because of the unstable production environment and the vicissitudes of world markets for all agricultural commodities. It is not surprising that farmers will demand some action in such circumstances. The most common response by Governments has been some modification of the marketing system.

Such modification of the agricultural marketing system can lead to unplanned consequences which, in their turn, may require further government action. Once it is initiated, therefore, the progress of intervention may be very difficult to halt, let alone reverse. This state-of-affairs is not confined to Australian agricultural policy. Similar situations arise in other sectors of the economy, and agricultural policy in other countries is also prone to increasing government intervention.

It is inevitable that measures designed to raise prices or reduce their variability will affect market organisation and the performance of marketing functions. Therefore a diverse array of agricultural marketing arrangements is associated with the diverse collection of agricultural

price policies. These have evolved in a patchwork fashion according to specific historical and political circumstances, and the economic characteristics of the commodity in question. Of our major rural industries the meat industry is a significant exception because there is no substantial intervention in its marketing system. This is mainly due to the unsuitability of the product for Australia's preferred form of price support and stabilization, i.e. price equalisation.

The most pervasive feature of agricultural marketing arrangements in Australia has been the creation by State and Federal governments of producer-controlled or producer-dominated marketing monopolies to regulate and perform marketing functions. These organisations use price discrimination to support farmers' incomes. Successful price discrimination requires controls to keep markets separate and some administrative device to pay farmers uniform returns to share the benefits of sales in different markets. Similar arrangements are necessary to operate price stabilization schemes. Statutory marketing boards also satisfy the aspirations of some farmers for grower control of marketing authorities. This is such a deep-seated attitude in some farm organisations that arguments over representation on boards can become as important as arguments about their economic policies.

Once established, statutory marketing boards have tended to take on a life of their own and appear capable of withstanding changes of government, and in the policies they administer, with little challenge to their place in the agricultural marketing system. It may have been the case at their inception that marketing boards were seen by some farmer organizations and politicians as means to other objectives, but their preservation often becomes an important objective in itself.

The accountability of statutory boards is coming under increasing scrutiny and this is expected to continue in the future.

4.2 Concepts of Agricultural Marketing

As well as long-standing political controversies about the appropriate form of marketing institutions, there are also different views

of the economics of agricultural marketing. These views reflect different judgements about the nature of the economic processes at work as agricultural products flow from the producer to the consumer and money moves in the opposite direction. Many of the questions raised go to the heart of arguments about the way the economy is, or should be, organized.

There are also differences of opinion about the way agricultural marketing should be understood between those trained in business marketing and those who rely upon microeconomic theory. The business schools emphasize the performance of marketing functions by individual firms rather than questions related to marketing policies for industries. In particular, business marketing has concentrated on providing mechanisms for commercial firms that wish to explore the varied possibilities of price discrimination.

These matters are not trivial. Some of the tension within institutions involved with agricultural marketing, on such matters as the efficiency of promotion of agricultural products and the appropriate extent of the trading operations of marketing boards, can be traced to fundamental differences in training and perception of economic problems.

In this very complex area, the Working Party recognises that a wide range of skills are required depending on the precise nature of the analysis required in any particular situation. The skills of economists, technical experts and business marketers are complementary tools to be used depending upon the nature of the task involved.

4.3 Likely Policy Directions During the 1980's

The marketing systems of the major agricultural products are vastly different, reflecting differences in the commodities, in Australia's market position and in accidental historical developments. It is difficult to categorise the systems without over-simplification. However the grain (especially wheat) marketing system is highly centralised and

regulated. The meat marketing system is decentralised and essentially the result of the interplay of market forces. The wool marketing system contains elements of both forms of organization.

There are prospects in the 1980's for some convergence of these systems. Increased competition is likely for grains, especially on the local market. Some centralising of trading for some markets and some improvements in the pricing system aimed at improved coordination are suggested for meat. For wool, it seems from work done by the Bureau of Agricultural Economics that greater centralised control would impose too great a risk of net losses to producers.

It is also important to emphasise the need for carefully planned and well researched change. Change should be based on the demonstrated prospects of improved efficiency, at least to the stage where a reasonable commercial judgement can be made on the basis of estimated net benefits. If this eventuates, then future changes in marketing systems in Australia will be based more on demonstrated economic merit and less on ideological dogma. It can only be of benefit, both to agriculture and to the nation.

If this prediction turns out to be correct, marketing systems can be expected to reflect a balance between the benefits of greater centralisation and control and the benefits of maintaining a competitive benchmark against which to assess marketing performance.

Likely changes in policy will require greater sophistication in the way farmers market their products in that a greater emphasis will be placed on the producer to make decisions about when and how to enter the market place. Likewise, more flexibility in the market place will add to the complexity of the decision making at the time of planning the production process.

The following section highlights some of the likely important influences on marketing during the 1980's.

4.3.1 Statutory Marketing Authorities

Marketing authorities have been used as a mechanism for industries to achieve "orderly marketing". Other forms of organisation, especially co-operatives, have also been used by particular producers to achieve marketing benefits.

Producers may benefit from "orderly marketing" in various ways. For example, they may appropriate for themselves any abnormal profits obtainable from processing and distributing their products. A marketing authority may also secure greater price stability by evening out supply through storage operations to a greater extent than would occur under a regime of private storage. It may pool sales receipts over a year or shorter period and reduce the variability of prices received by farmers.

However, there has been considerable debate about whether marketing boards, especially those with monopoly powers of acquisition and sale, have operated in the best interests of producers and about whether they have given consumers a "fair go".

It is possible that during the 1980's the power of marketing authorities will decline although currently there is no clear evidence that this will occur. If it does occur there will be a consequent freeing-up of the local market for affected commodities, resulting in a greater involvement by farmers in marketing in areas that previously they were not directly involved. In some commodities, e.g. grains, it would also facilitate a greater sophistication in the grading of the product as specialist areas open up for trade (e.g. high protein feed wheat).

4.3.2 Grading

Grading facilitates transactions between buyers and sellers. Contracts can be based on grade specifications, and buyers need not inspect each individual lot. Standardisation reduces uncertainty between buyers and sellers, and this helps reduce marketing costs.

The introduction of more effective marketing systems (such as those based on computer technology) can thus be facilitated in industries where grading is economic.

Grading is a prerequisite to the establishment of price premiums or discounts for various lots of a commodity. If grades accurately reflect different consumer preferences, price differences will be established which will help determine the composition of future supplies.

Grading can result in the need for producers to be better informed about the marketing of their produce. Successful producers will be those who are able to acquire, interpret and act upon the market information relating to various grades of particular products.

4.3.3 Computers

Computers offer considerable opportunity to improve the efficiency of marketing systems; particularly in the wool, livestock and the fresh fruit and vegetable industries. The widespread linking of buyers and sellers by a common computer system will enhance the price formation mechanism. Every participant will know about each sales transaction - the selling price for a particular commodity of a particular grade and quantity. This will help overcome current inefficiencies in the marketing system. For example, in the marketing systems for fruit and vegetables in Australia inefficiencies exist in terms of:

- . market price reporting due to human error,
- . not knowing the quantities of produce passing through the wholesale market,
- . increasing quantities of produce are bypassing the wholesale market and hence are not incorporated in the price formation process.

A computerised marketing system would overcome these problems as well as offering potential cost savings.

The adoption of computerised marketing systems would be an incentive to have a better graded product. As well, such a computerised system may obviate the need to have large and expensive wholesale markets in the case of horticulture.

The time frame for the advent of computerised marketing is difficult to predict. However, substantial adoption is likely over the next decade although it will probably be on a piece-meal basis. Factors influencing adoption will include.

- . vested interests in maintaining current arrangements,
- . the adequacy of grading of commodities. This may be an inhibiting factor for the computerised marketing of fresh horticultural produce,
- . the degree of awareness amongst buyers and sellers of what computers have to offer in enhancing the efficiency of the marketing system,
- . the degree of government interest and involvement in fostering computerised marketing.

Governments may have an increasing interest and role in this area in catalyzing action between the various parties involved. They certainly have a clear involvement in product specification (grading) which is an essential pre-requisite for an effective computerised marketing system.

4.3.4 Vertical integration and contract buying

Vertical integration occurs when successive stages of marketing or of production and marketing are linked together. That is, successive stages of marketing are tied together in some formal way other than by the price system (usually via contracts).

A reason for retailers integrating back to processing plants and perhaps to the producer level is to assure a flow of a product with certain specification and delivery terms. Further, such

integration may reduce marketing costs, especially those of selling from one stage to another.

Another aspect of vertical integration is the changing nature of the price system. Vertical integration has changed the locus of price formation, and has reduced the numbers of points in the marketing chain at which prices are established. Price co-ordination has been partially replaced by administrative co-ordination.

This change has several implications. Published prices may become less meaningful as a larger volume of a product moves through integrated channels. Information available to non-integrated producers is reduced, and they may have fewer alternative markets.

Another marketing ploy is the use of franchising where particular individuals or companies acquire the rights to manufacture or sell under a certain brand name. This may become more important in the 1980's especially in the production of speciality foods.

4.3.5 Nutritional awareness

Since bad diet is a cause of disease there is a case for Government involvement in the interests of public welfare, and because public funds may be spent in trying to cure the diseases in question.

As to the type of action which may be taken there is probably general consensus on the desirability of better information on nutritional matters, which may be provided through the general education system, welfare clinics and the media. Action to ensure clearer labelling of processed foodstuffs, application of expiry dates and the maintenance of minimum standards is also quite widely accepted. A more controversial issue is whether some types of food advertising should be controlled, in a way similar to that adopted in some countries for tobacco and alcohol.

To what extent is consumer behaviour likely to be modified by current nutritional preoccupations, and what are the implications for agricultural marketing? It is not easy to assess the real impact of dietary recommendations. It is clear, however that concern is growing, and to judge from the proliferation of books written in a form accessible to a wide public, there must now be fairly widespread receptiveness. It would be useful to know more about consumer behaviour in this respect.

Since the proportion of extra income spent on food is now very low for most foodstuffs in high-income countries, such changes in consumer preferences are likely to be increasingly important as a determinant of changes in per capita demand.

For some products -- fruits and vegetables and maybe even bread grain - dietary changes could hold out some hope of improvement in market prospects; and there is a relatively small but growing market for high-quality "natural" or "biologically-grown" foods which can command a high price. The food processing industry is already adjusting to such developments, for example, by expanding the range of low-fat dairy products and by producing "health foods".

4.3.6 International trade issues

Despite changing economic circumstances and growing deficiencies in the existing arrangements for agricultural trade, recent trade negotiations have done little to improve the efficiency of world trade in agricultural commodities. Rather, they have tended to institutionalise the status quo. This is likely to further disadvantage efficient producers and lead to a growing bilateralism in trading relationships. This is likely to lead to increased politicisation of agricultural trade and to increase the potential for conflicts and instability.

Chapter 5.

MARKETING SERVICES OFFERED BY SAGRIC AND THE
VIEWPOINTS OF INDUSTRY ORGANIZATIONS

The recent involvement by SAGRIC in the various aspects of marketing is summarised below along with the major viewpoints expressed by industry¹ both as a result of a survey in relation to these aspects and at the marketing workshop held in November 1982 (See Appendix II).

5.1 Market Information

A fundamental ingredient for an efficient marketing system is a fast two way flow of accurate information between buyers and sellers.

The aim is to provide producers with accurate information about prices, quantities, qualities, and types of products required by the market and equally. buyers must be made aware of what the seller has to offer.

Market information refers both to raw data (called primary information) and to data that have been interpreted in some way (called secondary information).

5.1.1 Primary information

This refers to the collection and reporting of raw data.

Examples of SAGRIC involvement in this area are:

- . collection and dissemination of price information for pig sales by classification,
- . accrediting the market reporting service of the Stock Journal covering cattle and sheep auctions,

¹ See Appendix 1 for a list of organizations who responded to the survey questionnaire.

- . providing an input into the Australian Meat and Live-stock Corporation (AMLC) Slaughtering and Forecasting Committee which predict slaughtering and production figures for livestock, and
- . survey the egg industry for the S.A. Egg Board to assist in the setting of prices.

On the cropping side, SAGRIC

- . collects data on the Riverland horticultural crops every two years,
- . monitors production and marketing trends for apples, pears, cherries, citrus, canning fruits, grapes and vegetables as well as for cereals, grain legumes, oilseed and small seeds,

5.1.2 Secondary information

This relates to data interpreted in a particular context by SAGRIC.

SAGRIC's involvement in this area is mainly the collection, interpretation and dissemination of relevant information to industry from sources such as the Australian Bureau of Statistics and the Bureau of Agricultural Economics.

Dissemination of information occurs principally through SAGRIC's publications such as the "State of Agriculture", "Farming Forum", fact sheets, bulletins and other general publications and specific reports. Also press releases provide a summary of topical and relevant information for use by the media.

The Stock Journal, the "On the land" section of the Advertiser, and country newspapers provide a coverage of SAGRIC's activities. Radio coverage is given by the ABC "Country Hour" "Breakfast Session" and occasionally on commercial radio.

In 1980 a series of TV outlook statements on various South Australian agricultural commodities was prepared for GTS-4 Port Pirie to service the Northern Region. A regional outlook conference was held on Eyre Peninsula discussing the prospects for various agricultural commodities.

Officers are often invited to give talks to farmer bureaux field days, workshops and seminars.

Industry Viewpoint

No industry group is reliant on SAGRIC market information services although most indicated that SAGRIC is included in their list of sources. The more organized industry groups, such as the Statutory Boards and large producer organizations rely on their own sources such as surveys, field officers and other contacts.

Commodity information relating to production and prices of local interstate and overseas markets is sought by most industry groups.

Industry considers that SAGRIC has a role in providing this market information service for those industry groups without an organised marketing system, in particular the horticultural group.

5.2 Product Specification

Product specification refers to the description labelling and establishment of standards for products. It assists in the marketing process by allowing buyers and sellers to describe products objectively.

Specifications and standards may be based upon quantitative factors such as weight, ingredients and performance or qualitative factors such as ripeness, colour, flavour and texture.

Many sections of SAGRIC are involved in developing product specifications for commodities and, in many cases, policing compliance with these specifications.

Examples of involvement include:

- . development of specifications in post harvest quality of lupins and peas for export,
- . involvement in developing meat and livestock descriptions with most work being undertaken through industry committees,
- . a provision of technical information and advice to the poultry industry and S.A. Egg Board on quality characteristics,
- . technical research aimed at improving product quality in the horticultural sector,
- . involvement in seed classification, labelling and certification schemes for cereals, grain legumes, oilseeds and small seeds,
- . the administration of legislation to ensure the compliance of products with particular specifications and controls. Acts involved include the Stock Diseases Act Agricultural Chemicals Act, Meat Hygiene Act and Commonwealth Quarantine Act.

Industry Viewpoint

Generally industry is satisfied with SAGRIC's involvement in product specification, particularly in the grain industry with seed certification and grading services. There is an expressed need for some uniform standards to be established by SAGRIC for small crops where no marketing organization is involved.

The United Farmers and Stockowners (UF & S) is appreciative of SAGRIC's involvement in aiding the availability of weed and disease free seeds, the labelling of agricultural and veterinary chemicals and the monitoring of stock disease and quarantine.

There is a general view expressed by industry that they should not be expected to contribute financially to this activity unless special circumstances are involved.

5.3 Product Development

This refers to the development of products which are new or presented in a new form. It refers not only to the development of the primary product but also to the development of new technology for processing of primary products into secondary products. A market oriented organization will produce goods to meet the needs of consumer groups. The needs and preferences of the consumers in a market should determine the product characteristics.

Examples of SAGRIC s involvement have been.

- . in the development and evaluation of improved varieties of cereals, oilseeds, grain legumes and small seeds,
- . in the breeding of disease and pest resistance in crops and medics,
- . involvement in developing improved varieties of fruit and vegetables for existing and new uses. Particular examples include the improvement and development of the techniques in drying peaches and nectarines for confectionary and other uses as an alternative to canning, and the development of grape varieties for grape juice,

- developing disease free and genetically improved fruit cultivars to improve the marketability of the product,
- developing post harvest technology for horticultural industries e.g. controlled atmosphere storage of apples and grapes,
- provision of advice and assistance to industry in the development of new dairy products.

Industry Viewpoint

Some industries considered SAGRIC has, in the past, been rather slow in taking initiatives and meeting industry requirements in research and development.

The UF & S considers that if an industry is organized it can allocate resources to product development and engage groups like SAGRIC to undertake that work. This is perhaps more difficult in less organized industries in which case SAGRIC should undertake product development. The meat and livestock industry sees SAGRIC's role as being limited to assisting development of appropriate primary products and encouraging appropriate sensitivity to consumer needs.

It is the general feeling of industry that SAGRIC should undertake research and development at the request of industry. Without the approval and financial support of industry then SAGRIC should not be involved.

5.4 Market Research and Development

Market research as defined in the industry questionnaire was the systematic gathering, recording and analysing of data about problems related to the marketing of goods and services. Examples of SAGRIC involvement include.

- . conducting surveys in the poultry industry to determine preferred quality characteristics of eggs and volume of sales of different grades of eggs,
- . monitoring the quality of stock and livestock products,
- . conducting marketing workshops for the fruit and vegetable industry,
- . conducting surveys of the Melbourne market for S.A. glasshouse tomatoes to identify problems and opportunities and the necessary courses of action,
- . preparation of market development papers on herbs and spices jojoba, ornamental flowers and triticale.

Industry Viewpoint

All industries indicated that most of the work on consumer and industry research was undertaken by themselves or related organizations. Most of the industries considered that SAGRIC should keep its involvement in consumer research to a minimum, with a role of co-operating and liaising with industry. They stated that it is industry's responsibility to undertake its own consumer research. The National Farmer, however, put forward the view that this sort of work needs to be done regularly especially on the issue of consumerism. There needs to be more accurate definitions of consumer preferences, trends and attitudes as it is essential to continually research these areas in order to preserve a dynamic approach to marketing. This is a service that SAGRIC could develop. Also, work needs to be done on the protection of the farmer as a consumer and that SAGRIC should consider the establishment of a farm product testing facility.

Some industries favoured SAGRIC's involvement in consumer research as an independent and objective body.

5.5 Product Promotion

Promotion is usually defined to include all those activities of an industry or organization which are designed to inform and persuade buyers to purchase that industry's or organization's product. Promotion therefore is persuasive communication between seller and buyer through such activities as advertising and personal selling.

There has been a limited involvement of SAGRIC in product promotion. Examples of activities include:

- . involvement with the Fresh Fruit and Vegetable Promotion Council and in the promotion of several crops including culinary beans, onions, melons and nuts,
- . promoting the use of grain legumes in livestock feed rations, as a nitrogen source in crop rotations and as a potential export market for food and stock feed,
- . activities of the home economist and the publication of home economics fact sheets and practical demonstrations.

Industry Viewpoint

The general consensus is that product promotion is primarily the responsibility of industry and that SAGRIC should not play any part in promoting agricultural products directly. To do otherwise could bring SAGRIC into conflict with different industries.

SAGRIC has a representative on the Fresh Fruit and Vegetable Promotion Council and this is considered by these industries to be an essential role in supplementing industry product promotion, rather than SAGRIC being involved in direct promotion activities. This is an area where industry would welcome continuing co-operation with SAGRIC.

The National Farmer and UF & S consider that SAGRIC has a role in promoting the general interest of agriculture to the community, both as an industry by itself, and within the context of the national economy.

The UF & S feels that if economic evaluation of certain products leads to the greater use of one over another, and if this is deemed to be promotion, then it should be the extent of SAGRIC's involvement in product promotion.

5.6 Marketing Systems Research and Development

Marketing systems research and development involves activities aimed at improving and/or changing existing marketing systems to aid in the better functioning and efficiency of the marketing process.

SAGRIC involvement in this area has included:

- . a major role in the research and/or development of new marketing systems for livestock through membership on the Livestock Marketing Study Group and State Lamb Committee,
- . involvement in an examination of the Fruit and Vegetable Marketing System at the East End Market,
- . involvement in advising the Yorke Peninsula Grain Legume Committee and the UF & S in the marketing of grain legumes and oilseeds,
- . involvement in the establishment of the Eyre Peninsula Grain Legume Co-operative.

Industry Viewpoint

It was expressed that SAGRIC should adopt a low key approach in this area and should not be involved unless specifically asked by industry to be involved. SAGRIC's involvement would be in

providing critical appraisal and provide trained personnel with sound marketing backgrounds.

5.7 Direct Marketing Involvement

Areas in which SAGRIC has had a more direct involvement in marketing other than those previously mentioned have been:

- . in the sale of basic seed of new varieties,
- . membership on the Apple and Pear Growers Association Committee of Management which has a strong involvement in marketing.

Industry Viewpoint

It was clear that industry does not believe that SAGRIC should be directly involved in marketing or seek to direct marketing policy. SAGRIC's role should be in extension work or as an advisory body. It should research and report to industry their marketing needs and then withdraw from any involvement in actual marketing.

Most industries see an advisory role through membership on marketing committees and statutory bodies if Government policies permit this. The Fruitgrowers and Market Gardeners Association said that whilst SAGRIC may have membership on statutory marketing boards to provide leadership and stability, this role should be a passive role rather than an active one.

5.8 Education and Training

Some examples of SAGRIC involvement in this area have been:

- . involvement in an extension programme with a strong marketing emphasis with Northern Adelaide Plains Glasshouse Tomato Growers to help them improve their marketing performance in Melbourne,

- . conducting seminars with Southern Vales grapegrowers regarding changing market requirements.

Industry Viewpoint

The South Australian Dairymen's Association and UF & S are industry groups which, in their submissions, did not favour SAGRIC involvement in education and training of producers in marketing. However, views expressed by all industries at the marketing workshop clearly support SAGRIC's involvement in this activity. Stockfeed manufacturers consider that SAGRIC has the facilities and specialized staff to perform a very valuable role in this area.

The National Farmer strongly endorses any programme put forward by SAGRIC to help farmers improve their marketing performance. SAGRIC has a vital role to play in extension of marketing information and training. The Fruitgrowers' and Market Gardeners' Association made the point that officers with SAGRIC also learn from feedback by producers - and that there is a need for education relating to packaging, presentation and promotion within their industry.

Chapter 6

THE DIRECTION THAT SAGRIC SHOULD TAKE IN THE PROVISION OF MARKETING SERVICES

6 1 Introduction

Why should SAGRIC be involved in providing marketing services and what should be the criteria for our involvement?

A basic argument for SAGRIC's involvement is the demand for services from major client groups, in particular:

- . The Government (minister) of the day has demands for policy advice on various aspects of marketing. This can take various forms ranging from I.A.C. enquiries to the examination of marketing systems (e.g. integrated centralised wool selling). These are often "top-down" requests which depend very much on the marketing and political circumstances at the time they are made.
- . The Department - SAGRIC has a need for marketing information to fulfill its own roles in a number of areas, for example, plant breeding programmes.
- . Industry - Industry is a prime client in a number of important marketing areas, for example, marketing information.

The demands of the first two client groups are relatively straight forward. However, it is in relation to servicing industry that the matter becomes more complex and contentious.

Industry servicing may embrace the provision of marketing services to industry organisations through to the provision of advice to individual farmers or groups in either a face-to-face situation or through the mass media.

The historical justification for departments of agriculture has been that individually many small and scattered agricultural firms do not have the necessary resources to carry out research and development work and that government investment in these functions will benefit the community and economy as a whole as well as the rural sector. Similarly, it follows that if research results are to be adopted on farms there is a need for an extension or educational service to farmers. This service should embrace all aspects of production and marketing.

Farmers are having to make more marketing decisions because of trends towards -

- . a decline in the relative importance of terminal markets, with more direct negotiation between producers and traders,
- . increases in the investment in plant coupled with increases in average farm size and the associated increases in the range of commodities that can be grown (e g. lupins etc.) and the tillage systems that can be used.

This trend is already apparent in the U S. where extension services are increasingly being asked by producers to help develop marketing strategies. Whilst some aspects of the marketing function can be carried out by the individual farm firm, other aspects are difficult to carry out due to the substantial costs involved and the lack of expertise.

Other arguments can be advanced for government/departmental involvement in marketing. These include:-

- . The public good attribute of information¹ scale economies in its provision and dissemination, and the uncertainty of returns from outlook information. As well, government departments may be seen as providing a complete and impartial picture of market prospects as compared with a private agency with a vested interest. Also government has an interest in facilitating the efficiency of the marketing system, particularly the price finding mechanism.
 - . In many cases particular marketing services are not being provided for industry by private agencies due to
 - insufficient demand (small industries with infrequent or limited demand for these services) such that the provision of services is uneconomic.
 - lack of appropriate expertise in private agencies.
 - . Small developing industries where the industry organisation is virtually non-existent, or established industries that are poorly organised, are unlikely to be able to raise adequate funds for the payment of marketing services by private agencies.
 - . SAGRIC's long standing involvement in primary product development and specification. Whilst every encouragement should be made to industry to take over these functions, this is generally unrealistic.
-

¹ Information is a public good in the sense that one person's use of it does not affect its availability to other users. Investment in information activities by one individual will return a lower value to him than the sum of the returns gained by all users.

Accepting that SAGRIC has a legitimate involvement in marketing the following are some criteria that may be used to guide our involvement in the provision of marketing services to industry.-

- . The work must be relevant to the client,
- . The work does not duplicate services/work being done elsewhere by other agencies.
- . SAGRIC has a capacity to undertake the work (both quantitatively and qualitatively),
- . There should be close consultation with the client from the beginning,
- . The work can be most effectively undertaken by SAGRIC.

These guidelines are best seen as being general ones and the final type of involvement will depend on the individual request/opportunity and situation. SAGRIC marketing involvement will vary from industry to industry depending on its organisation and whether or not statutory authorities exist.

In the future it is likely that consumers will become a client for SAGRIC's services in marketing. The type of services needed and guidelines for their provision need to be clarified.

6.2 Market Information

Market information facilitates decision making in an environment of uncertainty about future commodity prices and quantities. In general the choice of production and marketing strategies will be assessed in terms of estimates of future prices and quantities. This is because the relative attractiveness of alternative actions often will vary with different estimates of future market outcomes.

There is an extensive investment of resources by both the private and public sectors in Australia in the production dissemination and analysis of agricultural marketing information. Government involvement stems from the need for information for its own policy making needs and from alleged deficiencies in leaving the private sector to provide market information.

Since market information is an input rather than a final product it becomes valuable only if it is used in making decisions which result in higher levels of realised welfare. If the information is to be helpful to decision makers it must be in a form which they can understand and readily interpret in the context of their own decision making framework.

6.2.1 Primary information

The Working Party sees no need for SAGRIC to be involved in the collection or dissemination of primary market information where an industry or private organisation is providing an adequate service. The adequacy of existing services must be determined by evaluation and discussion with particular industries.

When existing services are deemed inadequate or no service exists then SAGRIC has a catalytic role in working with industry to overcome the problem. There is no reason why SAGRIC should not provide such a service but industry should pay the total cost of this service. If industry really requires a new or better service then some form of payment scheme should be acceptable to that industry.

6.2.2 Secondary information

Producers need different information for different purposes. These needs can be related to:-

- . the next stage of the current production process. e.g. where or when to sell, or

- . the subsequent production process or strategy, e.g. what combination of enterprises to select for next year, or
- . production processes sufficiently into the future so that the producer is not constrained by any current arrangements e.g. decisions about farm redevelopment.

Information related to each of these three purposes is referred to respectively as short term, medium term and long term information.

While there have been regular calls from farmers and their organisations for the provision of market information, few have defined exactly the type of information required.

Bock¹ found that Victorian beef producers do not see the Victorian Department of Agriculture as an important source of market information. For short and medium term information by our definitions the Department of Agriculture did not rank at all as a source of information. In the case of long term information the Department of Agriculture ranked sixth.

This low ranking for the Victorian Department of Agriculture can in part be explained. First, Departments of Agriculture are not sufficiently involved in the marketing of most products to be able to provide short term information. Stock Agents, merchants etc. are better informed in this regard. Second, the accuracy of long term forecasts by government organisations is low. For example, Pickard² examined 23 forecasts made in 1970 for production of

¹ Bock, I.M. (1976), Market Information and Farm Management Decision-Making-a Psychological Study. *Agricultural Extension Research Unit*, University of Melbourne, December 1976

² Pickard, D.H. (1982), Forecasting Markets for Vegetables in Europe, *Span* Volume 25, 1, 1982.

various products in 1975. Only three arrived within 15 percent of the actual 1975 total.

Bock also found that some information provided to producers was unintelligible to them or not provided at the appropriate time.

Given the above situation, the Working Party identified the need for a more detailed examination of producer and industry needs in this area. It is important that producers' needs be determined as to WHAT information is required, WHEN it is required and HOW it needs to be provided. Clearly, all three aspects of what, when and how will differ greatly between different industries. This could require surveys of particular industries, but initially discussion with industry groups should occur. Other sources of information should be examined e.g. the BAE, AMLC etc. to avoid duplication.

The horticultural industries have identified the need for SAGRIC to provide accurate, prompt and reliable production and price information at State, Federal and International levels including future trends. They see the possible use of computer services in the future. These aspects need to be developed in detail with appropriate industry study groups.

Recommendation 1

- . THE NEED FOR THE PROVISION OF PRIMARY INFORMATION SHOULD BE DETERMINED BY DISCUSSION WITH INDUSTRY GROUPS. IF A NEED IS DETERMINED THEN SAGRIC SHOULD ASSIST IN THE DEVELOPMENT OF THE INFORMATION SYSTEM AND THE FUNDING SYSTEM FOR SUCH A SERVICE.
- . SAGRIC SHOULD NOT BE INVOLVED IN THE PROVISION OF SHORT TERM SECONDARY INFORMATION.
- . SAGRIC SHOULD DISCUSS WITH INDUSTRIES THEIR EXACT NEEDS FOR SECONDARY INFORMATION.

6.3 Product Specification

The diversity of genetic material, climate, disease, soil conditions, marketing requirements, and management practices etc. results in considerable diversity within commodities.

One of the outcomes of this diversity has been the development of formal and informal schemes of commodity description. These schemes are variously referred to as grading, classification, measurement, labelling and minimum standards. For some commodities important characteristics are largely assessed on subjective criteria which may, and often do, have different interpretations by different people and at different times. For example, the sale of livestock is based largely on estimates of yield of meat cuts, quality of meat, and so forth as determined by personal assessment. For other commodities the assessment is made by formal and objective procedures. For example, most wool is objectively assessed for yield, vegetable matter content and mean fibre diameter.

Several reasons might be suggested as to why individual buyers and sellers would not find it in their own interests to introduce a new grading scheme even though such would be justified by a benefit/cost analysis. A grading system has a number of public good characteristics. That is, a firm or consumer could incur all the costs of developing a new grading scheme and of convincing other market participants of its merits and then find that when it is adopted only some of the benefits accrue to the developer while others who later adopt the scheme do not incur development costs but receive benefits. The major benefits of a grading innovation only occur if the system is uniform throughout the country and generally accepted by a substantial proportion of the market. These reasons go much of the way to explaining the reluctance of individuals to develop and implement new grading schemes.

In some cases the development of a new grading system will require the government to co-ordinate the collection of funds, either from general revenue and/or from the industry, to provide the initial research in measurement techniques and the development of appropriate standards.

The horticultural industries in particular have identified the need for the evolution of national and possibly international standards (where relevant) to be established, administered and updated by industry and SAGRIC research. Industry supports sale by description.

Horticultural industries in general have not progressed very far in product specification because of the diversity in types of products and marketing methods.

The Working Party is aware that a Working Party on Horticultural Legislation is considering a number of aspects related to product specification.

Recommendation 2

- . *SAGRIC INVOLVEMENT IN ESTABLISHING GRADING SCHEMES SHOULD BE MORE A FACILITATING RATHER THAN AN ADMINISTRATIVE ARRANGEMENT.*

THE IMPETUS FOR THE INVESTIGATION OR INITIATION OF GRADING SCHEMES SHOULD EMANATE FROM INDUSTRY STUDY GROUPS SUCH AS THE FORMAL SAGRIC/INDUSTRY GROUPS ENVISAGED BY THE WORKING PARTY.¹

- . *THE NEED FOR GRADING SYSTEMS TO BE STANDARDISED ON A NATIONAL BASIS SHOULD NOT NECESSARILY DETER SAGRIC INITIATIVES WITH LOCAL INDUSTRY GROUPS. THIS TYPE OF INITIATIVE IN THE PAST HAS LED TO THE NATIONAL ADOPTION OF S.A. INNOVATIONS E.G. PIG CLASSIFICATION.*

6.4 Product Development

Primary product development has not been a major area of activity for private enterprise in Australia. For crops this has been due to a lack of plant variety rights legislation. Agricultural departments, universities and agricultural colleges have traditionally filled this role. This seems unlikely to change. Hence SAGRIC's continued involvement in this area is a legitimate one.

¹ The concept of SAGRIC/Industry Groups is discussed in Chapter 7.

In plants primary product development will relate to the development and evaluation of improved varieties of cereals, oilseeds, grain legumes and small seeds. In some situations the emphasis may be on the introduction and evaluation of new cultivars from interstate or overseas.

With horticultural crops the introduction, selection and evaluation of new/improved cultivars is particularly important, for example, plant improvement schemes for citrus, vines apples and cherries. In research work, increased emphasis should be given to marketing criteria in the evaluation of the cultivar as well as the common criteria used at present namely production aspects, disease resistance and the ability to withstand handling/transport. Market preference criteria also applies where overseas markets are envisaged. In horticultural crops, the use of techniques such as tasting panels should be considered to aid the evaluation process. Also implied is the need for market research for a particular product. For example, retailers prefer firm tomatoes because of self service purchase patterns in supermarkets. A soft tomato will not be competitive. Market preference criteria also has implications for extension officers assisting producers with a management programme to grow products to a particular specification required by the market place. For example, table grapes for Asian markets need specific detailed cultural attention to produce bunches with large berries.

Livestock breeding has covered the identification and selection of genotypes which show potential commercial value. Studies have ranged from liveweight gain, twinning and wool yield through to the inheritance of milk protein factors in dairy cattle relevant to cheese making. The emphasis should be on the evaluation of new and improved breeds to a particular environment. Evaluation should also relate to their suitability in cross-breeding. Genetic engineering will become increasingly important in the next ten years and may affect the approach to animal breeding.

Secondary product development should largely be the prerogative of the food processing industry rather than a government department. Whilst there is some industry support for SAGRIC's continual involvement in this

area, there is not a strong case to increase or even maintain our involvement. There are generally other organisations, both private and public (e.g. CSIRO, Division of Food Technology) which are better placed in terms of equipment, facilities and expertise, for example, dairy product development and freezing, canning and juicing technology for fruit and vegetable produce. The only exceptions would be those industries which are too small to carry out their own research. A good example here are the horticultural industries and the role of the post harvest technology group. Here SAGRIC has excellent expertise which is not available in private enterprise outside the processing sector. New post harvest technology can have considerable economic impact in extending the market period of a product (for example, controlled atmosphere storage of grapes, apples and pears enables the storage of these products for longer periods) and reducing storage losses.

Before SAGRIC is involved in undertaking secondary product development work (except on a contract basis with industry), it should be guided by the following criteria:-

- . Benefit/cost aspects of the project.
- . SAGRIC has expertise in the area of interest.
- . The prospects of success of the work.
- . The work cannot be effectively undertaken by industry itself or in other organisations.

Where contract research is undertaken for industry and this work is funded wholly by industry, the industry should have exclusive rights to the results of this research.

Recommendation 3

- . SAGRIC HAS A CONTINUING IMPORTANT ROLE IN PRIMARY PRODUCT DEVELOPMENT.
- . MARKETING CONSIDERATIONS NEED TO BE INCORPORATED INTO SAGRIC RESEARCH AND EXTENSION PROGRAMMES.

SAGRIC HAS A LESS IMPORTANT ROLE IN SECONDARY PRODUCT DEVELOPMENT. THIS SHOULD LARGELY BE THE PREROGATIVE OF THE FOOD PROCESSING INDUSTRY. THE MAJOR EXCEPTION HERE RELATES TO THOSE INDUSTRIES WHICH ARE TOO SMALL TO CARRY OUT THEIR OWN RESEARCH E.G. POST HARVEST TECHNOLOGY FOR HORTICULTURAL INDUSTRIES. SAGRIC SHOULD ONLY UNDERTAKE SECONDARY PRODUCT DEVELOPMENT WORK (EXCEPT ON A CONTRACT BASIS) IF IT SATISFIES THE FOLLOWING CRITERIA:-

- BENEFIT/COST ASPECTS OF THE PROJECT,
- SAGRIC HAS EXPERTISE IN THE AREA OF INTEREST,
- THE PROSPECTS OF SUCCESS OF THE WORK ARE HIGH,
- THE WORK CANNOT BE EFFECTIVELY UNDERTAKEN BY INDUSTRY ITSELF OR IN OTHER ORGANISATIONS.

6.5 Market Research and Development

Market research is the study of the supply and demand characteristics of particular commodities in particular markets, together with an understanding of the marketing system for the commodities.

The Working Party recognises the need for SAGRIC involvement in this area for two major reasons.

First, SAGRIC provides products (for example from product development work) and services to various markets (these may be particular industries or consumer clients) and there is a need for market research to ensure that the products and services offered are those required by the market.

Second, there is a need for market research as a basis for market development work in relation to new or existing products in new or existing markets. Market development involves identifying marketing opportunities, defining how these can be exploited and the realisation of

this opportunity. For new or small industries without the appropriate resources and organisation, SAGRIC has a role in market development. For example, the Angora goat and Sharlea sheep industries are two in which SAGRIC has played an important role in providing information to prospective entrants. The role of SAGRIC in market development will vary according to the situation and industry concerned. At the very least it will involve a market study and information provision. It may also entail a more active role involving trade missions in the case of overseas markets and facilitating action between the various parties involved.

The nature and methodology of market research undertaken will vary considerably but is likely to include economic, behavioural and technical aspects. It will range from detailed socio-economic surveys to informal discussions with intermediaries in the market system. Care needs to be taken to avoid duplication of work done by other organisations such as the BAE and the AMLC. In such cases SAGRIC's role should be one of making the information available to all interested parties.

There is no case for SAGRIC to be involved with market research and development for specific branded products. This is the responsibility of Industry.

Recommendation 4

THERE IS A NEED FOR SAGRIC TO UNDERTAKE MARKET RESEARCH TO ENSURE THAT ITS OWN PRODUCTS AND SERVICES ARE APPROPRIATE TO ITS CLIENTS REQUIREMENTS AND AS A BASIS FOR MARKET DEVELOPMENT WORK.

SAGRIC HAS A ROLE IN MARKET DEVELOPMENT WORK FOR NEW OR SMALL INDUSTRIES THAT DO NOT HAVE THE APPROPRIATE RESOURCES OR ORGANISATION.

6.6 Product Promotion

This area is of practical importance in agriculture because promotion is widespread for many processed products, but generally not widespread for products sold in an unprocessed form.

In high income countries, the consumption of food is limited more by physiological factors rather than level of income. Promotion which is effective in persuading consumers to eat more of a particular food type is usually to the detriment of other foods - that is, one food type is substituted for another.

The Working Party considered the role of SAGRIC in both informative and persuasive aspects of promotion. It is the Working Party's view that SAGRIC has no direct role to play in promotion that attempts to persuade consumers to choose a particular product or brand. However, SAGRIC has an important role to play in two broad areas.

First, by providing objective information,

- (a) to farmers as consumers of farm inputs. SAGRIC is an unbiased organisation capable of providing objective information about competing farm inputs such as chemicals, fertilizers, seed varieties and so on. Such information should be based on research using sound scientific methods and should be freely available.
- (b) to consumers of farm products. Providing information to consumers on nutritional value of foods etc. is discussed further in section 6.9 which deals with SAGRIC's role in education and training.
- (c) to farmers or organisations on possible advantages of them promoting their products, or in evaluating the effectiveness of promotion campaigns.

Second, SAGRIC should continue to actively promote overseas aspects of our farming technologies, one benefit being the expansion of the markets for South Australian produced farm inputs. This area of promotion is conducted by SAGRIC International Pty. Ltd.

Recommendation 5

- . LOCALLY, SAGRIC'S ROLE SHOULD BE LIMITED TO THE PROVISION OF OBJECTIVE INFORMATION TO CONSUMERS OF FARM INPUTS AND FARM PRODUCTS,

- *SAGRIC SHOULD PROMOTE ACTIVELY OVERSEAS RELEVANT ASPECTS OF OUR FARMING TECHNOLOGIES.*

6.7 Marketing Systems Research and Development

The marketing system performs two functions. First, it ensures that what is produced on the farm is transformed to meet the needs of the final consumer at the appropriate time and place and in the appropriate form. In performing this function, the farmer's product may be transported, stored, standardised, financed processed, packaged wholesaled and retailed.

Second, the marketing system determines the price for the farmer's product. This is relevant to the farmer not simply because of the influence of agricultural prices on his income but also because it tells him what products to produce and how much of them to produce.

The Working Party recognises the importance of SAGRIC involvement in research and development of marketing systems. Government's have played a significant role in influencing marketing systems through for example a desire to increase the bargaining power of producers, to stabilise prices or to increase producers incomes. However, intervention in the marketing system involves costs as well as benefits and these need to be evaluated, as do the alternative approaches to intervention.

Recommendation 6

- *SAGRIC SHOULD CONTINUE TO MONITOR AND EVALUATE EXISTING SYSTEMS, AND, IN LIAISON WITH INDUSTRY, EVALUATE OPTIONS FOR THE INTRODUCTION OF IMPROVED OR NEW MARKETING SYSTEMS.*

6.8 Direct Marketing Involvement

Generally industry does not consider that SAGRIC should be involved directly in the marketing of industry products.

The Working Party accepts this viewpoint except for:-

- . the marketing activities undertaken in relation to SAGRIC's overseas project work.
- . membership on statutory marketing boards to facilitate communication and understanding between the marketing boards, the Minister of Agriculture and SAGRIC. A representative from SAGRIC is also likely to provide the marketing boards with additional specialist expertise. The conditions of appointment of a SAGRIC representative should parallel normal membership conditions, but the SAGRIC representative should not be chairman.

Recommendation 7

- . *APART FROM ANY MARKETING ACTIVITIES INVOLVING SAGRIC INTERNATIONAL PTY. LTD., SAGRIC SHOULD NOT BE DIRECTLY INVOLVED IN THE MARKETING OF INDUSTRY PRODUCTS.*

SAGRIC REPRESENTATION ON STATUTORY MARKETING BOARDS SHOULD BE PRIMARILY BE TO FACILITATE COMMUNICATION BETWEEN SAGRIC AND INDUSTRY. APPOINTMENTS SHOULD BE IN LINE WITH NORMAL MEMBERSHIP REGULATIONS, BUT A SAGRIC APPOINTEE SHOULD NOT BE CHAIRMAN.

6.9 Education and Training

The Working Party and industry have identified the education and training of producers and industry organisations in marketing as a priority role for SAGRIC. The training and development of SAGRIC staff in marketing is dealt with in Section 7.5.2.

Over-production, the decline of traditional markets, increased competition and changing market preferences are focusing the need for producers and marketing organisations to have a greater marketing orientation to ensure business survival. Producers and industry will need to respond more effectively to the changing market situation. This

will require a greater awareness and understanding of marketing and improved skills.

Producers in those industries without statutory marketing authorities need to be kept informed of changing trends in the market place particularly:

- changing market/buyer preferences and how producers can respond to these,
- changing locations and seasons of production in the case of particular horticultural products within Australia,
- new technology developments influencing marketing including computers, packaging, storage techniques,
- better sharing of information and ideas between various members of the marketing chain.

As well, producers are already requesting information to set up marketing groups to differentiate their produce by grading and branding to obtain price premiums.

At the industry organisation level (marketing co-operative, company and statutory marketing authority), there is a need to foster the adoption of improved marketing skills. Manwaring¹ has identified the marketing training needs of industry management to include the following:-

- marketing principles and concepts,
- market research findings,
- principles of commercial negotiation,
- alternative marketing systems,
- duties and responsibilities of Directors.

¹ Manwaring J.F. (1979), Report of Churchill Fellowship Farmer Initiatives in Marketing. N.S.W. Department of Agriculture.

At the consumer level there is an increasing demand for information on the nutritional value of various foods in relation to dietary requirements. This trend is likely to continue. There are a number of organisations with an interest and involvement in this area e.g. Health Commission, C.S.I.R.O. Division of Human Nutrition. In N.S.W., the Department of Agriculture is providing information to consumers on the nutritional value of various foods together with the promotion of fresh produce. The role of SAGRIC in this area is beyond the Terms of Reference of the Working Party. However, it is obvious that a co-ordinated approach is required between the various organisations involved in the food nutrition area.

Recommendation 8

- . PRODUCER AND INDUSTRY TRAINING AND EDUCATION IN MARKETING SHOULD BE GIVEN A HIGHER PRIORITY BY SAGRIC.
- . PRODUCER EDUCATION AND TRAINING SHOULD TAKE PLACE IN SEVERAL WAYS:-
 - THERE NEEDS TO BE AN ADEQUATE INCORPORATION OF RELEVANT MARKETING INFORMATION WHEN PROVIDING TECHNICAL PRODUCTION INFORMATION TO PRODUCERS AND IN THE PLANNING OF EXTENSION PROGRAMMES.
 - SEMINARS AND WORKSHOPS SHOULD BE DEVELOPED WITH PARTICULAR INDUSTRIES TO UPDATE PRODUCERS ON DEVELOPMENTS IN MARKETING RELEVANT TO THEIR PARTICULAR INDUSTRIES. THESE IDEALLY WOULD INVOLVE OTHER MEMBERS OF THE MARKETING CHAIN AND MARKETING SPECIALISTS TO ALLOW AN INTERCHANGE AND SHARING OF INFORMATION AND IDEAS.
- . FOR INDUSTRY ORGANISATIONS WITH A MARKETING ROLE, SEMINARS AND WORKSHOPS SHOULD BE DEVELOPED TO SATISFY THE MARKETING TRAINING NEEDS OF MANAGERS, BOARDS OF DIRECTORS, ETC.

- . ALL PRODUCER AND INDUSTRY TRAINING NEEDS MUST BE DEVELOPED IN CLOSE CONSULTATION WITH INDUSTRY. ONE POSSIBLE MECHANISM IS THROUGH THE USE OF INDUSTRY STUDY GROUPS.

- . THE EDUCATION OF CONSUMERS IN NUTRITIONAL ASPECTS OF FOOD REQUIRES A CO-ORDINATED APPROACH BETWEEN THE VARIOUS ORGANISATIONS WITH AN INTEREST AND INVOLVEMENT IN THIS AREA. HOWEVER, THE SPECIFIC ROLE FOR SAGRIC IN THIS AREA IS BEYOND THE TERMS OF REFERENCE OF THE WORKING PARTY.

Chapter 7.

THE ORGANISATION OF MARKETING WITHIN SAGRIC

7.1 Introduction

SAGRIC has provided and adapted marketing services as the demand for these services became apparent. Prior to the Socio-Economic Review in 1980¹, the economic (or price) aspects of marketing as well as many of the non-price aspects were undertaken by the Economics and Marketing Branch within which there were three sections, Farm Management, Market Development and Economic Services. Industry Divisions and Regions also played a significant role because of their industry knowledge, technical expertise and resources devoted particularly to product development and specification.

At the time of the review there was conflict about the appropriate organisation of marketing in SAGRIC. On the one hand it was stated that the emphasis in the Economics and Marketing Branch should be on the price related aspects of marketing, leaving the technical and non-price aspects to the Industry Divisions. This view was opposed by the Economics and Marketing Branch because of the need for the Branch to have a continuing involvement in all aspects of marketing. Furthermore, there was a diversity of opinion within SAGRIC about the proper functions of this Branch in market development.

As a result of the Socio-Economic Review, the Economics and Marketing Branch was restructured and called the Economics Division. The price or economic aspects of marketing were retained by the Economics Division. However, non-price aspects, many of which were previously undertaken in the Economics and Marketing Branch, are now performed in Industry Divisions and Regions.

¹ Socio-Economic Review, Working Party Report, SAGRIC May 1980.

7.1.1 Current organisation and resources devoted
to marketing

An attempt was made by the Working Party to quantify the resources devoted to SAGRIC's market related activities. It was, however difficult to obtain an accurate estimate due to the problems in defining what a marketing task is. An example of this is the brucellosis and tuberculosis eradication campaign. This is seen by some to be an important marketing activity through the maintenance of Australia's beef export markets. However it is also viewed as not having a primary marketing function and accordingly is classified as a disease control project. In fact it has components of both but the disaggregation of the task into marketing and disease control components is academic. Similar qualifications apply to other departmental functions.

Despite this difficulty it is clear that many of SAGRIC's marketing activities are undertaken by the Industry Divisions and Regions, where a significant proportion of total resources are employed in product specification and product development. As examples, in the field of plant industry we have the export grain inspection service, seed certification and testing, product development in cereal crops, horticulture and small seeds and the post harvest development work.

The Plant Industry Division has an important marketing role in the following areas:-

- . product development e.g. plant breeding, post harvest technology.
- . product specification e.g. seed certification, responsibility for horticultural packaging and grading legislation.
- . marketing information e.g. crop forecasts for cereals and information concerning new crops, particularly speculative crops such as jojoba and guayule.

The Regions have a substantial marketing involvement with horticultural industries. This involves working in closely with horticultural industry groups to help them to solve marketing problems and in product development (e.g. new variety assessment).

The Economics Division has undertaken an important marketing role both in its own right and in conjunction with Industry Divisions and Regions. In particular, it has played a central role in research and development of marketing systems and in the provision of market information.

The Animal Industry Division undertakes a number of marketing activities, both with State and industry funds. Principally these activities are in the Dairy and Meat Sections. The Dairy Section undertakes product development in association with industry (new cheese varieties) and in the past, has developed new products in its own right ("dairy blend"). Dairy officers have developed new grading systems for cheese and butter and continually grade cheese and butter in factories. Further, a number of extension programmes are aimed at improving product quality.

The Meat Section of AID has been heavily involved with industry in developing new marketing systems for livestock and meat and developing product grading and specification systems. Further it monitors the accuracy of market reports for sheep and cattle and gathers and disseminates pig market reports.

The Animal Health Division has an important marketing role particularly in the regulatory area - e.g. through meat hygiene, quarantine, registration of agricultural chemicals.

SAGRIC International Pty. Ltd. undertakes a number of marketing activities. Its aims are to develop markets for South Australian goods and services in agriculture, rural development and related industries. This is achieved through promoting the use of South Australia's farming technology, techniques and inputs in the development of agriculture in other countries and the use of goods and services on demonstration farms.

7.1.2 Concepts of marketing

Traditionally, agricultural economists have considered agricultural marketing to be an economic discipline and it has developed in Departments of Agriculture primarily as a policy subject at the national or industry level. Industry Divisions have been involved largely in areas of product specification and development and regulatory functions.

As discussed earlier, the Socio-Economic Review examined marketing in terms of price and non-price aspects. Given the past organisation and functioning of SAGRIC the price (or economic) aspects have been performed by the Economics Division, and the non-price (or technical) aspects by the Industry Divisions or Regions. This separation of marketing into these two areas has led to separate and different approaches to marketing issues by different disciplines. To encourage a multi-disciplinary approach to marketing and to exploit the complementarity of economic and technical inputs the Working Party identified the need for business marketing skills.

The term "business marketing" is usually defined as analysing the interface between the seller and the buyer with the purpose of identifying influences which might be brought to bear on buyer behaviour by the manipulation by the seller of product characteristics, distribution or promotion.

While noting this definition the Working Party defined business marketing as the ability to incorporate both economic and technical skills in analysing marketing issues. In an organisation such as SAGRIC such a skill will be largely applied at the industry level rather than the firm or business level. The practice of business marketing requires behavioural science skills as well as the normal economic skills and technical knowledge.

Thus business marketing does not negate in any way the need for, say, economic evaluations of supply and demand parameters for agricultural products any more than it negates the need for technical

research into primary product development. Rather, its strength lies in an ability to apply or identify the need for skills where appropriate. Officers undertaking a business marketing function will integrate the various disciplines that are relevant to marketing problems. They will bring a systems approach to bear and not just a single discipline orientation. The officer would need to have expertise in technical, business and economics aspects but not at an indepth level in each. Rather he will call in specialists as required to provide the necessary expertise e.g. an economist for marketing systems research and development work; a post harvest specialist for storage and packaging problems in horticulture.

SAGRIC has a deficiency in business marketing skills and there is a need to overcome this deficiency.

7.2 Organisational options in business marketing

To ensure an adequate incorporation of business marketing expertise the Working Party considered three organisational options:-

- . Business Marketing Section - a group of marketing specialists independent of the Economics Division but perhaps attached to some other Division,
- . Economics and Marketing Division - incorporate business marketing within the Economics Division,
- . Strengthening of Regions and Industry Divisions in business marketing.

7.2.1 Business Marketing Section

The development of a group of business marketing specialists as an autonomous Section would have the advantages of facilitating peer review and professional interaction within the business marketing discipline.

Against this, such a Section would be too small for divisional status and would need to be incorporated into an existing Division, immediately raising difficulties of finding an appropriate "home". Such an arrangement could lead to an increased polarization on the one hand between the Section and the Economics Division, and on the other hand between the Section and Industry Divisions. This would not be in the interests of effective functioning.

7.2.2 Economics and Marketing Division

By incorporating business marketing within the Economics Division a tighter integration of technical and economic aspects of marketing should occur. Theoretically, the interaction of these complementary facets of marketing under one management would lead to a more efficient utilization of staff resources and professional interaction.

It has been however the experience of SAGRIC and of some other state agricultural departments that this structure has difficulties in operating. Time and energy have been diverted to conceptual and demarcation disputes within the organization. The resulting conflict has not been in the interests of effective performance.

Concentrating marketing expertise in the Economics Division may tend to isolate further the Industry Divisions and Regions from the marketing function. This is not conducive to an integrated approach to marketing which the Working Party considers is of major importance.

7.2.3 Strengthening of business marketing function in Industry Divisions and Regions

The third option considered by the Working Party was that of strengthening the role of Industry Divisions and Regions in business marketing functions.

The Divisions and Regions have considerable expertise in, and significant resources devoted to, product development and product specification. They are also centres of technical knowledge and extension resources and have a broad understanding of industry matters. Further a number of officers have developed and are continuing to develop a knowledge and appreciation of marketing matters. These are all advantages which would be reinforced by developing the Industry Divisions and Regions as centres of business marketing expertise. Bearing in mind manpower constraints the proposed strengthening would provide the most efficient and effective utilization of resources.

Against this a diffusion of marketing resources would reduce the opportunity for peer group review and professional marketing interaction. Further there would not be a central marketing focus within the Department. Given the diverse nature of marketing, the often inter-disciplinary nature of marketing problems and the practice of industry to deal direct with Regions or Industry Divisions on matters relating to them, these are not seen to be significant disadvantages.

To achieve success in strengthening the role of Divisions and Regions requires an appreciation, from top level management down, of the marketing concept. It also requires enthusiasm and commitment to develop and maintain the initiatives. The Working Party believes that this can be managed within SAGRIC and proposes a training and limited recruitment program to achieve the objective.

Recommendation 9

INDUSTRY DIVISIONS AND REGIONS SHOULD BE STRENGTHENED IN BUSINESS MARKETING SKILLS THROUGH A TRAINING, EDUCATION AND RECRUITMENT PROGRAMME.

7.3 Organisational Options for the Economics of Marketing

To ensure an adequate incorporation of economic expertise in the consideration of marketing issues by Regions and Industry Divisions the Working Party considered three options -

- . Disband the Economics Division and assimilate officers into Regions and Industry Divisions to provide economic marketing skills,
- . Retain a core group of economists but appoint economists to Industry Divisions to provide the necessary economic marketing skills,
- . Retain the total Economics Division but promote a greater integration of economists with Industry Divisions.

Arguments for the first option were considered for the sake of completeness. However this option was not considered when making recommendations because it was beyond the Terms of Reference of the Working Party.

7.3.1 Total assimilation of economists into Industry Divisions and Regions

The disbandment of the Economics Division and the assimilation of officers into Regions and Industry Divisions would strengthen the economic marketing role of the Divisions by allowing an economist to become a full time specialist resource for one industry group, thus gaining a detailed understanding of that particular industry.

The total disbandment of the Economics Division would, however, be a disadvantage to SAGRIC through the over emphasis by economists of the marketing/commodity function at the expense of other economic issues. It would be to the detriment of the monitoring of macro-economic issues and applied economic research, and to the co-ordination of economic inputs in broader projects.

7.3.2 Posting of some economists to Industry Divisions

This alternative allows for the retention of a core group of economists to oversee the other economic functions of SAGRIC. The successful posting of farm management economists into the regions gives a proven basis for this option.

The Economics Division, however, has in the past three years lost a number of officers to other jobs. The current difficulties in replacing these officers due to resource constraints has depleted the Division of senior and experienced economists. There are recognised difficulties for the Economics Division in maintaining the economic input into SAGRIC, and it is felt that a further reduction of numbers with the posting of economists to Industry Divisions could add to these problems.

7.3.3 Greater involvement of economists with Industry Divisions

Marketing is an activity involving, *inter alia*, economic, business, scientific, behavioural, statistical, managerial and entrepreneurial expertise. As such it crosses and will continue to cross functional and organisation boundaries. Accepting this premise, the logical method of managing marketing is through interdisciplinary working groups assembled to handle specific tasks.

At present the Economics Division has nominated specific commodity or industry specialists who have the responsibility to liaise with Divisions and Regions on industry matters. In some instances this has been a fairly loose, ad hoc arrangement. In others, working groups have been formed to address specific problems e.g. IAC enquiries. The present arrangements have come in for some criticism, for example:-

- . the lack of a well defined reporting structure and questions of loose accountability.

- . lack of continuity with frequent changes in commodity specialists.
- . more difficult and time consuming to manage.
- . lack of understanding by some officers of the benefits of a multi-disciplinary approach.
- . lack of appreciation of economic skills by those with an agricultural science background.

Some of these criticisms can be substantiated but others represent a reflection of attitudes of traditional line managers to a more open and ambiguous matrix management style. They highlight the need for better task definition and improved management at the inter-disciplinary interface.

Despite the criticisms listed above there are a number of examples where the task force approach has worked well, for example in the preparation of IAC submissions.

The Working Party believes that more effective industry/economics integration can and should be achieved in SAGRIC. Such an approach will require:-

- . an appreciation of matrix management principles by all parties.
- . the skills to manage and communicate effectively in a matrix situation.
- . the commitment to make it work.
- . an increased recognition of the benefits of the multi disciplinary approach.

The Working Party believes that the above comments apply less to Regions which have their own source of economics expertise.

Recommendation 10

THERE SHOULD BE A MORE EFFECTIVE INVOLVEMENT OF ECONOMISTS IN INDUSTRY DIVISION AND REGIONAL MARKETING ACTIVITIES. DISCUSSIONS SHOULD BE HELD BETWEEN THE CHIEF AGRICULTURAL ECONOMIST AND CHIEFS OF DIVISIONS AND REGIONS TO DEVELOP WAYS BY WHICH THIS CAN BE ACHIEVED.

7.4 Other Organisational Aspects

Two further organizational aspects of marketing need attention - first, SAGRIC's role in food technology and nutrition and second, the recruitment of horticultural marketing expertise.

7.4.1 Food technology and nutrition

Two units are concerned with aspects of secondary product development, the Dairy Technology Section in the Animal Industry Division and the Post-Harvest Group in the Plant Industry Division. It is understood that the Dairy Technology Section is under review. The need for SAGRIC involvement in an area of increasing industry expertise is also questioned. The Working Party believes that the skills developed by the Section may be used more widely, particularly in food technology areas which may not be covered by existing industry or other research capacity. Conversely the Working Party believes that there will be an increasing demand for post-harvest research and development in horticultural crops. It is also noted that the Government has placed a strong policy emphasis on human nutrition.

The role of the SAGRIC in food technology and nutrition is a complex one and beyond the Terms of Reference of this Working Party. Given these factors, the Working Party considers that SAGRIC's role in human nutrition and food technology be reviewed.

Recommendation 11

SAGRIC'S ROLE IN FOOD TECHNOLOGY AND HUMAN NUTRITION SHOULD BE REVIEWED.

7.4.2 Horticultural marketing expertise

Changes and developments in the horticultural industries are highlighting the need for more horticultural marketing expertise in SAGRIC. These changes and developments include:

- . expansion in the export of air freighted perishable fresh horticultural produce to S.E. Asia and the interest in market development opportunities and their realisation. Also the export of flowers and native plants.
- . the interest in new horticultural crops (e.g. flowers berry crops, kiwifruit) and the need for market development information.
- . changing production areas for various horticultural crops (e.g. tomatoes and rockmelons) resulting in increased competition for S.A. industries and their need to adapt to survive (e.g. S.A. glasshouse tomatoes and becoming uncompetitive with Queensland tomatoes in Melbourne).
- . the interest in direct marketing of in a price premium by differentiating their product through grading and branding.
- . the proposed development of a new wholesale fruit and vegetable market.
- . changes in retailing and consumer preferences.

All these examples highlight the need for specific horticultural marketing expertise in SAGRIC. Whilst some of these issues can be tackled by individual horticultural extension officers

and economists, there is a clear need for a specialist officer with horticultural marketing expertise to provide the necessary leadership, support and co-ordination in what is a complex and sensitive area. This officer should have a good knowledge of the horticultural industry and skills in business marketing. The officer would have a state-wide role.

The Working Party considered two organizational options for a horticultural marketing officer - Plant Industry Division or in a Region (Central or Murray Lands).

If located in Plant Industry Division the horticultural marketing officer would become part of the marketing section. There would be benefits of working with other officers with marketing expertise. However, against this the officer would be isolated from other SAGRIC officers working with horticultural industries. There are only two Plant Industry Division horticultural officers based in Grenfell Centre. With regionalisation, most horticultural officers previously located in Grenfell Centre are now part of Central Region.

If located in Central or Murray Lands Regions (but with a state-wide role), the officer would be better integrated with horticultural extension officers, the regional economist and research officers with a state-wide role (e.g. Senior Potato Industry Officer in Central Region). The responsibility for dealing with horticultural industries is a major regional function.

As Adelaide is the location of the fruit and vegetable wholesale market along with many horticultural marketing organisations, this favours an Adelaide location for the officer.

Recommendation 12

THERE IS A DEMONSTRATED NEED FOR INCREASED HORTICULTURAL MARKETING EXPERTISE IN SAGRIC. A NEW POSITION OF SENIOR HORTICULTURAL MARKETING OFFICER (AS3/AA5) SHOULD BE CREATED AND A SUITABLY QUALIFIED OFFICER RECRUITED.

- . THE LOCATION OF THIS OFFICER SHOULD BE DECIDED AT A MEETING BETWEEN THE CHIEFS OF ECONOMICS DIVISION, PLANT INDUSTRY DIVISION, CENTRAL REGION AND MURRAY LANDS REGION.

7.5 Operation of Marketing within SAGRIC

To give effect to an increased marketing thrust in SAGRIC it is desirable to:-

- . Establish a Steering Committee to overview the implementation of recommendations contained in this report.
- . Develop a training and education programme within SAGRIC to create an awareness and understanding of the marketing concepts for top-level management and relevant officers.
- . Establish multi-disciplinary marketing "groups", where necessary in consultation with industry to review and identify marketing problems and establish priorities and mechanisms in overcoming these problems.

7.5.1 A steering committee

The Working Party is concerned that its recommendations could lapse unless an overview mechanism is developed. To provide such management the Working Party should continue as a Steering Committee for one year. It is further suggested that, considering the importance of marketing in the plant area an officer from the Plant Industry Division be appointed to the committee. This officer must have a sound knowledge and understanding of the industry needs and have appropriate marketing skills. As the future role of the Working Party largely concerns organizational matters, the independent member Mr. George Muir would no longer need to serve on it.

Recommendation 13

THE WORKING PARTY SHOULD CONTINUE AS A STEERING COMMITTEE FOR A PERIOD OF ONE YEAR TO OVERVIEW THE IMPLEMENTATION OF ITS RECOMMENDATIONS.

7.5.2 The development of marketing awareness and skills by SAGRIC officers

If marketing is to have a higher priority in SAGRIC activities, there is a need for an active training and development programme in marketing for SAGRIC officers. Such a programme will need to consist of several aspects:-

- . Create a favourable understanding and awareness amongst top level management in SAGRIC of the role of marketing in SAGRIC activities and agriculture in general. This will involve conducting a seminar/workshop for top management using a marketing consultant as course leader. Such a seminar will provide a basis for a greater impetus in marketing by SAGRIC.
- . Plan and conduct an in-service training programme in marketing for officers with prime contact with industry in marketing matters. Such a course would be the major training thrust to upgrade/ develop marketing skills and understanding amongst key SAGRIC staff. It would be the quickest way of achieving the desired training objectives. The training course should particularly aim at officers involved in the horticultural livestock (meat) new crops and small seeds industries. The suggested approach would be based on that developed within the N.S.W. Department of Agriculture by the Applied Meat Marketing Group¹ This is considered in detail in Appendix 111.
- . Applied training may also be obtained by a staff exchange programme with appropriate industry marketing organisations or marketing consultants for a given period to undertake a marketing project that will be relevant to the organisation concerned and provide valuable training and experience for SAGRIC officers.

¹ Livestock and Meat Marketing. A collection of papers. Applied Meat Marketing Group. Department of Agriculture, New South Wales, 1981.

- . For those officers with a major part of their work devoted to marketing, more indepth training may be provided by either intensive short courses or post-graduate training at the Graduate Diploma or Masters level.

Short courses in marketing management are conducted by the Institute of Administration, University of New South Wales (two week course in August) and the Chisholm Institute of Technology (formerly Caulfield Institute of Technology), Melbourne (five day courses are conducted during August and February each year).

These courses cover similar material but the N.S.W. course provides more depth and extra topics such as commercial negotiation. Both courses are aimed at middle level marketing executives. Neither course is specifically aimed at agriculture and there is a danger that some of the material provided may not be seen as relevant.

Post graduate training in marketing that could be undertaken by SAGRIC officers is also very limited. The University of N.S.W. offers a Master of Commerce (Marketing) which is open to any graduate. However, as with short courses, this post graduate programme is not specifically aimed at agriculture. However, in New Zealand both Massey University and Lincoln College do offer training in marketing with a greater agricultural bias. Marketing can be pursued as part of a Masters programme. Further details on post graduate training are set out in Appendix IV.

Recommendation 14

THERE IS A NEED FOR AN ACTIVE TRAINING AND DEVELOPMENT PROGRAMME IN MARKETING FOR SAGRIC OFFICERS. THIS PROGRAMME SHOULD INCLUDE THE FOLLOWING ASPECTS:-

- . CONDUCT A SEMINAR/WORKSHOP FOR TOP SAGRIC MANAGEMENT TO CREATE AN UNDERSTANDING AND AWARENESS OF THE ROLE OF MARKETING IN SAGRIC ACTIVITIES AND AGRICULTURE IN GENERAL.
- . CONDUCT A PART-TIME IN-SERVICE TRAINING COURSE IN MARKETING FOR OFFICERS WITH PRIME CONTACT WITH INDUSTRY ON MARKETING MATTERS. THE APPROACH USED WOULD BE BASED ON THAT DEVELOPED IN THE N.S.W. DEPARTMENT OF AGRICULTURE. IT WOULD INVOLVE AN ACTION LEARNING APPROACH AND BE DESIGNED TO MEET INDIVIDUAL OFFICER TRAINING NEEDS.
- . APPLIED TRAINING MAY ALSO BE OBTAINED BY A STAFF EXCHANGE PROGRAMME FOR INDIVIDUAL OFFICERS WITH APPROPRIATE INDUSTRY MARKETING ORGANISATIONS OR MARKETING CONSULTANTS FOR A GIVEN PERIOD TO UNDERTAKE A PARTICULAR MARKETING PROJECT.
- . FOR THOSE OFFICERS WITH A MAJOR PART OF THEIR WORK DEVOTED TO MARKETING, MORE IN DEPTH TRAINING MAY BE PROVIDED BY EITHER SHORT COURSES OR POST GRADUATE TRAINING.

7.5.3 The multi-disciplinary marketing study group

Marketing tasks, by nature, lend themselves to a team or task force approach. This approach requires officers with knowledge of the technical and practical aspects of the industry officers with the capacity to understand the behavioural aspects of the consumer and producer. and an economist.

In other words, for a marketing problem handled by SAGRIC to be approached in a co-ordinated and integrated manner, a group should, according to the task, incorporate relevant officers from Industry Divisions, an economist with the appropriate commodity role and regional officers with extension and field knowledge.

As well as these internal marketing groups which are project oriented, broader industry oriented groups should include personnel from industry such as producers, buyers and sellers. The Livestock

Marketing Study Group (LMSG) is an example of an industry oriented group and its formation and operation is explained in Appendix V.

The main function of the broader, industry oriented group is to provide a forum for all sections of the industry to discuss a range of issues relevant to the marketing problems confronting that industry. Its role would be to identify and define the marketing needs of the industry; to plan alternative remedial activities; to implement or promote the most favoured strategy; and monitor and review these marketing strategies.

By the adoption of this multidisciplinary approach economists will gain an awareness and understanding of the technical and practical aspects of industry, and technical officers will become aware and appreciate the economic and business marketing concepts concerning their industry. This strong interlink between business marketing, economic, and technical disciplines should be a major emphasis in SAGRIC's marketing involvement.

The effectiveness and success of adopting the multi-disciplinary approach has already been demonstrated in other areas of work in SAGRIC. For example, many of the IAC submissions have been prepared through a co-ordinated approach by relevant divisional and regional officers.

Similarly the annual Lamb Survey conducted by SAGRIC involves officers from Animal Industry Division, Extension Division and Economics Division as well as external personnel including those from the Australian Bureau of Statistics, the State Lamb Committee of the UF & S and AMLC.

The expansion of this approach should receive the utmost encouragement.

The Working Party, in advocating this approach recognises that certain requirements and developments are necessary. These are broadly outlined below.-

. Management - As discussed previously in this Chapter the management of the team approach to marketing will be important if the thrust is to be effective. This will need the commitment of the Executive, Divisional and Regional Chiefs, middle management and other participants. Over the last two years there has been a considerable increase in management training in the Department and an enhanced appreciation of the importance of management for effective output. The Working Party believes that the management environment in the Department is favourable to the approach it has recommended.

. The role of the economist - Economists must have a strong commitment to their roles as commodity specialists. Their responsibilities in developing commodity expertise and liaising with relevant industry and departmental officers must be highlighted.

The Working Party recognises the benefit of continuity in a commodity role for an officer to gain the necessary expertise, and disuades frequent transfer of the commodity specialist roles amongst economists.

Equally, officers in Divisions and Regions need to be more aware of the need for liaison with commodity specialists in the Economics Division.

The Working Party believes that appropriate economists should participate in relevant industry group meetings, seminars and other activities which would enhance the economists knowledge of the industry and the rapport between industry personnel and economists.

Recommendation 15

THE WORKING PARTY RECOMMENDS THE ESTABLISHMENT OF MULTI-DISCIPLINARY GROUPS TO EXAMINE MARKETING ISSUES. THE WORKING PARTY RECOGNISES AN URGENT NEED TO ESTABLISH SUCH GROUPS IN THE HORTICULTURE AREA AND SUGGESTS THAT THE OPTIONS BE EXPLORED BY THE PLANT INDUSTRY DIVISION, ECONOMICS DIVISION AND THE THREE REGIONS CONCERNED WITH HORTICULTURAL PRODUCTION.

APPENDIX ILIST OF RESPONDENTS TO MARKETING QUESTIONNAIRE

Submissions were received from 15 organisations. A further nine organisations acknowledged receipt of the questionnaire but did not present a detailed submission.

Submissions received from:

Australian Barley Board,	Yoannidis Bros (Eggs),
Metropolitan Milk Board,	S.A. Fruitgrowers & Market
S.A. Potato Board	Gardeners,
Australian Consumers Association,	S.A. Wine Grapegrowers Council
United Farmers and Stockowners	Stockfeed Manufacturers
S.A. Dairyman's Association,	Association,
S.A. Meat Corporation,	Anchor Foods Pty. Ltd.,
Charles David Pty. Ltd.,	National Farmer,
Holbrook Meat.	

Replies

S.A. Apiarists Association,
 Table Talk Poultry,
 Dairy Vale Metro Co-op. Ltd.,
 Chamber of Commerce and Industry,
 Fresh Fruit and Vegetable Industry Promotion Council,
 Brambles Transport,
 State Government Insurance Commission,
 Shell Chemical Pty. Ltd.,
 Bank of New South Wales.

APPENDIX II

MARKETING WORKSHOP - PROGRAMME AND PARTICIPANTS

PROGRAMME

<u>VENUE</u>	The Parks Community Centre Cowan Street, Angle Park
<u>DATE:</u>	Friday 5 November 1982.
<u>CHAIRMAN</u>	Mr. Geoff Thomas, Chief Regional Officer Murray Lands.
9.15-9.20 a.m.	Chairman's welcome.
9.20-9.35 a.m.	Getting to know each other.
9.35-9.50 a.m.	Opening - Mr. Jim McColl, Director-General of Agriculture.
9.50-10.05 a.m.	Morning Tea.
10.05-10.35 a.m.	Marketing in the 1980's - developments and issues of relevance to agriculture and their application - Dr. Ramzi Fayed, Fayed Associates, Sydney.
10.35-10.45 a.m.	Discussion.
10.45-11.15 a.m.	Case study of the role of a Department of Agriculture in marketing - N.S.W. Department of Agriculture - Mr. Jim Manwaring Special Advisory Officer (Marketing).
11.15-11.30 a.m.	Discussion.
11 30-12.00 noon	The role of the Department of Agriculture in servicing farmers' needs in marketing - a farmer viewpoint - Mr. Neil Andrew, Waikerie - Mr. Kim Kelly, Tarlee.
12.00-1.00 p.m.	LUNCH
<u>CHAIRMAN</u>	Mr. Nigel Thompson. Acting Chief Regional Officer South East.
1.00-1.30 p.m.	Marketing Working Party background paper - conclusions an issues needing consideration - Dr. Pat Harvey Director and Chairman of the Marketing Working Party.

APPENDIX II (Cont.)

1.30-1.40 p.m.	Discussion.
1.40-3.00 p.m.	Syndicate sessions
3.00-3.15 p.m.	Afternoon Tea
3.15-4.00 p.m.	Syndicate sessions continued.
4.00-4.40 p.m.	Reporting back and plenary session
4.40-4.55 p.m.	Summary and conclusions
	- Mr. Jim McColl, Director General of Agriculture
4.55-5.00 p.m.	Closure.
5.00-6.00 p.m.	Refreshments.

APPENDIX II (Cont.)

Workshop Participants

Industry and Service Organisation Representatives

Lex Walker	Chairman, Australian Barley Board.
Trevor Reed	Manager, S.A. Fruitgrowers & Market Gardeners Assoc.
Bruce Lockier	Manager Apple & Pear Growers Assoc. of S.A.
Max Jongebloed	Marketing Manager, S.A. Seed Growers Co-operative.
Colin Rowe	Vice Chairman, Grain Section, United Farmers & Stockowners.
David Moore	S.A. Chamber of Commerce.
Alan Harris	Australian Wool Corporation.
Ray Fuge	Chairman, S.A. Egg Board.
David Higbed	Executive Officer, S.A. Dairyman's Assoc.
Graham Lind	General Manager, Loxton Co-operative Winery and Distillery.
Malcolm Tuck	Director, Agricultural Statistics, Australian Bureau of Statistics.
Jon Lamb	Journalist, Stock Journal.
Kim Kelly	Livestock Producer, Tarlee.
Neil Andrew	Citrus Grower, Waikerie.
Sam Halliwell	National Fruit & Vegetable Manager, Target Supermarkets.
Raymond Michell	Technical Director, G.H. Michell and Sons.
George Muir	Chairman, S.A. Potato Board.

Interstate Speakers

Dr. Ramzi Fayed	Fayed Associates, Sydney.
Jim Manwaring	Special Advisory Officer (Marketing), N.S.W. Department of Agriculture.

Department of Agriculture

Jim McColl	Director-General of Agriculture.
Pat Harvey	Director.
Arthur Tideman	Acting Director.

APPENDIX 11 (Cont.)

Department of Agriculture

John Potter	Director.
Rex Krause	Acting Chief, Plant Industry Division.
Nigel Thompson	Acting Chief Regional Officer, South East.
Mark Seeliger	Acting Chief Regional Officer, Central.
Geoff Norman	Acting Chief, Animal Industry Division.
John Holmden	Chief, Animal Health Division.
Geoff Thomas	Chief Regional Officer, Murray Lands.
David Ragless	Senior Marketing Extension Officer Plant Industry Division.
Hadyn Hanna	Principal Officer (Meat), Animal Industry Division.
Garry Osborne	Senior Agricultural Economist, Economics Division.
Jon Presser	Regional Economist, Eyre Region.
Ian Lewis	Senior District Officer, Central Region.
Rob Rees	Marketing Intelligence Officer, Economics Division.

APPENDIX III

INSERVICE MARKETING TRAINING FOR N.S.W. DEPARTMENTAL OFFICERS
INVOLVED IN THE LIVESTOCK AND MEAT INDUSTRIES

The Applied Meat Marketing Group was formed in August 1977 with seven livestock advisers and a regional economist. These country based officers developed a group learning programme in marketing to meet their specific training needs. This self-directed learning programme aimed at developing marketing skills and the type of marketing thinking that would help individual officers contribute to solutions to marketing issues in the livestock and meat industries.

Dr. Ramzi Fayed, a Sydney based marketing and management consultant was director of the project and was responsible for developing the training programme. Jim Manwaring, Special Advisory Officer (Marketing) organised and implemented the training programme.

A unique feature of the project was the advice provided by a panel of experts in marketing generally, and meat and livestock marketing in particular. The panel advised the training Group and consisted of industry and Departmental specialists.

The Group met in Sydney on a quarterly basis over two years. Specific seminars, etc. were held over an intensive 2-3 days. The style of training was participation and discussion with people involved in marketing from private and public organisations with an integration of marketing theory and practical case studies. Early in the programme each officer developed particular projects that would allow the application of marketing principles into marketing related advisory work. These included:-

. Study Tours

- marketing livestock and meat in Canada, U.S.A. and U.K.
- the Middle East market for Australian sheepmeats.
- livestock marketing in South Australia.
- pig marketing groups in Cowra, Gunnedah and the Lachlan Valley

APPENDIX III (Cont.)

- Sydney beef marketing channels
- beef packaging in Macksville/Coffs Harbour.
- . Investigations
 - saleyard curfew project
 - evaluation of the scanoprobe
 - crossbred carcass evaluation
 - saleyard survey
 - evaluation of Super Porker
 - study of Wagga Saleyards
- . Marketing Extension Activities
 - development of a simulated beef futures game
 - involvement in Super Porker Promotion
 - development of a slide series on the Middle-East sheepmeats market
 - development of audio-visual on carcass classification.

The Group concluded that the unique type of self directed learning programme succeeded in maintaining interest involvement and commitment within the group despite the pressures of normal job responsibilities. The Group found that marketing thinking developed within the group had a far wider application than initially envisaged. Not only could the group (or individuals) make sure positive contributions to issues of agricultural marketing, but the Department as a whole would benefit from better marketing of district extension programmes. The project was funded by Commonwealth Extension Services Grant.

More details concerning the project can be obtained by consulting the publication: Livestock and Meat Marketing. A Collection of Papers. Applied Meat Marketing Group Department of Agriculture New South Wales, 1981.

A copy of the report can be borrowed from any member of the Working Party.

APPENDIX IV

POST GRADUATE TRAINING IN MARKETING

Post graduate training in marketing that could be undertaken by SAGRIC officers is rather limited. Within South Australia there are no specific graduate training courses offered in marketing. Study for the graduate diploma in marketing at either the Chisholme Institute of Technology or the N.S.W. Institute of Technology is not practical or economic because these courses are only conducted on a part-time basis. However the Mitchell CAE, N.S.W. does offer an external graduate diploma in marketing.

The University of N S.W. offers a Master of Commerce (Marketing) which is open to any graduate and requires two years full time study. The University also offers a two year Master of Business Administration programme that includes marketing as well as other business subjects.

As with short courses these post graduate programmes are not specifically aimed at agriculture. However in New Zealand both Massey University and Lincoln College do offer training in marketing with a greater agricultural bias. At Massey University, marketing studies can be pursued as the major thrust of a Master of Agricultural Economics. However a prerequisite is a Bachelor of Agricultural Economics. At Lincoln College marketing studies may be pursued as a major part of a programme leading to a Master of Commerce (Agriculture) but a prerequisite of Bachelor of Agricultural Economics or Commerce is required. Marketing can also be studied as a special topic(s) as part of a programme leading to a Master of Agricultural Science or Horticultural Science. Here the prerequisite is a Bachelor of Agricultural Science but it would not be expected that the candidate would totally specialise in marketing topics. A Masters degree in N.Z. will require 1 -2 years full time study.

The post graduate training options are limited but with the Masters programmes based on a thesis and/or course work (including special topics), there is the opportunity for a candidate to design a programme that meets their particular training needs.

APPENDIX V

LIVESTOCK MARKETING STUDY GROUP OF SOUTH AUSTRALIA

1. Introduction

The Livestock Marketing Study Group (LMSG) is an industry group established in South Australia in 1977. Its principal aim is to study and improve, by consensus, livestock and meat marketing. However, it has achieved more than this. It has become a forum for all sections of the industry to discuss common issues and provided a vehicle for Department of Agriculture and industry liaison. The approach has been adopted in other States in the meat and livestock area and the approach may be applicable to other agricultural industries.

2. History of LMSG

A carcass classification system was introduced at South Australia's major abattoir, SAMCOR, in the early seventies. This led to the formation of a number of producer cooperatives who were able to sell livestock by private treaty using carcass classification. Though these groups were initially successful and some still exist today, some of the members quickly realised further changes were needed for widescale adoption of improved marketing systems. The provision of a better method of price determination and introduction of a classification system at other abattoirs was required. A number of interested groups and individuals combined in 1977 to form the Livestock Marketing Study Group (LMSG). The Group initially was comprised of producers, Department of Agriculture representatives and a limited meat processor representation.

The Group conducted a workshop late in 1977 to bring together industry expertise from all States to review the implication of a number of marketing systems based on carcass classification

Although the workshop failed to agree to the immediate introduction of any one of the five systems evaluated, it did make some progress.

1. It was agreed that the Livestock Marketing Study Group continue its research into marketing systems and that its membership be expanded to include agents and better processor representation.
2. As a result of the workshop, the various sections of industry had a better appreciation of the role and view of other sections.
3. It clearly demonstrated the Australian Meat Board's proposal for a nationwide computer network for marketing was unsuitable at that time.

3. Structure of LMSG

As stated above the initial membership of LMSG was those interested in market reform. In line with a resolution from the 1977 Workshop this was formalised to be:

2 producers
2 processor/retailers
2 stock agents
2 Department of Agriculture officers
and with the power to co-opt as required.

Since 1977 the membership of the main group of LMSG has roughly remained along the lines of this resolution. The power to co-opt has been used but there has been an underlying aim to have representatives of all sections of the livestock and meat industry. The strength of the LMSG is that it does have representatives from all sections and that these people are very interested in livestock and meat marketing.

It must be stressed that though the LMSG has representatives from all sections of the livestock and meat industry it does not pretend to represent the views of the industry as a whole. Some of the members of the LMSG do also represent industry groups. However membership is basically people with an interest in livestock and meat marketing.

The above comments refer to the main group of the LMSG. The LMSG also has three sub-committees:-

- (i) Lamb Sub-Committee
- (ii) Beef Sub-Committee
- (iii) Pig Sub-Committee

Membership of these sub-committees is generally more numerous. Membership is also much more flexible and depends upon the activities of the sub-committee.

4. Departmental Involvement

The Department of Agriculture has provided secretarial services and technical advice to the LMSG. The Department has also on several occasions applied for trust funds for marketing projects on behalf of the LMSG. However, it is stressed that the LMSG is not a Department of Agriculture committee. It is an industry committee.

5. LMSG Achievements

The LMSG has generated considerable industry discussion in South Australia on livestock and meat marketing. The principal marketing achievement of LMSG has been the successful introduction of a pig sale by description in South Australia. Other States have adopted a similar marketing system. The LMSG has also done considerable research and development into a lamb auction sale by description. Industry has agreed to the introduction of the proposed system and this will occur next year.

Despite the significant achievements in the marketing area the LMSG has also been successful in other areas. It has provided a forum for all sections of the industry to discuss common problems generally improved liaison and relations between the various sections of the meat and livestock industry including the Department of Agriculture.

The LMSG approach has been adopted in most other States and the formation of such a group was a recommendation of the Australian Beef Cattle Conference.

6. Reasons for Success

The LMSG has been successful for a number of reasons. Some of these are:-

- (i) initially poor communication existing within the livestock and meat industry
- (ii) the interest and enthusiasm of various individuals
- (iii) the policy of inviting individuals from various sections rather than representatives from various industry bodies
- (iv) the catalytic and supportive role of the Department of Agriculture
- (v) the potential for marketing reform.