

**THE ADOPTION OF
THE MARKETING CONCEPT
IN THE
IRAQI FOOD INDUSTRY**

BY

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*A thesis submitted in accordance with the Regulations of the
University of Strathclyde, for the Degree of Doctor of Philosophy
in Marketing*

SCOTTISH BUSINESS SCHOOL
DEPARTMENT OF MARKETING
UNIVERSITY OF STRATHCLYDE
GLASGOW

1988

Volume Two

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IMAGING SERVICES NORTH

Boston Spa, Wetherby
West Yorkshire, LS23 7BQ
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LIST OF ABBREVIATIONS

1 Acre - 1.77 Donum = 4.840 Sq yard = 4426 Sq meters.

ID = Iraqi Dinar

ID = 1000 Fils = £0.620

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PREFACE

The introduction of modern technological innovations and the rapid rate of economic development in many countries throughout the world have presented a new challenge to Iraqi management due to an increase in the level of competition in national and international markets. Competition has become so fierce that developing countries have been forced to realise that if their industries are to survive, they must also endeavour to compete at national and international level. Increasingly, the most important initiative that must be taken is to re-orientate basic strategy and replace inefficient organisation so that growth opportunities can be seized to ensure economic survival. A recognition of the benefits to be derived from international trade has led to managerial emphasis upon cost control, careful cash flow monitoring the limitation of risks and the exploitation of any comparative advantages for the benefit of the domestic market, the consumer and the country. These key factors and essential elements of effective business conduct require coordination, a commercial outlook and a readiness to appreciate that these variables constitute a secondary line of priority in a time of expansion. Government control seems to be an important prerequisite for industrialisation but will not in itself be sufficient to achieve the desired result. The new essential requirement and primary objective is to concentrate efforts internally and externally on taking advantage of market opportunities and taking steps to meet changing consumer requirements. If Iraqi industrial and business firms are to enjoy the full benefits of an improved economic environment, it is necessary for the management of firms and all those acting at an official level to reconsider and re-evaluate the traditional methods of doing business, and out-of-date marketing techniques in the interests of marketing effectiveness, and to refashion current practices in the light of the new environment so that improved performance will be achieved in the future. By doing so, the level of competition between local industries will increase and competitiveness in international trade will also be enhanced. The

current situation does not help to promote the international success of Iraq national economy. Yet achieving a certain level of competition is a prerequisite for successful and profitable growth. Thus the use of aggressive marketing methods should be the main concern of management, since professional marketing skills have a vital role to play in revitalising business activities. The need for awareness of these requirements by the central planners and local management provides the motivation and the rationale underlying the present study.

This thesis will deal with the status of marketing in Iraq in general and in the food industry in particular, by examining the activities of all those involved, starting at the farm level and ending at the factory where the produce is made ready for consumption in the markets. In the course of the study, executives in the firms visited are addressed by means of a questionnaire and intensive interviews which are intended to reveal how marketing is practised in the food industries, in order to propose possible courses of action and the adoption of new approaches pursued in other countries where conditions are similar to those in Iraq. God willing, this study may provide a key to successful marketing in both the domestic and foreign markets.

ABSTRACT

The rapid growth of the agricultural marketing activities of the public sector in Iraq has furnished a backlog of experience which, if refurbished, may help to establish policies that would guide future activities relating to agriculture. Thus, one of the thesis objectives is to provide individuals concerned with planning, execution and management of agricultural marketing and agro-industrial activities, with guidelines for identification, formulation, evaluation and implementation of programmes which could be realistically adopted.

The objective of this study is to help development policy-makers and planners in Iraq evaluate proposed changes in the food marketing system by enabling them to compare and contrast different alternatives in terms of efficiency for producers, consumers and intermediaries. A review of the present situation is given to indicate how better efforts and policies can be strengthened. Thus, a priority of this thesis is to bring attention of the central planners towards the importance of marketing in an attempt to improve present policy by expanding awareness in influential circles of what it means, who is involved and how it operates.

In addition to an analysis of secondary data the thesis describes the collection and evaluation of empirical information obtained through field research in Iraq. As the food marketing structure in Iraq is a mixture of traditional types of institutions and modern ones which operate mainly in the city centres, an evaluation of the various food and agricultural marketing institutions of Iraq is therefore undertaken. The thesis aim is to facilitate an understanding of how and why the various institutions operate in the local and foreign markets. This has determined the extent to which existing institutions can or could contribute towards a significant improvement in the food marketing system.

In spite of voluminous writing on the subject of marketing in developing countries, none have yet written a critique of official policy on marketing of agricultural products and the food industry in Iraq.

Executive Summary

The increasing trend towards consumerism is unmistakable. But to serve the individual best, such movements must be based on sound judgements and reasoned scientific principles, such as the application of the marketing concept, rather than on the often emotional compromises of opportunistic politicians and businessmen. The cost of food to consumer is the sum of the cost of all operations involved in producing the food, processing, preserving, packaging, and storing it until it is needed; transporting it to the consumer and financing all of these activities, including risk bearing.

The literature review reveals that the processing industry in Iraq has not been studied. Thus there is an urgent need for a study concerning the adoption of the marketing concept by the Iraqi food industry. In most developing countries, including Iraq, agricultural progress and prosperity have still to be achieved. One of the aspects which stifle the required initiatives is the negative attitude of all concerned and the lack of modern marketing management practices. Thus this research attempts to provide a picture of the practices employed within the agricultural marketing system in Iraq to demonstrate that the techniques (i.e. those based on the marketing concept) practised in the field of business can be adopted and adapted to the needs of the agricultural and industrial sectors in Iraq simultaneously to achieve the level of success in the nation's economic development which is enjoyed in the industrialised countries. Thus the subject of the thesis is concerned with the extent to which the marketing concept is applied in Iraq's food industry at the farm level and continuing right through to the food processing industry. Improvements in agricultural productivity are required since farm produce in Iraq represents the raw materials required by the food processing industries. The thesis contains nine chapters.

In Chapter One, a brief outline is provided of the historic emergence of the "State of Iraq", its economy, its agriculture, the ecology of the country, the development of industry, the rate of oil production, and the main developments in Iraq from 1958-1968 and from 1968 to the present time. This chapter explains how the Iraqi economy is largely dependent on oil revenue and consequently the government has concentrated on the industrial sector at the expense of the agricultural sector. This chapter also explains that the Land Reform After 1958, completely upset the social and economic life of the farmers, as the decline of the agricultural sector adversely affected Iraq's economy. Also as agriculture became increasingly unprofitable, farmers no longer stayed in the rural areas, being forced to migrate to the towns seeking additional income to enable them to survive.

Chapter One is divided into twelve sections. Consideration is given to what can and will be done with capital flows from oil within the economy. Nevertheless, agriculture has hardly been neglected. In the Introduction and Sections 1 and 2 of the Chapter, the researcher concentrated on those aspects of development of the State of Iraq since 1920 until the present time, which might be crucial in determining the shape of Iraq's economic activity. Consideration of the two major existing economic sectors, aside from oil, namely, agriculture and industry, follows. Agricultural production has declined despite the increase in legislation and investment in this sector of the economy (see Sections 3, 4 and 5). The role of planning and its problems were mentioned in Section 6.

Sections 7, 8 and 9 are devoted to the importance of the oil sector, foreign trade and production characteristics respectively. Oil to the Iraqi economy is providing, and continues to provide, the bulk of the capital upon which development expectations throughout Iraq are based. Sections 10, 11 and 12 focused on three distinct concerns related to agriculture, namely, marketing infrastructure, wholesale and retail trades' performance in Iraq, and urbanisation trends, in order to know something of the country's requirements now and in the future.

The available statistical data in this Chapter is used as a basis to hypothesise that there is a link between declining agricultural production and the enacting of the 1958 Land Reform Law, also that substantial improvements are required in the level of cooperative management.

CHAPTER TWO outlines briefly the purpose and aims of the thesis, with special reference to the empirical investigation, and discusses the main hypotheses proposed in this study.

Chapter 3 presents a review of the literature on marketing in agriculture and deals with the descriptive, analytical and evaluation aspects of the subject, based on field research conducted in Iraq. Following consideration of the current problems affecting agricultural marketing, the prospects for agriculture in the future are examined. Detailed study of these marketing problems focuses on the reasons underlying the decline in agricultural productivity in recent years which has been characteristic of most developing countries. It is emphasised that marketing is a concept which can be applied to agriculture as well as to industry. In this chapter we also consider the particular elements in the agricultural structure together with the farming environment and its effects on the behaviour of farmers in most developing countries including Iraq. Six sections make up Chapter 3. Section 1 explains the unawareness of, and lack of understanding of, the marketing concept in agriculture as a vital element in the economy. The remaining sections are devoted to issues of marketing in developing countries in general and in Iraq in particular, emphasising the significant level of government intervention in marketing in Iraq.

In Chapter 4, the implications of the marketing concept and its applicability to the Iraqi economy are considered. The literature review of marketing and economic growth which is presented demonstrates the effect of sound marketing practices on the process of economic development. It is pointed out that marketing can make a considerable contribution to the economic growth of countries, most of whose resources

are scarce, a situation which is typical of developing countries. These aspects have been neglected by the Iraqi economic planners, who have devoted their attention to production rather than marketing. Agriculture for most developing countries including Iraq, represents a staple source of food and raw materials for the other sectors of the economy. Improvement in this sector leads to an increase in the purchasing power of farmers and a higher standard of living. If a surplus exists, this represents export potential by means of which the economy can be greatly improved.

Chapter FIVE concentrates on the main problems affecting the level of agricultural production. These were referred to earlier in Chapter One, particularly Land Reform. Most governments in the developing countries, including Iraq have enacted a Land Reform Law in an attempt to reduce the influence of feudalism and to liberate the poor farmers. But lack of appropriate equipment and the necessary managerial skills, which were prerequisites for the successful implementation of the law, resulted in failure to achieve the targets aimed at by the authorities. Following the Land Reform Law, the cooperative movement was supported initially by the government in order to exercise its control and influence over the market. However, this also failed to achieve the expected results for the reasons mentioned above. Other adverse circumstances affecting agriculture are also discussed in this chapter.

Chapter 5 is groups in two main sections. The first section considers the need for Land Reform in Iraq, the types of changes which were introduced, and the merits and demerits of these changes in the light of recent experience. In this section, the hypotheses related to the decline in agriculture and the level of efficiency of management cooperatives. Its main features are the existence of cooperatives whole role and performance are examined. The reactions of farmers in different circumstances to market impulses may well offer some basis for predicting the success of political and economic policies aimed at improving social, economic and technical elements of the rural areas for the future. Section 2 highlights the role and importance of credit in rural areas. Also, it analyses the forces affecting the supply of and demand for credit, and the role of the Agricultural Cooperative Bank in Iraq.

Incentives that would encourage farmers to continue working on their land have not been made available. No incentives have been offered to increase production or to help farmers to sell their produce. This is the situation in Iraq. Chapter SIX therefore, pays particular attention to this issue, namely the provision of price incentives. This chapter discusses in detail the factors affecting pricing such as the nature of the produce, elasticity of demand and market infrastructure. The formulation of a pricing policy would benefit farmers, consumers and retailers and reduce the influence of middlemen and wholesalers. When a price policy is pursued that reflects the farmers' interests, they will no longer leave their land, abandon agricultural pursuits and migrate to urban areas.

Chapter 6 consists of 11 sections. The central theme of this Chapter is that while pricing has many aspects, it cannot be fully effective unless it is customer-oriented. Section 1 is devoted to a critical review of existing pricing practices, and Sections 2-9 cover the methods whereby customer attitudes and behaviour can be explored. Sections 10 and 11 are devoted to the revision of the prices of established products in the firms visited.

The above five chapters, which are mainly of a theoretical nature, enable us to identify the problems affecting the agricultural industry in Iraq. Chapter Six moves on from theoretical discussion to deal with the practical aspects of the thesis, based on the field work.

The government, having recognised that the marketing system was highly unsatisfactory, made an attempt to intervene directly by controlling the distribution and marketing of agricultural produce in the local markets. An assessment of the degree of success achieved by this intervention is undertaken and certain suggestions for improving the level of success are proposed. The chapter also discusses the marketing of three main products, namely dates, grains and fruit and vegetables, which affect the economy in different ways. For example, dates are the country's leading main source of revenue in the non-oil sector as Iraq is the world's leading exporter of dates.

This clearly indicates the importance of this product to the economy. On the other hand, Iraq has begun to import the other two products, namely grains and fruit and vegetables. The reasons underlying the decline of agriculture and the problems of marketing prevailing in Iraq will be discussed in Chapter Seven, the case study chapter.

Chapter 7 consists of four sections. Section 1, assessing the role of middlemen and their performance of marketing functions, and identifying deficiencies in the agricultural marketing system. Sections 2, 3 and 4 highlight the practices of marketing three products in the local market, namely fruit and vegetables, dates and grains respectively. All sections start uniformly with an introductory statement of the problem. This leads, then, to policy recommendations presented in the Summary and Conclusions of the Chapter. Finally, suggestions for possible future work are indicated, in order to improve the marketing of these products in the domestic market and even abroad.

Chapter Eight which may be regarded as complementing Chapter Seven, is devoted to a discussion of the findings of research survey based on a selected sample of firms in the food industry in both the private and public sectors. The extent to which the marketing concept has been adopted will be examined. Some of these firms have been involved in export activities. Consequently their approach to the marketing concept is different from that adopted by firms who are not engaged in exporting, although every firm should be aware of the importance of satisfying consumer needs and wants. The investigation of attitudes to the marketing concept was carried out by means of a questionnaire.

Chapter 8 is grouped in 4 sections. Section 1 explores some of the relevant issues which face the food industry in Iraq when planning and developing consumer products take place. Consumerism is useful for identifying genuine needs to be followed by the allocation of development resources. The last 3 sections represent for the sample selected, the level of awareness which has been achieved in applying the marketing concept. Section 2 describes the nature and scope of marketing research in the firms

visited. The researcher believes that for an effective strategy to bring about meaningful marketing, reform must start with a comprehensive diagnosis of the specific and remediable ills of existing markets at national as well as regional levels. The section begins with the identification of the problems and opportunities, then systematically discusses the management of marketing research and concludes with a view of what firms might do in the light of the recent and future direction of marketing research activity.

Section 3 is divided into six subsections. It covers the advertising and promotion environment from an economic, behavioural and legal point of view in Iraq. It examines the creation and production of the advertising message in various media, analyses the problems involved in selecting the right combination of media to carry the advertising message to the target market.

Section 4 examines the nature and scope of packaging in the Iraqi food industry. The section sheds light on the economics of this marketing mix.

The final chapter, Chapter Nine, which is based on the previous discussions and the research findings, attempts to propose a type of agricultural food marketing system so organised that it will enable food of a higher quality to be provided at a lower price by improving the level of productivity in agriculture. Finally, certain policies are recommended in order to improve the defects in the existing food marketing system, and to enhance the reputation of Iraqi produce in foreign markets.

The most important policy recommendations in Chapter 9 are:

With the recent slump in oil prices, Iraq has to learn a lesson. One of the main conclusions of this study is that the economic planner in Iraq must concentrate on other sectors of the economy rather than oil. The economic planner should concentrate his efforts on achieving a balance between agriculture and industry. Such policy must be implemented in a logical fashion and not arbitrarily as in the past.

Thus, marketing tends to be regarded as a minor rather than a complementary sector. The marketing process has thus become time-consuming and costly and associated risks have increased. To gain the full benefit of the industrialisation process, production

output must flow to the consumer. Therefore, attention should be paid to the role of marketing, although the importance of increasing production in both the agricultural and industrial sectors is well understood (Page 192).

Most Iraqi farmers do not have the means to buy all the inputs essential for agricultural production. Incentives and agricultural (prerequisite should be made available and easily accessible to the farmer at reasonable prices (see Page 84). Thus, if the cooperative movement in Iraq is to succeed, both in economic and political terms, more attention should be paid to the level and nature of market demand. This involves gathering information about consumers and the employment of competent management (see Page 297).

With reference to price stabilisation in Iraq, the researcher believes that an appropriate balance between supply and demand over a given period for a particular agricultural commodity can be achieved by introducing effective cold storage facilities and other storage services. What is needed also is market price information and data to help in forecasting the availability of a produce, prices and expected consumption levels (see Page 298).

Increased government control of the economy has led to a lack of initiative and freedom in executive management decision-making and this has inhibited the development of managerial expertise. Variations in harvesting yields caused by external conditions, combined with an increase in the population, emphasise the urgent need for a state system for the procurement of agricultural/food products, inventory holding and the physical distribution of produce. The increases in per capita income and the potential increase in productivity made possible by the various means referred to in our discussion, call for a marketing system capable of handling products in the future and an appropriate flexibility to respond to consumer preferences (see Chapter 7, Section 3).

It has to be stressed that the food industry in particular suffers from a lack of skilled management in terms of both experience and education. The government really has to rely on its Universities to promote the modern concept of marketing. The serious

shortage of marketing-oriented executives seems likely to continue for sometime. Thus, the Iraqi firms need to rebuild their organisational structure. Their image and their attitudes is crucial, since production orientation dominates the approach of most of the executives in the firms visited (see Chapter 8, Section 1).

At the end of the thesis, Appendices contains case study data, derived from the annual reports of the firms visited. These appendices provide detailed descriptions of the data, including the strategy of the government toward agriculture (i.e. Appendix 1).

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CASE STUDIES

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Introduction

The aim of marketing reform in any country farming sector is to remove the imperfections in its agricultural marketing practices. In Chapter 3 we discussed Iraq's main agricultural marketing problems, which may also affect other developing countries where the same conditions prevail. The objectives of such reform will be dealt with briefly as most of the problems have been mentioned already in Chapter 3. In devoting greater attention to agricultural marketing, more economic resources must be applied to improving the necessary infrastructure. The government must make a very considerable contribution towards improving this infrastructure in the interest of the national economy, since the private sector will not be able to do so, as the demand for these facilities is likely to increase.

Other objectives are to rescue farmers from their state of dependence and indebtedness, to improve their weak bargaining power, and give them greater freedom to sell as they choose, being subject to pressure. If this is done, farmers will have an incentive to produce more, so that their income will increase and they will achieve a higher standard of living. Moreover, they will be able to sell their produce in the market which is not convenient to them. When the farmers' position has been strengthened, their income levels increased, and their standard of living improved, they will be able to produce according to market conditions by making use of more detailed marketing information and more modern agricultural inputs which will increase the quality and the quantity of their produce. In Iraq, as in most developing countries, improving the quality and quantity of the marketing infrastructure, and the provision of more marketing information is the responsibility of the government rather than the private sector. The implementation of such measures is necessary for the general process of economic development, and requires the allocation of

considerable resources which the private sector is unable to provide since its prime concern is to make a profit. Moreover, the required measures fall within the governments social obligations. If the government supplies the necessary resources, the task is accomplished more easily and the information relating to market conditions is likely to be more reliable.

Despite the failure of cooperatives in Iraq to meet farmers' aspirations and win their confidence, the general dissatisfaction with the existing services, and problems affecting the performance of the Marketing Board (see Chapter 5), agricultural marketing is to a greater extent based on commercial principles than before. But what is relevant to mention here is that the government has the power to introduce a new strategy by which the marketing system would be reformed.

The primary objectives of government intervention in the field of agricultural marketing are through its different departments, to increase farmers' or producers' income, and to reduce the level of financial uncertainty through a policy of price stabilisation. As we know, such objectives may be achieved by the government through the introduction of certain measures such as reducing marketing costs, or manipulating the supply so that prices rise.¹ The purpose of government intervention in most developing countries relating to the marketing of agricultural produce is to achieve both economic and non-economic objectives, due to the imperfections of agricultural marketing. This intervention may take the form of regulating and controlling foreign trade.

Government control of the agricultural marketing function can help farmers to get rid of the influence of middlemen, who are regarded by the government as a profiteering element in the marketing system, since they exploit the imperfect market conditions against farmers and in their own favour. Freeing farmers from such influences will enhance their role in the development of the agricultural sector, and possible enable exports to be organised by the government departments involved in foreign trade. By

exercising control over foreign trade the government can also control prices and thus retain responsibility for the most effective use of national resources as a result of which the process of general economic growth is enhanced. In this way and perhaps by exploiting the existing comparative advantages, new markets can be opened up, and new demand may be created. The private sector on the other hand may be unable or unwilling to take advantage of such opportunities. With an increased level of government intervention, the positive effect on the development of land enterprises and the manufacturing sector is obvious, and this encourages national enterprises to participate in the local market, and by supporting it, improve the quality of its products enabling them to compete with foreign products.

Foodstuffs are consumed every day, and this presents the marketing of food products with an advantage which stems from the fact that the rate of consumption helps to keep current stock levels low, so that labour in the food industry is kept fully occupied. One businessman remarked that the wonderful thing about food from his point of view is that every one uses it and uses each purchase only once.²

Our aim in this Chapter is to assess the government's achievement relating to certain costs, so that farmers return on investment is increased through improvements in the marketing environment, price stabilisation, control of supply and the more effective marketing of agricultural produce achieved by economies of scale.

In this Chapter in connection with government involvement in three different types of produce, we shall examine and assess the value of the government's attempts to achieve its main aim, namely to improve the marketing system. The products chosen in these case studies are used as examples in an attempt to find solutions to the socio-economic problems facing Iraq in its role as a developing country. The study will include an analysis of the main distribution problems encountered in the local marketing system, and to suggest measures which might improve the situation.

The following discussion highlights the practices of the intermediaries in the agricultural marketing within the marketing system.

7.1. The Role of Middlemen

The production of agricultural raw products at the early stage of economic development is regarded as the most important productive economic activity, whereas marketing is considered as a low priority activity (Abbot, J.C. and others, FAO, Rome, 1986, p. 1) . Within the national development process, the marketing function has been neglected by the central planner in most developing countries, and the only emphasis is on production and financial activity. This environment has contributed to the growth of profiteering by those known as middlemen or "Parasites of Society" who exploit the backward situation which is characterised in the agricultural sector. This results in the restricted development and inefficiency in the agricultural marketing system in particular, adversely affecting not only the agricultural sector but economic development in general.³ The role of middlemen and their effect on farmers' freedom of action raises two most important points: first, their effect and influence on the farmers, and second, the reason for the existence of such influence. The effects on marketing have been mentioned in this Section when discussing the marketing system, and in the Section in which agricultural credit was discussed. The researcher discusses these effects in this Chapter which deals with the marketing system, because some of the weaknesses in the marketing system are related to the power of middlemen, which they exercise over farmers, preventing them from being responsible for their own activities in the market. This influence also extends over the farmer's need for credit which allows the middlemen to keep some farmers in a permanent state of indebtedness so that they have to continue to borrow. However, not all farmers are in this serious position. Thus, the influence of middlemen is most obvious when farmers are in their debt. When this happens, the middlemen are involved in marketing

activities to ensure that produce is sold at prices that suit them and from which they can gain higher profits, which are of course influenced by distribution costs. Such marketing activities are carried out under their supervision, or by people hired by them to carry out their instructions. Middlemen are concerned about the cost of these activities and their objective is to reduce such costs and also the services they provide. Relating to the marketing problems mentioned in Chapter 3, from which farmers suffer in the situation outlined above, farmers have found in the past that they are left with a very small return from their involvement in the agricultural production process. By and large, middlemen gain by controlling farmers' activities in a number of ways.

Their greatest advantage is derived from storing produce which they can sell later, when prices paid by consumers are higher. For this purpose the produce must be kept in good condition and individual farmers can not afford to meet the cost involved. Having created an artificial shortage, middlemen make a profit despite their small contribution to the marketing process. On the other hand, there are three functions that must be considered if their role is to be replaced. These choices are the provision of capital, distribution/storage and market information, thus their contribution although apparently small, may be considerable. Produce is collected and stored on a large scale so that even when some of the produce is damaged, the large amounts stored will compensate for any loss resulting from this situation. Moreover, it may be possible to sell to the poor even produce of the lowest quantity. A continuous flow of produce may be achieved by employing appropriate marketing methods such as grading, and packaging, so that produce is subject to price differentiation based on different grades of produce. When improved marketing techniques are employed at the farm gate, the exposure of produce to possible damage will be reduced and as middlemen are more familiar than farmers with marketing techniques, this will enable them to carry out this work more effectively.

The researcher in his capacity as a government official believes that middlemen usually provide false information about market conditions, prices in general, and the demand and supply situation as applied to farmers. The lack of adequate, accurate information in developing countries leads to imperfections. This situation arises because, while the communication system is backward, there is direct and continuous contact between the farmers and the middlemen. As farmers are indebted to those middlemen, they naturally sell their products to them, irrespective of their quality or prevailing market conditions. Farmers therefore sell to middlemen, even when the government has set a higher price. Further, fruit and vegetables prices are not always subject to government regulation. When the price of particular commodities are outwith government control, consumers find these commodities in the market at high prices. Farmers are not free to dispose of their products as they choose. The individual consumer may be prepared to pay a high price for particular commodities if their quality is of a high standard, especially in the case of fruit and vegetables. This means that middlemen may buy only the best quality of fruit and vegetables and leave the rest to the farmers, who find it difficult to dispose of inferior goods.⁴

As we shall see later in this chapter, it is important to have a modern, properly equipped wholesale market, where agricultural produce can be loaded and unloaded in such a way as to reduce damage and loss. Quality also needs to be traced back to source so that premium payments are paid to those that deserve them. The possibility of investing in a modern container industry should be carefully considered as the basic raw materials such as wood or chemicals are readily available. This would help to improve the reputation of Iraq's packaging industry. The researcher believes that the recently established paper factory near Basrah, should be employed as a means of achieving this end.

Middlemen have become more experienced and more familiar with the marketing problems, so they know how to survive and make profits. They had considerable

political influence before the 1958 revolution, and the enactment of the Land Reform Law, and they also exerted economic power which persists up to the present time. Their economic influence was based on the farmer's indebtedness to the lender, a problem which will not be solved until practical measures are introduced to change the system under which credit is provided. Other reasons for the middleman's economical influence are related to the point mentioned above, namely the pre-harvesting sale of produce which again, stems from farmer's financial weakness, which adversely affects their status. Accordingly, official action in the last ten years has been devoted to removing the restrictions placed on the Agricultural Cooperative Bank, so that more capital can be diverted to the field of agriculture, although this step is not in itself enough to solve the problems in the rural areas. The practices operated by the middlemen in the marketing system constitute one of the factors accounting for the backwardness of the marketing system and their position in that system has become increasingly entrenched. The influence they exert in their daily business is not illegal, so it cannot easily be removed.

Middlemen believe that they are entitled to make such profits since, from their point of view, they face higher risks associated with the uncertainty which characterises agriculture, than official organisations are prepared to take. Accordingly, they think purely in commercial terms and therefore regard their profits as representing a return on their venture capital.

Middlemen are presented with profit-making opportunities because of the lack of an adequate infrastructure, such as transportation, warehousing, cold storage, credit facilities for farmers, the limited effectiveness of the food industry, and lack of provision by the government of the services needed by farmers. Also, with reference to cooperatives, weak organisation is one of the criticisms levelled against these units in Iraq. Poor organisation prevents cooperatives from competing effectively against the

private sector in the marketing field, and this situation will continue until cooperative resources and their marketing is improved.

From chapter 6, we learn that price fluctuations are mainly caused by variations in the supply of agricultural produce. The researcher is not convinced that the disputes between farmers and middlemen necessarily have an adverse effect on price levels and the supply availability. Farmers may be unable to produce a particular product due to their dependence on middlemen, which may be influenced by a number of factors, such as the size of farms, the power of individual middlemen and so on, may lead to supply and price fluctuations. One of the most important measures of market performance is the extent to which a regular flow of food products to consumers is maintained.

As the Agricultural Cooperative Bank is a government institution, procedural regulations have restricted its ability to give credit to farmers. As a result of its rigid lending conditions, the bank has had little effect in terms of developing the agricultural sector. Accordingly, middlemen exploit the defects in the official borrowing system, and encourage farmers to borrow from themselves as a last resort, when they do not obtain loans from the official sources. Such credit is given to farmers more easily and later the farmers find themselves in a constant state of indebtedness. Thus, pre-harvesting selling is the only way by which some farmers can meet their obligations. This problems was discussed earlier in chapter two (see problems of agriculture in Iraq). Without repeating the points made in chapter 5, about the role of the Agricultural Cooperative Bank, it must be emphasised that the social-ties established between farmers and middlemen, makes borrowing transactions much easier and less time-consuming. This point is discussed in greater detail in chapter four (see the role of Agricultural Cooperative Bank). To summarise the situation, the official borrowing system is not effective enough, the role of the middlemen persists and the practice of pre-harvest selling continues to operate.

Thus, on the one hand, borrowing from the private sector is easier, on the other, it provides lucrative business for the middlemen, because they make a profit in two ways from each transaction, namely by means of the interest rates they charge and the profit they make from the practice of purchasing which weakens the position of the farmers concerned since they cannot sell their produce to anyone other than the middlemen from whom they have borrowed. If a farmer sells his products elsewhere, such as the wholesale centres - through either official or unofficial channels, he will then damage the relationship built up over many years. If he continues to do this his reputation among middlemen may suffer. This can happen quite easily because they are continuously in contract with each other. He may even be asked to repay all his debt immediately. The fear of this happening, combined with the uncertainty which is characteristic of agriculture, makes farmers reluctant to sell their produce through other outlets in the marketing system.

Credit from unofficial sources is provided to farmers in advance, whereas under the official system the amount of the loan is divided into several instalments, so that a transaction is completed over a period of time and the small instalments can easily be spent on purposes other than the agricultural purposes for which the credit was made available. In general, the experience private money lenders have of farmers' problems enables them to provide their credit effectively and efficiently. This experience has been gained over a long period, while officials lag far behind in this respect.

The conclusion is that private moneylenders have greater expertise than official sources can provide in marketing their credit facilities. Existing social ties between farmers and private money lenders and the less rigid credit conditions enable the latter to meet most of the farmers' borrowing requirements. Consequently, farmers become subject to the control of the private moneylenders who can impose their own conditions concerning the type of produce to be provided, the farmer having no say in the matter.

These private moneylenders have the skills, the market information and the experience required to enable them to assess the farmers' requirements.

On certain occasions, middlemen who wish to obtain supplies, visiting farmers, sometimes before harvest time and negotiate to buy crops still under cultivation. They then revisit the area during harvest time to collect the produce paid for earlier and to make the necessary arrangements for transport to a place of their choice. It is possible, then, for the middlemen to operate as wholesalers or function as buying agents for wholesalers in the larger markets in urban areas. In the following case studies, we shall examine the different practices employed by middlemen in the food market. This Chapter will be divided into three parts, dealing respectively, with the marketing of fruit and vegetables, dates, and grains.

7.2. Marketing of Fruit and Vegetables

7.2.1 Production Areas

Fruit and vegetables are grown throughout Iraq, but the best varieties of certain fruits such as oranges, apricots, lemons are grown in the middle part of Iraq. Others such as apples, pears and figs are grown in the North. Tomatoes, peppers, potatoes, cucumbers, melons, eggplants, okra, grapes, figs and apricots are the principal summer fruits and vegetables. Okra, melons and eggplants are the most extensively grown and are in great demand. Radishes, turnips, carrots, artichokes, cauliflower, lettuce, celery, cress, oranges, lemons, peaches and pomegranates are the principal winter fruits and vegetables.

Vegetables are the main staple food in both urban and rural areas, whereas there is not such a heavy demand for fruit by the poor section of the population. Fruit and vegetables can be classified into highly perishable and less perishable varieties. The perishable ones are tomatoes, peppers, grapes, dates and figs, while the less perishable varieties include onions, potatoes, garlic and pomegranates. The perishable varieties

are usually transplanted at the end of August and the beginning of September. Fruiting begins in early November, continuing until January. The less perishable varieties are also normally transplanted in November of each year but continue to fruit until as late as the following April, and in general, the harvesting time lasts from the end of May to the end of June.

These commodities are mostly produced in the rural areas, within 30-45 km. of the cities. The urban population generally has a much greater variety of fruit and vegetables in their diet than most of the rural population. Consumption of all the above varieties in urban areas depends on seasonal availability. At the present time, Iraq depends on both locally produced fruit and vegetables, and some imports as there are sporadic shortages throughout the year. As we shall see later, Iraq may both export and import some varieties of fruit and vegetables in the same year. The researcher believes this happens because of Iraq's commitment to its neighbouring Gulf States which export some of the required produce and in addition, some consumers prefer the taste of different varieties. However, the amount involved is negligible. Table 1 shows the quantities exported to the neighbouring countries from 1975 to 1983, the latest available data at the time of the researcher's visit. It can be seen that the amount involved has been far from constant. For example, in 1975, 11,648 tons of vegetables were exported, dropping to only 5,137 tons in 1985, while fruit exports rose from 89 tons to 229 tons during the same period.

The farmers first prepare the land so that the seeds can be sown. Generally speaking, each growing season lasts from four to five months. During this period farmers protect their seedlings by sheltering them from snow and other adverse weather conditions using local material such as wood or leaves from date palms, or, when the farmer is relatively richer, plastic sheets, although these are primitive methods. The official list of fruit and vegetable prices issued each week during 1985 included twelve fruit and twenty vegetable varieties. The statistical abstract for 1985

Table 1

Quantity of Fruit and Vegetables
Exports and Value 1975-1983 (Tons/ID)

	Vegetables		Fruits	
	Quantity	Value	Quantity	Value
1975	11,648	52,854	89	1,335
1976	40,475	211,657	99	14,850
1977	20,149	926,676	744	116,100
1978	20,010	120,262	385	77,044
1979	6,907	534,351	34	3,998
1980	3,939	328,394	24	4,109
1981	3,065	181,450	793	767
1982	-	-	-	-
1983	5,137	465,566	229	91,001

Source: Ministry of Agriculture & Agrarian Reform, 1983.

Table 2

Area, Yield and Production of Onions, Garlic and Potatoes
(1981-1985)

Variety	Year	Cultivated Area (00 Donum)	Harvested Area (00 Donum)	Yield Kg./Donum	Production (00 Ton)
Dry Onion	1981	723	720	2070	1496
	1982	544	542	2082	1132
	1983	332	331	2156	716
	1984	414	410	2340	969
	1985	798	796	2189	1746
Garlic	1981	58	58	677	39
	1982	50	50	887	44
	1983	34	34	758	26
	1984	82	80	719	59
	1985	117	117	787	92
Potatoes	1981	215	215	4843	1041
	1982	201	201	4631	930
	1983	208	208	5036	1046
	1984	289	289	4138	1196
	1985	349	340	4253	1486

Source: Ministry of Planning, Annual Report, 1985

shows that the cultivated areas in that year for tubers and bulbs, legumes, and vegetable varieties totalled, 126,400, 144,500, and 1158,0000 donums respectively, which together represent only 0.04 percent of the total area of 48 million donums suitable for agricultural cultivation throughout the country. This is in keeping with what we mentioned in Chapter 4, that the area under summer cultivation is strictly limited, and is even less than the 4% official figure (see Tables 2, 3 and 4), while the total area occupied by fruit trees was 757,000 donums, 0.02 of the total area (see Table 5). Both fruit and vegetables production are far below the needs of a country which has 48 million donums suitable for cultivation, only 2 million of which have been devoted to fruit and vegetables which account for 30% of total agricultural production. The grain case study reveals that only 26% of the total area is devoted to cereals.

It should be noted that about 70% of vegetables are consumed fresh during the season. In the off-season, dried or canned fruit and vegetables which are produced by synthetic methods are consumed, their prices being relatively lower than the fresh varieties (see Appendix 3&4). Both Tables show the increased demand for fruit and vegetables during the period 1979-1984, which indicates an improvement in the general standard of living, a fact pointed out in Chapter 4 in which reference was made to an increase in capita income with a resultant improvement in people's quality of life.

7.2.2 Marketing of Fruit and Vegables in the Local Markets

The harvesting period for most vegetables lasts about forty days, whereas fruit picking is spread over a period of up to three months, taking into account the deliberate policy of leaving the fruit on the trees as long as possible to gain a very high price when fruit is removed from the official price list.

Fruit, which has been carefully selected, is then taken to the market. The fruit and vegetables such as onions, carrots and tomatoes, after washing or leaf removals, are usually packed in locally made baskets or gunny sacks, and transported to the

Table 3

Area, Yield and Production of Legumes in 1985

Variety	Cultivated Area (00 Donum)	Yield (Kg./Donum)	Production (00 Ton)	Harvested Area (00 Donum)
Dry Broad Beans	244	194	48	235
Dry String Beans	29	220	6	29
Chick Peas	591	191	113	591
Oats	26	264	7	26
Lentils	212	176	37	212
Green Gram	343	182	63	330

Source: Ministry of Planning, 1985.

Table 4

Area, Yield and Production of Vegetables in 1985

Variety	Cultivated Area (00 Donum)	Yield (Kg./Donum)	Production (00 Ton)	Harvested Area (00 Donum)
Okra	787	1852	1627	871
Tomatoes	1910	3203	6118	1895
Onions, Green	401	2570	1030	400
Beans, Green	63	1432	90	63
Broad Beans, Green	865	1079	934	849
Squash-Kosha	214	2308	494	212
Eggplant	556	4184	2325	550
Pepper (green)	171	2281	390	170
Green String Beans	572	1363	780	566
Melon	1604	2708	4345	1589
Water Melon	2186	3463	7568	2143
Cauliflower	24	3801	91	24
Cabbage	31	3425	105	31
Lettuce	122	4902	601	122
Spinach	24	2301	56	24
Swiss Chard	82	2184	179	82
Carrots	45	3955	178	45
Cucumber	1837	2233	4105	1815

Source: Ministry of Planning, Accumulative Statistics, 1985.

Table 5

Number of Orchards and Trees by Kind in 1985 (000)

Kind of Cultivation	Total		Rural			Urban			No. of Orchards
	No. of Trees	Area Donum	No. of Orchards	No. of Trees	Area Donum	No. of Orchards	No. of Trees	Area Donum	
Date Palms only	10998	232	88015	7728	171	65358	3270	61	22657
Citrus Trees only	217	-	739	201	-	667	16	-	72
Palms & Citrus Trees	3705	33	9231	2607	26	6678	1098	7	2553
Palms & Deciduous Trees	12528	117	26078	9579	87	19253	2949	30	6825
Deciduous Trees only	41559	132	47986	36733	114	39505	4826	18	8481
Mixed	28638	198	29814	22777	157	22389	5861	41	7425
Forest	27005	45	8426	22648	40	7684	4357	5	742
Total	124650	757	210289	102273	595	181534	22377	162	48755

Source: Ministry of Planning's Annual Report, 1985

wholesale market, usually in or near the city centres. Thus, basic processing is carried out by producers themselves, and no labour costs are involved at harvest time. Farmers themselves have to pay for the packaging materials and transportation. If the products are shifted by agents or friends, then their commission is paid later from the net sale. But each farmer is paid according to the number of packs or sacks he delivers. Carriers may be either friends or private drivers working for wholesalers or middlemen to whom the farmer is indebted. As an official explained to the researcher, such wholesalers are aware of the importance of human relationships. He pointed out, for example, the farmer may charge his breakfast against the wholesaler's account.

It may be useful at this point to discuss how the packaging of fruit and vegetables is carried out, to show the primitive methods used to bring agricultural produce to the wholesale market. Most of the produce is packed without classification according to size. Moreover, some of the produce is taken away in heavy sacks and piled into the transport vehicles. As may be expected, much of the produce is therefore damaged, whereas packaging the produce properly, graded according to size, could reduce transport costs. By improvising packaging standard, absolute cost would be increased but because the added value, the cost per unit transported would decrease. In general, the produce is not packaged properly, fruit and vegetables being transported to the wholesale market packed in many different ways, and the packaging procedures also differ from region to region, depending on the material available locally. This point will be emphasised in our case study, dealing with the marketing of dates, for which purpose palm trees provide the raw material for packaging. This material, in fact, could form the basis of a flourishing packaging industry in Iraq. The following is a brief decision of the type of packaging normally used.

Sacks made of wool are often used to move fruit and vegetables to retailer in the local markets. They are used mostly for carrying oranges, apples, eggplants, onions

and potatoes, that is, for the firmer type of fruit and vegetables. These sacks are used repeatedly without being cleaned.

Baskets for carrying produce are usually made of woven willow or palm material. They vary in size and are shaped so that they can carry produce weighing between 35 and 40 kg. In the Northern part of Iraq, pyramid-shaped containers are used for packaging all kind of fruit and vegetables. In Central and Southern Iraq these baskets are round or rectangular and they are used for packaging most vegetables, especially tomatoes. In general, these methods of packaging, especially since produce is not classified, are not convenient and the proportion of produce that is damaged is quite considerable. The weight of the produce carried in each basket means that the smaller varieties are damaged. Smaller baskets would keep the produce in better conditions, some are lined inside, so that they can be used more often, so that in the course of time, they are in a filthy state and without adequate ventilation, produce kept in them for any length of time is badly affected. If these containers are not cleaned, the next produce put in them becomes infected. Another disadvantage is that the shape of such containers means that available transport space is not used effectively, so that both transport and storage costs are increased.

In an attempt to reduce packaging costs, farmers also use sacks made of plastic netting to carry all kinds of fruit and vegetables. Obviously, the damage caused by using this method of packaging is very considerable. The cost of packaging is low because this material is cheap, but the damage suffered by the produce outweighs this advantage. The researcher believes that farmers should be educated so that they understand that the packaging and transportation methods appropriate for certain kinds of produce are not suitable for other varieties. But farmers know that they can sell their whole consignment, including poor quality produce. A grading system would prevent retailers from having to sell damaged produce and consumers from being forced to buy such produce.

Recently farmers have begun to use plastic boxes. The researcher believes that these plastic boxes are better than the wooden ones currently used especially if they are washed and the produce is properly graded.

The wholesale markets are established by the government. The produce is brought to these centres between 5.00 a.m. and 7.00 a.m., and is then sold by auction to a large number of wholesalers. Those wholesaler usually bid for an entire consignment or a lorry load. The wholesalers themselves grade what they have bought in each consignment, then distribute the produce to the retailers. In general, if the produce has to be transported elsewhere, the journey could take up to thirty-six hours before the produce reaches its final destination. This was the case until 1974. In March 1974, responsibility for the marketing function was taken over by the "GEMFV", the "General establishment for Marketing Fruit and Vegetables", established by the "Revolutionary Command Council" in an attempt to control the market. This government department become the sole distributor of fruit and vegetables in Iraq, with eighteen branches throughout the country's governorates handling this function. According to the law, GEMFV has the authority to import what is necessary, in other words, to close the gap between demand and supply by importing as required. Being administered by the Ministry of "Agriculture and Agriarian Reform", it has no profit-making objective.

The present government's aim is to increase the availability of fruit and vegetables for consumers. Thus, its involvement in marketing and distribution has become a critical element in solving the food problem. Important factors affecting the availability of food are population growth, migration form rural to urban areas, and rising income levels. The demand for fruit and vegetables has increased considerably, particularly since the large increase in oil revenue, all of which is providing opportunities for increasing production at home and importing from abroad. As rising demand pushes prices up, farmers have a greater incentive to increase production. However, agricultural output has remained almost constantly or even below the

demand level, and given the seasonal fluctuations which occur as a result of changes in weather conditions, this has exacerbated the problem, also adversely affecting the food industry. All of these factors apply to Iraq, and the successive steps taken by GEMFV have failed to overcome the problems in the fruit and vegetable market. This supports two parts of our hypothesis, namely, that the main factors affecting the food industry supplies and the subsequent state of marketing are rising income levels and the migration of rural people to urban areas.

Transporting produce to the wholesale market has continued to be carried out just as it was before GEMFV was established. The transportation charges seem to be too high. The cost estimated by the researcher following his meetings with officials is ID10 per ton for transporting the produce a distance of ten km. from the production areas to the regional wholesale markets irrespective of type of product. When the produce is delivered by a private carrier known to the farmer, the latter is responsible for collecting the payment for goods purchased and for returning the empty boxes or sacks to be used for other consignments. Little attention is paid by farmers to washing or otherwise cleaning such containers, since they know that their produce will be bought irrespective of the packaging conditions, which so often make the produce filthy.

In each governorate there is a wholesale market, and in Baghdad, there are three, sited in three different locations, at the main entrances to the Capital. All of these markets are supervised by the government. Each has a number of offices for receiving the produce from farmers for which facility 2% of the total value of the consignment is charged by private dealers. In each office there is a wholesale merchant who in turn sells the produce to the retailers. These offices are operated mainly by the private sector and only to a slight extent by the public sector which implements the government policy of buying produce directly from farmers. The private offices are hired from the authorities on a yearly basis. The public offices charge farmers 4% of the total consignment value. Consequently, farmers are very reluctant to sell to these offices

and only use these offices when their produce is not bought by private offices. It is clear, therefore, that these offices do not operate efficiently, their share of the marketing being derived from the output of cooperatives whose produce is then disposed of in shops which are also run by the public sector. One may, therefore conclude that the weakness in the marketing system associated with government intervention is that it is based on the wrong principles, which will be discussed later in more detail.

As the lots auctioned tend to be large, the retailer is often unable to buy what he wants since retail units are usually small-scale businesses offering a limited variety of products. Retailers are responsible for transporting the produce they buy to their shops, which are usually open from 8.00 a.m. to 9.00 p.m. They normally work alone, or with their sons, asking for a neighbour's assistance only when there is some special job to be done such as unloading the consignment, or when a personal undertaking has to be completed. These shops are rented from the local authority on a yearly basis, so that a licence signed by a council official has to be renewed every year. Their shops are located on either side of a narrow street used for shopping purposes. These streets are filled with litter by the end of the day. The local government authority searches the market during the day to prevent unlicensed retailers or hawkers from displaying their fruit and vegetables on the pavement or peddling their wares from a cart. Retailers always prefer to sell the best quality of fruits to their regular customers. The prices usually remain constant from the start of business until four o'clock in the afternoon. Thereafter, they dispose of any unsold produce at reduced prices, partly because it is usually of the poorest quality, and partly because they wish to go home and report the day's earnings and then prepare themselves for returning to work the following morning. The convenience provided by retail shops and the low income of the consumers and the existence of refrigeration facilities enable retail business to survive. But also there are other social reasons which encourage consumers to patronise small neighbourhood shops. Such shops are small centres of traditional culture affected by

external control. Society in Iraq is characterised by the family unit and small, close-knit communities. In general these social conditions have an effect on modern urban life. Thus any thing that threatens to undermine or change that social structure is likely to be resisted.

These attitudes are very significant for the survival of the small retail shops, which help the consumer in two ways. First, the consumer with a low income is able to make better use of his money since he cannot buy in bulk, and secondly, the organisational pattern of the consumer's social life is preserved and strengthened. For example, when a housewife makes her daily shopping trip, she meets her neighbour and in general, the environment of the neighbourhood shop is friendly. In other words, the small shop provides consumers with an opportunity to meet other members of the community to which they belong. However, the Iraqi consumer does not ignore economic considerations. In fact, a considerable proportion of the migrants to urban areas enter universities in an attempt to improve the quality of life. This leads us to assess the success of the supermarkets which the government has contemplated to spread experimentally on a wide level throughout the country. Although this issue is not central to our study area, the researcher mentions this point of view as a suggestion for further study.

In Iraq, summer is the season for vegetables and winter is the season for fruit. Accordingly, fewer vegetables are grown in winter, and therefore they are more expensive. According to the available official data, prices can increase by as much as seventy percent. It is estimated that primitive handling, inadequate services, bad weather conditions, damage and wastage account for up to thirty percent of the price differences.

Ensuring that retailers sell produce at appropriate prices is the most vital problem encountered by both consumers and government officials. There is a clash between the officials' wish to protect the consumer through price stabilisation, and the retailers'

wish to achieve high profits. For both retailers and farmers, high prices constitute a successful market and this is the main problem of marketing in the long run. But the researcher believes that the absence of effective price control is the crux of the problem. Without such a policy, both parties try to use the market situation to suit their own interests, thereby making the consumer's position more vulnerable. Price control might ensure that both producers and consumers receive fairer treatment.

Despite the price increases of the last twelve years, retailers probably retain less than 40% of the prices paid by the consumers, although the latter still complain that these are too high. When prices double profits also increase. Based on studies by the "Higher Agricultural Council" relating to profits in the retail market in the Capital, Baghdad. Table 6 shows retailers' profits on a number of important items for the country as a whole. However, the researcher believes that these figures do not show that profits at the retail level are too high, bearing in mind that the number of retailers is over 3,000. Moreover in view of the differences between wholesale and retail prices, one may judge that the profit margin for an individual retailer is not great, especially since the retailer is responsible for transport costs and other overhead expenses. To provide an accurate and comprehensive picture, the researcher obtained a list of wholesale and retail prices for December 1984, 1985 and 1986. These prices are shown in Table 7. The differences between the two prices for the available fruit and vegetables ranged from 10-20% in those three years which is a surprisingly low figure. Production costs increased considerably by between 20-30% during the same period.⁶ Thus business operations seem to have become less profitable so that retailers found it necessary to resort to unofficial prices. The situation is similar in other governorates. Table 8, for example, shows the available wholesale and retail prices of crops in the Diyala governorate in Central Iraq in December 1986. The percentage differences between these prices are also 10-20%.

Table 6

Retail Profit in 1985 - Various Fruits and Vegetables

Variety	Total Profit (ID)	Quantity Sold (000 Tons)	Profit Per Ton (ID)
Potatoes	900	45	20
Melon	1644	247	6
Cucumber	4368	91	48
Tomatoes	6825	273	25
Okra	1976	26	76
Eggplant	4116	49	84
Kosha	1900	19	100
Big Beans	1218	29	42
Dried Onion	5700	57	100
Pepper	900	9	100

Reference: Ministry of Agriculture and Agrarian Reform, HAC, Study No. 208. March, 1974, 1985.

Table 7

Wholesale and Retail Prices of some Agricultural Commodities 1984-1987 (Fils. Kg.)

Commodity	1984		1985		1986	
	Wholesale	Retail	Wholesale	Retail	Wholesale	Retail
Tomatoes	470	550	400	460	400	460
Potatoes	210	250	210	250	250	300
Dried Onion	250	300	200	250	250	350
Cucumber	350	400	480	550	300	350
Eggplant	300	350	150	200	300	350
Pepper	350	400	380	450	300	350
Grapes	670	750	700	800	700	800
Pomegranate	430	500	430	500	300	350
Lemon	600	700	480	550	900	1000
Oranges	600	650	650	700	470	550
Sweet Grapes	470	550	550	650	550	650
Apple	500	600	500	600	400	500

Source: Ministry of Agriculture, 1986.

Table 8

Wholesale and Retail Prices in Diyala Governorate, December 1986 (Fils./Kg.)

Commodity	Wholesale	Retail
Dried Onion	300	350
Cucumber	230	280
Pepper	200	250
Potatoes	250	300
Okra	340	400
Grapes	520	600
Apple	320	400
Pomegranate	280	330
Orange	520	600
Sweet Lemon	420	500

Sources: Ministry of Agriculture and Agrarian Reform, Annual Report, 1986.

The researcher believes that price differentials are fairly similar from year to year which suggests that in any given year, prices may be set by adding a small percentage to the previous year's prices. Moreover, since prices are approximately the same in different governorates, there is no incentive for farmers to dispose of their products in other markets because of the additional transport costs involved. According to the above figures, retailers in most cases retain much less than 40% of the prices paid by consumers. Any extra profit is gained by middlemen or wholesalers. The large number of wholesalers in the market is a reflection of the high level of profit to be gained. Wholesalers can jointly ensure that prices paid to farmers are reduced while those paid by retailers are increased so that eventually the consumers suffer. They are able to do this even though they cannot afford to make purchases every day because they operate on the cartel principle. One official admitted that an unofficial wholesale market exists due to weakness in the official control system. From conversation with various respondents, the researcher estimates that the turnover by a one-man retail business is about ID20 a day. Although the profit margin retailers or wholesalers make is not a main concern of this study, the researcher believes that unofficial prices prevail in the market for many reasons. One factor, which we mentioned in the previous subsection, is the absence of an effective, official pricing policy. Another important reason, the most important in the researcher's opinion, is the grading problem. The two prices imposed by the authority are related to the size and the quality of the produce on offer. But in actual practice, deviation from the official prices can be introduced through manipulation within the two classifications. The researcher bases his statement on the fact that retailers usually keep the largest and highest quality products for their special customers who are prepared to pay a higher price for good quality, while most consumers are offered poorer quality produce at the official prices. Top quality items are usually kept under the counter, the remainder being displayed openly, or offered at the two official prices. From discussions with officials and reports presented by

government inspectors, the researcher has concluded that unofficial prices at retail level are higher than the prices set by the authorities, and that manipulation of the grading system is responsible for these differences. In effect, therefore, the official price policy cannot be implemented effectively. A study of the list of official prices suggests that these prices are set to provide a slightly higher profit margin than was available during the corresponding period of the previous year. Thus, prices are set in a rigid fashion, they are unrealistic and they do not take into account increased costs of cultivation, transportation, packaging and so on. All these factors affect the market situation so that consumers' interests are not served. Other factors that cause prices to be high are the increase in per capita income and the degree of elasticity relating to the provision of agricultural produce. Consumers are prepared to pay more for good quality produce, despite being aware of the official prices.

In the Capital, Baghdad, there are three main collecting stations where processing, standardisation and weighing of fruit and vegetables take place before they are auctioned. Bidding is usually for a lorry load and payment is made in cash. The sharp decline in productivity during the last thirteen years led the government to extend its intervention in the agricultural marketing sector. Tables 9 and 10 show the quantities of various vegetables and fruit respectively from 1979 to 1984. Table 11 shows the value and quantities of fruit and vegetables imported during the period 1980-1984. Despite the government's desire to curb imports, the figures indicate that Iraq spent a huge amount of foreign exchange to ensure that an adequate supply of fruit and vegetables was available in the local market as the level of agricultural production declined. The statistics also show that imports of fruit and vegetables rose from 603,853 tons in 1973 to about one and a half million tons in 1976. As domestic production fails to satisfy demand, the government is forced to increase the level of imports.

There is no competition between foreign and domestic products in terms of availability since the level of local production does not meet existing demand. But

Table 9

Quantity of Vegetables Imported, 1979-1984 (Tons)

Commodity	YEAR					
	1979	1980	1981	1982	1983	1984
Potatoes	3162	17819	13646	31407	6918	5765
Tomatoes	1297	10672	18344	3180	-	-
Dried Onion	405	2594	3784	36151	4055	3541
Garlic	179	72	-	425	20	-
Eggplant	681	576	1924	1415	-	-
Kosha	1049	1203	2436	1408	-	-
Beans, Green	385	292	179	-	-	-
Pepper, Green	430	709	335	365	-	-
Cucumber	303	367	2094	1694	-	-
Total	7891	34304	42742	76045	10993	9306

Source: Ministry of Agriculture and Agrarian Reform Annual Report, 1984.

Table 10

Quantity of Fruits Imported, 1979-1984 (Tons)

Commodity	YEAR					
	1979	1980	1981	1982	1983	1984
Apples	63372	91380	98006	83294	3710	No Import
Bananas	29728	38227	4967	-	-	-
Oranges	3668	46058	58233	31600	340	-
Lemon	3097	5018	2552	1083	-	-
Grapes	2926	10535	2841	1431	-	-
Peach	396	8717	3056	3938	-	-
Apricots	237	320	-	-	-	-
Total	103424	200255	169655	121346	4050	-

Source: Ministry of Agriculture and Agrarian Reform Annual Report, 1984.

Table 11

Quantity of Fruit and Vegetables Import (000 Tons) and Value (000ID), 1980-1984

Crops	1980		1981		1982		1983		1984	
	Q	V	Q	V	Q	V	Q	V	Q	V
Vegetables	34.3	5.201	42.0	5.162	76.0	6.080	11.0	650.0	9.3	51.3
Fruits	200.2	39.000	170.0	25.6	121.0	24.600	4.0	518.0	-	-
Total	234.5	44.201	212.0	30.6	197.0	30.680	15.0	1168.0	9.3	51.3

Source: The Ministry of Agriculture Annual Report, 1984.

when both varieties are available in the market, most consumers prefer the foreign products, particularly fruit, due to the efficient system of grading and they are therefore prepared to pay the higher prices charged for imported commodities. Moreover, most Iraqis believe that the quality of imported canned foods is better than that of local produce, although local firms engaged in the canning industry endeavour to ensure that their products conform to the standards achieved by imports. Towards this end, the "State Enterprise for Canning" required more vegetables for off-peak season consumption than are available in the peak season, thereby reducing the supply of locally produced vegetables for the population at large. This situation is in keeping with the account provided earlier of the limited extent to which local industry depends to a very great extent on domestic production for the raw materials required for their processing activities.

Table 12, for example, shows the quantities of locally-produced tomatoes used for making tomato paste from 1980 to 1984. The average amount was only fifteen percent which indicates the poor quality of the domestic product. This percentage should be quadrupled by increasing the quantity and improving the quality of domestic production in Iraq. This would strengthen the competitive position of the canned food industry and extend its market potential. The food processing industry would in turn provide a wider market for local agricultural produce which would enable the industry to maintain continuous production. Therefore, the canning industry has become a key factor affecting marketing operations in fruit and vegetables throughout the country. Table 13 shows the quantities of various agricultural products which are supplied for canning purposes. The Table shows that some local varieties are not used because the supply is inadequate. As a result, the capacity of the food processing industry is under-utilised.

There is a distinct lack of the technical knowledge required relating to the handling of agricultural products during the delivery process. Produce is loaded and unloaded by

throwing it on and off lorries so that some of it is damaged. About 70% of the produce sold in the market is of poor quality and unprocessed, and in the hot summer and cold winter seasons, the situation is exacerbated, and between 25% and 30% of the produce is lost completely. These percentages are based on the researcher's own observation and information obtained during the interviews he conducted. Thus, cooperation between the government, farmers, and processing firms is required. It is essential that the marketing system should be improved to reduce the amount of damage caused by inefficient methods. This could be achieved if the authorities ensured that appropriate equipment was used for handling the produce in the wholesale markets.

Table 12

Volume of Tomatoes Processed for Paste (Tons), 1980-1984

Year	Quantity Used of Tomatoes	Quantity of Tomato Paste	Paste as % by Volume
1980	41628	5947	14
1981	46083	7180	16
1982	29299	4046	14
1983	1593	277	17
1984	44439	6180	14
Total	163042	23630	15

Source: *The Ministry of Agriculture Annual Report, 1984.*

Table 13

Industrial Demand for Fruit and Vegetables Production 1976-1983 (Tons)

Variety	YEAR							
	1976	1977	1978	1979	1980	1981	1982	1983
Tomatoes	42296	8883	60244	49025	41628	46083	29300	1593
Big Beans	211	45	340	291	676	107	33	241
Eggplant	38	568	309	175	791	69	229	549
Apricot	38	21	-	-	20	20	-	-
Beet-Mosul	24392	44888	46180	17416	21246	12631	5767	-
Beet-Sulymania	-	21875	10722	14334	9113	-	-	-
Beet-Maysan	126342	126837	200653	230814	289983	14776	1110304	82025

Source: *The Ministry of Agriculture Annual Report, 1984.*

The grading process itself represents the first of the stages by means of which wholesalers and retailers can circumvent the purpose of the official pricing list. Grading is undertaken either by the farmers or by middlemen who first select the top quality produce, and then grade the rest into first and second class categories. The best produce is usually sold through unofficial channels at high prices. The rest, which is disposed of through official channels is transported to the wholesale markets. Farmers or middlemen pack the produce in sacks or plastic boxes, with containers holding the best produce on top, covering the poor quality products, in order to impress buyers, hoping thereby to sell at higher prices. This is a primitive grading system as that price control cannot be implemented effectively. The above practices are usually pursued in relation to fruit and vegetables rather than other produce such as grain or dates. The grading in effect usually involves simply dividing available produce into two lots according to size, and this is normally carried out on the farm. Moreover, when retailers buy the produce, they will grade their purchases to suit their own interests so that they can ignore the official prices. The retailer will select the best produce and sell it at unofficial prices for his regular customers. He then sells much of what is left at first class prices and he may also sell damaged produce at second class prices. Thus grading is a means by which people involved in the distribution process achieve a high level of sales, thereby increasing their profit, especially in the case of fruit and vegetables, when the demand is elastic. The government introduced some measures in an attempt to control the grading system so that price regulations at both retail and wholesale levels would be observed. But these had little effect on the private sector, so that high wholesale and retail margins still prevailed.

It appears that grading is based on only two factors, namely quality and size. In the case of grains, there are no clear criteria for grading the crops. Thus both wholesalers and retailers of fruit and vegetables have a marketing monopoly, especially in remote areas, which leads to exploitation and market speculation, and wholesalers have

become the most powerful link in the marketing channel. As we demonstrated earlier in this Chapter, wholesalers have a strong influence over farmers, largely because farmers are unfamiliar with market conditions, a situation which also applies to marketers in the public sector. The researcher believes that what is required to overcome this problem is a thorough study of marketing conditions in terms of product availability, demand and supply. Such a study should be undertaken as a matter of urgency by people who are knowledgeable in the field of agriculture and pricing policies. The grading and pricing systems, as currently operated, are not effective. The pricing mechanism was discussed in greater detail in Chapter 6.

The exercise more effective control over vital supplies, the "Baghdad Administration For Marketing Fruit and Vegetables (BAMFV) was established by the Revolutionary Command Council, by Decree Number 6 in 1969, to operate as part of "GEMFV". Its function is the marketing in Baghdad of locally-produced or imported fruit and vegetables. Baghdad, which is the Capital, and the largest city in Iraq, had an estimated population of about 5 million in 1985. The "BAMFV" is the main branch of the "GEMFV" throughout the country, but the lack of skills and managerial experience in this organisation has created additional chaos in the marketing system, as an additional administrative tier has been established, thereby increasing the cost of distribution. Accordingly, the department did not achieve the government's objective. Moreover, inaccurate assessment of the demand in the capital caused many problems. For example, certain items were unavailable in the local market as the authorities restricted imports. As a result, people were deprived of such produce and subsequent measures such as obtaining supplies from other governorates exacerbated the problem. Table 14 shows the anticipated demand for fruit in Baghdad, and Table 15 shows the anticipated demand for certain vegetables in the same city during the period 1980-1989. The difference between estimates and actual demand is clear. For example, Table 14 shows the anticipated demand by the BAMFV for fruit in Baghdad, and Table 16 shows

Table 14

Anticipated Demand for Fruit in Baghdad
Only from 1980 to 1989 (Tons)

The Year	Quantity	Quantity at National Level	Ratio to Total
1980	63,223	113,000	55
1981	63,551	94,700	67
1982	63,788	92,200	69
1983	64,051	175,600	36
1984	64,322	202,300	32
1985	64,634	185,400	35
1986	64,857	201,000	32
1987	65,080	216,000	30
1988	65,303	223,000	29
1989	65,526	230,000	28

Source: Ministry of Trade, Annual Report, 1980.

Table 15

Anticipated Demand for Certain Vegetables
In Baghdad until 1989 (Tons)

Commodity	YEAR									
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Tomatoes	8301	8881	9504	10169	10881	11642	12142	12640	12840	13040
Okra	951	1081	1089	1165	1247	1334	1434	1449	1550	1650
Eggplant	1211	1296	1387	1484	1588	1699	1750	1830	1900	1910
Kosha	649	695	743	798	851	911	960	1050	1120	1170
Beans	1647	1660	1885	2017	2157	2810	3000	3200	3350	3500
Peppers	419	447	479	512	548	587	610	650	680	720
Onion	3621	3874	4145	4435	4747	5079	5279	5679	5979	6500
Garlic	120	128	137	148	157	169	180	185	195	205
Spinach	1260	1349	1443	1545	1652	1769	1870	1970	2070	2370
Beet	355	380	406	435	466	502	532	560	600	640
Carrot	200	214	229	245	262	281	300	320	340	360
Lettuce	402	430	461	493	527	564	594	620	660	710
Potatoes	8176	8749	9361	10016	10717	11467	12067	12660	13060	13660
Cucumber	1972	2110	2258	2416	2584	2766	2800	2900	3100	3400
Water Melon	44728	47859	51209	54794	58629	62733	63000	63300	64000	64500

Source: Ministry of Agriculture and Agrarian Reform. Study of Wholesale Trade Market, February, 1980, p. 60.

Table 16

**Anticipated Demand for Certain Vegetables in Baghdad
Until 1989 (Tons)**

Commodity	YEAR						
	1980	1982	1985	1986	1987	1988	1989
Tomatoes	8,301	9,504	11,642	12,342	13,007	13,730	14,260
Okra	951	1,089	1,334	2,154	2,854	3,804	4,804
Eggplant	1,211	1,387	1,699	1,809	1,913	2,016	2,126
Kosha	649	743	911	1,051	1,103	1,253	1,303
Beans	1,647	1,885	2,810	3,550	3,690	3,870	3,900
Pepper	419	479	587	527	563	595	625
Onion	3,621	4,145	5,079	5,411	5,721	5,992	6,245
Garlic	120	137	169	181	190	201	218
Spinach	1,260	1,443	1,769	1,883	1,980	2,083	2,173
Beet	355	406	502	538	569	585	611
Carrot	200	229	281	300	345	363	377
Lettuce	402	461	564	601	662	717	769
Potatoes	8,176	9,361	11,467	12,217	12,981	13,593	14,166
Cucumber	1,972	2,258	2,766	2,948	3,116	3,264	3,402
Water Melon	44,728	51,209	62,733	66,833	70,430	74,265	77,865

Source: Ministry of Agriculture & Agrarian Reform. Study of Wholesale Trade Market, February 1980, p. 60.

the anticipated demand by other departments concerned with planning in the same city during the period 1980-1989. The difference between those estimates is clear. For example Table 14 shows that quantities required in 1989 are 65,526 whereas in Table 16, the anticipated demand for the same period is of over 96,000 tons.

Serious mistakes of this kind have created unexpected problems in recent years. Above all, from the available data it can be seen that the quantities imported in 1980 represent only 50% of the amount required for consumption in the capital only. When domestic production is not sufficient for the whole country, any under-estimation of the amount to be imported makes the problem even worse. The above discussion shows that BAMFV has not been successful, and it has been costly to operate. Accordingly, it is reasonable to propose that it should no longer be permitted to operate. In fact, the problems associated with this organisation are the same as those affecting the marketing system as a whole.

The GEMFV assumed responsibility for distributing locally produced or imported fruit and vegetables throughout the country, so that the government was directly involved in marketing, in an attempt taken to make fruit and vegetables available in the market at cheaper prices, especially for the poor and the medium-income earners who represent most of the population.

Shops were opened near the residential areas, so that their customers are for the most part, people who live in these areas. The rich tend not to patronise these shops preferring to buy even at higher prices from retailers in the market, rather than join a queue. Their neighbours hardly ever seen them using the shops established by the authorities. Some of the advantages of shopping in these government shops are that the official prices are charged and customers may find varieties that are not available in the local market as the government imports them and sells them at a lower price than the local market would charge. In general, these shops are trusted to a greater extent than the markets. By and large, as a final consumer, the researcher believes that a decision to use these shops is based on the acceptance of certain factors which, as indicated above, include the fact that they are convenient; they provide a wider variety of products; with government help, they fulfil their intended role of making goods freely available; and above all, the prices charged suit most shoppers whose limited means prevent them from shopping elsewhere. In the first instance, both consumers and government officials believed that these shops would become increasingly useful and more competitive. But later, it was realised that this was not likely to happen as a number of problems caused consumers to adopt negative attitudes and complaints against GEMFV's management arose within a short time. The researcher believes that many reasons contributed to the failure of this experiment, the disadvantages of which outweighed its advantages. The first problem that arose related to the administration of these shop functions. Officials employed in them are civil servants with no previous experience of selling and marketing. Thus consumers have to wait more than two hours to get their restricted allocation since rationing is usually practised in these shops.

Sometimes shoppers fail to obtain the products they wish to buy since, after a long wait, they find that the products are sold out. Such organisational weakness may lead to shoppers buying elsewhere to avoid the time-consuming procedures. Moreover, shoppers are not allowed to choose the quality they want and their allocation consists of a mixture of good and poor quality products. Further, the proportion of poor quality goods may be excessive if the whole consignment originally brought contains a high percentage of damaged produce. The inappropriate product mixing and qualities is a second reason. Thirdly, consumers may be forced to buy varieties other than those they wish to purchase. Generally, these shops have lost consumers' support. Yet such support, which is vital, can only be generated through a consistent policy of consumer orientation, which would help to resolve the planning problems caused by the various conflicting goals of the public sector.⁷ The success of this experiment, in terms of its proposed objectives, could be achieved by taking note of the points referred to in the above discussion. The most basic need is to provide sound management in order to ensure that these shops are so organised that they stock an adequate supply of various products, the quality of which enables the shops to compete effectively with private retailers in the local market. To do this, appropriate market research must be devoted to identifying consumers' needs and wants. High quality and relatively cheaper prices would create desirable shopping environments for the sale of basic products. Pursuing such a strategy would produce positive results in the long run. Thus, public sector management must pursue a clearly defined policy, set realistic objectives and employ appropriate methods to achieve them. By pursuing such a policy, the gap between government aims and the needs of various income groups would be narrowed. This in itself would present an important change of strategy. To effect such a change, research would have to be undertaken by management at headquarters where decisions are made. Effectively implemented, the above policy would have significant social and political implications, by providing more efficient channels of distribution and

increasing competitiveness. The researcher believes that a review of the authority's activities along these lines would in the long run lead to the adoption of the marketing concept by the public sector as a result of which it would become consumer-oriented.

The researcher also believes that one of the main reasons for the failure of these shops is inadequate knowledge of people's buying habits and attitudes. Most shoppers are housewives, and we mentioned that sales of fresh fruit and vegetables, especially vegetables, are characterised by a high demand, during the season and further, the demand for local produce is higher than for imported produce. For example, housewives believe that local tomatoes have a better flavour and colour, they look fresher with their bright green stalks and they have an attractive minty smell, so that they can be used as a main course or as a colourful garnish for most other meals. Housewives prefer to select tomatoes themselves but the usual practice in these shops is to pay attention to quantity rather than quality, and the housewives believe that shop assistants do not always give satisfactory service in terms of size and colour. Local tomatoes are still preferred even when imported ones have an attractive colour, look fresh and are cheaper than domestic varieties, which are regarded as giving better value for money. Thus greater attention must be paid to grading such produce in terms of quality, colour and size, including produce from other countries, particularly Jordan and Spain. Confidence in the local produce should be maintained and farmers should make strenuous efforts to establish, with government help, a system for effectively controlling grading standards which will ensure that produce is provided to meet consumers' wants. This can be achieved by adopting the marketing concept.

A final comment on these official stores, is that the bottlenecks encountered in attempting to provide consumers with local agricultural produce are similar to those experienced in the local market. The policy these stores pursue of produce at official prices makes it difficult for them to obtain domestic produce. Thus it is mainly imported varieties that are sold in these shops. In this context, the official pricing

policy aims to reflect differences in product quality and seasonal variations in supply. It is intended that this policy should provide an incentive for farmers to grow some varieties out of season by using glass or plastic sheets. Officials supported the researcher's view that any initiative must start at the farm. One of them said "By this step we shall deal with the causes, not the results". He meant that objectives will not be achieved if the policy pursued is not formulated on a sound basis. Prices, for example, should reflect differences in quality to a greater extent. This would be even more effective for farmers within easy access to higher income urban areas where consumers are prepared to pay for better quality. Moreover, price stabilisation can be achieved more easily as supplies increase. Achievement of the government's aim to provide parity in respect of consumer prices⁸ would be brought nearer and a balance would be struck between the interest of producers, consumers and the government. Setting a fair price, in the researcher's opinion, would involve gradually raising the prices of agricultural products in relation to the cost of inputs and the distribution of products to consumers.

7.2.3 Fruit and Vegetables Storage Facilities

The disposal of produce by farmers immediately after harvesting, even at low prices, is due to their need to obtain the cash required to repay their loans or due to their inability to keep their produce for a long time since it deteriorates rapidly. On the other hand, if a farmer can store his produce, this will increase his ability to repay his loans as he will be able to sell his produce at higher prices. In this context, and in Iraq in particular, such facilities are public sector property, thus the situation is different for the GEMFV. Its ability to dispose of the agricultural produce bought from farmers or imported from abroad is not affected by financial problems, but on the other hand, its activities are affected by the absence of adequate storage facilities. Thus, due to the shortage of such basic infrastructures, this government department is unable to store

the agricultural output until the off-peak season. Available statistics support the above statement. In 1978, for example, it was anticipated that production would reach 40,000 tons whereas the available storage capacity was only 20,000 tons, increasing to no more than 22,300 tons in 1980. In 1983, 197,391 tons of fruit and vegetables was imported, consisting of 76,045 tons of vegetables and 121,346 tons of fruits. Even if we discount the 84,408 tons in 1983, the availability of storage facilities is still well below the required level. Storage facilities were expected to total 38,000 tons in 1986. The planned storage capacity for each governorate is shown in Table 17. From his discussion with officials, the researcher learned that total storage capacity would increase to 52,000 tons in 1987 and 76,000 tons in 1988. The amount of capital for increasing storage facilities is inadequate and further positive measures must be taken by the government in order to develop the national economy. One official pointed out that cold stores to a capacity of 14,400 tons were not operating so that this figure has to

Table 17
Storage Facilities in 1986

<i>Governorate</i>	<i>Storage Centres</i>	<i>Capacity (Tons)</i>
Basrah	1	6,000
Nineveh	1	6,000
Babylon	1	6,000
Baghdad	10	20,000
Total	13	38,000

Source: *Ministry of Agriculture, 1986.*

be deducted from the proposed 1987 available capacity of 52,000 tons, leaving a total of only 37,100 tons.

According to these figures, and information gained during interviews, the planned increase in modern storage capacities is expected not only to minimise the losses but also to lead to increased production throughout the country. In Chapter 6, we pointed out that one of the many factors affecting the price of the agricultural produce is the availability of cold storage facilities.

The above discussion, based on statistical information, shows that the ability of GEMFV to manipulate prices is minimal since insufficient storage capacity prevents the department from storing agricultural produce for long periods. This problem appears to be deep-rooted. For example, hundreds of tons of tomatoes have often had to be burned due to inadequate facilities in the local market. One may ask why such quantities are not sent to the industrial sector, for processing and canning since these products are the raw materials required by the canned food industry in Iraq. The researcher believes that the absence of coordination between the different government departments responsible for agriculture has contributed towards this problem. The required inter-departmental coordination should be based upon accurate information relating to the estimated output and the ability of the domestic industry to achieve such output levels must be ensured. The researcher believes that what happens in practice is that there is an imbalance between imports and the estimated level of domestic production. Thus, since the capacity of the food processing industry is limited in the public sector, a problem arises when an unexpectedly large amount of produce becomes available. Moreover, the private sector is not sufficiently well organised to solve such a problem when it occurs unexpectedly. The latter point will be explained in more detail in Chapter 8. With reference to the public sector, this problem could be solved in the near future, either by increasing the present capacity of the food processing industry or encouraging the private sector to enlarge its role and the contribution it can make to the

national economy by becoming more involved in every aspect of the agricultural industry. However, the continuous uncertainty relating to production levels means that it will be some time before the private sector of this industry becomes prosperous. Therefore it is important that appropriate measures should now be taken by the public sector as a matter of urgency. The researcher believes that large cold storage facilities should be developed in the centres of such large cities as Nineveh, Baghdad, Diyala, and Basrah to cover the Northern, Central and Southern governorates of Iraq. These would be the first of a number of such centres. Surpluses of domestic or imported products could be diverted to these central points, whose storage facilities could be used to channel production to markets throughout the country at reduced transportation costs and with less damage to produce using better organised procedures.

7.2.4 Fruit and Vegetables Transportation

Transportation always presents a problem. Even when transportation costs are high, farmers often have to dispose of their produce by selling at a low price to middlemen or wholesalers. Consequently, because the marketing infrastructure is inadequate, farmers generally do not benefit even when the guaranteed prices are high. In some cases, the researcher discovered the income from a whole consignment sold in the wholesale market may not cover the transport costs. In such cases, the farmers may prefer to leave their produce in the field rather than sell it in the market to avoid this problem, but this situation, the importance of which is often overlooked, is to some extent responsible for daily fluctuations in the amount of produce delivered to the market. Delay in transporting the produce from the production areas increases the incidence of damage to produce. Fluctuations in output levels, together with the poor facilities available at collection stations increase the percentage of fruit and vegetables which is in poor condition by the time it reaches retailers and the final consumer.

Since the government became directly involved in the marketing function, with the establishment of GEMFV in 1972, the authorities are increasingly concerned about the

shortage of transportation facilities such as airconditioned trucks, which are necessary if produce is to reach the wholesale markets in a good condition, especially in summer when the temperature in July is over 50°C. Statistics obtained from the "Ministry of Agriculture and Agrarian Reform" show that the total number of 10-20 ton airconditioned trucks required in 1980 was 112. The amount allocated for agricultural improvement by the fourth five-year plan which ended in 1981 was ID1,069 million. During that period over ID13 million was devoted to establishing wholesale markets throughout the country as a step towards improving the marketing system. But none of the government targets were achieved. The researcher believes that failure to implement government plans is not related to inadequate funding since the government fully supported the required measures, but to the lack of effective organisation. The administrative problems referred to earlier adversely affected attempts to achieve these targets. Part of the plan for making trucks available was achieved but recently they have been used to transport eggs throughout the country instead of fruit and vegetables.

Solving the transport problem would reduce the risks encountered within the marketing system. As mentioned earlier, an official pointed out that retailers are responsible for transport costs which are consequently added by the retailer to his selling price, due to ineffective control of the pricing policy. Consequently the consumer eventually has to pay for the cost of transport. In our discussions relating to fruit and vegetable prices, we found that retailers' profit margin is between 20% and 25% at official price levels. Therefore, since transportation costs constitute 10% of the total consignment value according to official estimates, this reduces the retailers' profit margin. In addition, the retailer has to pay 2% to the authority in the wholesale market, which represents another overhead cost. To avoid paying this extra cost, wholesalers and retailers use unofficial market places. An official told the researcher that the development of unofficial wholesale markets outside the official wholesale

markets has been observed. He said "We know this but we have no power to prevent such practices". In these unofficial markets, retailers may bid even for part of a consignment and take it without having to pay the compulsory fee required in the official wholesale markets. About one half of Iraq's agricultural output is consumed in the area where it is produced, while the other half is disposed of through middlemen. It is convenient here to consider the role of middlemen with regard to marketing costs. Most middlemen are wholesalers and retailers, but in agriculture the wholesalers play a leading role in the marketing of produce. Fruit and vegetables pass from the farms in the rural areas to the ultimate consumers in the urban markets in the following order: Producer → Merchant → Commission Agent → Wholesaler → Sub-Wholesaler → Retailer → Consumer. At least five of these steps are involved in most cases which in turn results in high costs. All wholesalers receive a share of the price ultimately paid by the ultimate consumer and that share is quite considerable. Wholesalers usually buy at a low price from farmers reselling at a higher price. Unlike the farmers, they are also able to provide temporary storage facilities, just after the harvest season, when there is a surplus. In certain cases, however, farmers may deal directly with wholesalers who act as agents or dealers in their relationships with producers. Wholesalers have a central role in the marketing system. They finance the movements of the produce, bearing most of the marketing risks.

If the marketing system is to play its proper role in implementing a development plan, specific bodies should be appointed to undertake responsibility for various types and qualities of produce. These bodies would arrange for the collection of produce from farms, grade, process and pack it and transport it to the buying point destination, storing it as required. Appropriate processing is a valuable means of preserving produce and reducing transport costs.⁹ Again, such a system should start on the farm. The lack of crucial feedback concerning stock fluctuations and the rate of sales at intermediary levels has often given rise to sporadic gluts followed by periods of acute

shortages. The excessive number of wholesalers in the distribution system before the GEMFV was established may have contributed towards the upward movement of prices.

As farmers are free to sell their produce in any way they like, the number of middlemen is maintained at a high level and it is not likely that their number will be reduced. The researcher believes that the function of GEMFV within the distribution system is similar to that carried out by the wholesaler. One of the major characteristics of wholesalers and retailers who deal with the GEMFV is the lack of precise functional specialisation. They generally deal with a wide variety of consumer commodities, in order to provide the consumer with a wide choice. The price list issued each week defines the prices at which agricultural output will be bought at wholesale or retail level. The authority has pursued this policy in an attempt to ensure a continuous flow of fruit and vegetables to the wholesale centres.

To be effective, government intervention should be guided by commercial considerations. For example, farmers should be exempted from the 2% commission charged by the government, and better services should be provided with greater management efficiency in the handling of farm produce. Similarly, retailers could be helped by allowing them to buy in small quantities which would prove to be more economical. If these suggestions were put into practice, in the long term the number of wholesalers would be reduced and the number of retailers would be increased, enhancing the influence of the authority in the domestic market. The important point to be mentioned here is that the number of retailers now exceeds 3,400 from 2,400 in 1974, due to the ease of entering the market. In fact, it often represents an otherwise unemployed individual only means of earning a living.

Again, the present law which governs the trading of fruit and vegetables should be amended through coordination between the Ministry of Trade by a price policy formation and the "General Council of Pricing", a measure will bring stabilisation in

the market, minimising risk of price fluctuations, more incentives for retailers, ensuring reasonable prices to farmers and stable supply for consumers.

Conclusion

The following conclusion is based on the researcher's discussions with the executives who deal with the marketing of fruit and vegetables.

Direct government intervention in the marketing of fruit and vegetables was introduced in 1974 with the establishment of GEMFV which assumed responsibility for distributing these commodities throughout the country. Obviously, this represented an attempt by the government to ensure greater availability of agricultural produce and to make prices more stable. But this measure, undertaken at official level, started from a point in the distribution system, instead of starting at the farm gate. Accordingly, the dominant influence of middlemen and wholesalers still operates. But on the other hand, as the demand for fruit and vegetables increased and the level of declined production, efforts had to be made to increase the flow of these vital commodities to local markets. As a result, GEMFV's contribution became increasingly important.

There were no regulations controlling entry of fruit and vegetables in the market, which presented many people with a means of economic survival. The entrance of licenced retailers to the market was encouraged at official level as it was regarded as crucial to have a continuous stream of fruit and vegetables into the market. The intention was not to remove wholesalers from the market, since they had an important function to carry out in the market place. Wholesalers generally buy in large quantities, usually a complete consignment which individual retailers are unable to afford. Most of them then sell in smaller quantities so that a variety of commodities are available to the retailers.

At an official level, there appears to be no awareness of the lack of specialisation which characterises the Iraqi wholesale market. The importance of the wholesale

function needs to be recognised so that it can be organised to serve the needs of both growers and retailers. A scientific marketing plan provided with an adequate budget should be introduced, or demand will continue to exceed supply. In other words, estimated consumer response should be based on market conditions instead of being at the mercy of future events. The absence of information is one major difficulty encountered by any new attempt to improve agricultural marketing in Iraq, but ensuring that adequate supplies of fruit and vegetables are available in the market is the real problem and the GEMFV is the organisation responsible for dealing with this problem.

The statistics in Table 15, Chapter 1, indicate clearly that not all the areas suitable for cultivation are used for crops. The researcher believes that shortages of fruit and vegetables in the local market will increase or decline according to the extent to which cultivable areas are used for growing crops. This fact is not fully appreciated at an official level. Indeed official statistics stress the cultivable areas instead of the acreage devoted to crops, which is much smaller, and which directly affects output levels of agricultural produce, contributing in part to shortages in the market, although other factors affect the total agricultural yield. This situation should be recognised and appropriate action should be taken as a matter of urgency to extend the crop-growing areas.

Iraq's population is now about 16 million and is estimated to be growing at the rate of 3% per annum. The emphasis now is on undertaking projects to supply sufficiently large quantities to satisfy the growing population's need for food. As the level of imports exceeds domestic supplies, increasing local production would reduce the volume of imports, especially if the marketing system was improved. To do this, the first steps towards reform must start at the level of the farm. Therefore, the next step is to reduce the influence of middlemen or wholesalers. However, little has been done in that

direction, so the price of agricultural produce has increased, causing problems for consumers.

Most farmers try to dispose of as much of their output as possible, but it is necessary to provide them with adequate storage facilities. In addition, more effective techniques for handling fruit and vegetables inside the wholesale markets must be introduced and machines should be used for weighing and for loading and unloading such products. Other marketing functions such as grading, and packaging should also be improved at these collection points. The handling and delivery of the produce should be carried out under the supervision of inspectors.

Officials informed the researcher about the existence of unofficial wholesale stations whose services offer an incentive to farmers including members of cooperatives, who wish to avoid having to pay official delivery charges by selling their produce through unofficial channels, although cooperatives are supposed to deliver their produce through official channels since they receive government support. If farmers were given effective support on their farms, greater productivity would be achieved.

Price control must be given more priority. Markets cannot operate in a vacuum. People who operate in a market have some method of deciding what is a fair price. Various factors may have to be taken into consideration. The price of one product may be related to that of other products, or it may depend on the price prevailing in a previous week, month, or season. A particular market situation may affect prices. The consideration of so many different factors requires the expertise possessed by qualified specialists such as economists or accountants supplied with reliable information, before an acceptable pricing policy can be formulated. Other problems must also be tackled. Some of these problems were referred to in Chapter One. For example, training should be provided relating to the use of existing facilities such as improved quality seeds and fertilisers and technical information should be made available. Generally,

the need for effective marketing infrastructure is urgent. There must be close cooperation between the Agricultural Cooperative Bank and the Ministry of Agriculture and Agrarian Reform. Reform is necessary in order to increase productivity and improve the quality of produce. It may be that making better use of available credit facilities is more important than creating new sources of finance. Packaging, even in the wholesale market, is carried out by unskilled workers who are not fully aware of the perishable nature of the produce. Such practices only increase wastage and lead to the unsatisfactory grading of produce. The handling of the agricultural produce calls for special care. Product losses and deterioration in quality add to the cost of the produce that eventually reaches the consumer. Therefore improvements in day-to-day handling methods should begin at the farm. Much deterioration can be avoided if harvesting and marketing are well coordinated. Some farmers harvest their produce before it is ripe so that it is available for sale before the official price list is in operation at that time, or simply to reduce the time spent on tending the crop.

The problems involved in producing and marketing fruit and vegetables are neither new nor unique. The government has taken action to improve supplies and stabilise prices but much more needs to be done. The government must not be complacent because of its limited success so far. Shoppers - who are mostly housewives - prefer to select their own purchases, but this has been ignored. Customers feel happier when they are able to select fruit and vegetables according to size, colour, ripeness and quality. The researcher, as a final consumer, believes that the argument put forward by retailers that the handling of produce by consumers will damage it is not valid. For psychological reasons, consumers feel that they will not get what they want when they are served by the retailer. Moreover, when self selection is available, consumers tend to buy more than usual and there are fewer complaints about the quality of the produce. Self-selection is the ideal method from the point of view of both retailers and their customers. If consumers are allowed to serve themselves they make their selection

from the full range of quality, and colour displayed under one price. For example, the housewife prefers to pick riper tomatoes for cooking and firm ones for salads. Moreover, less damage is caused when the produce is displayed in such a way as to encourage more careful behaviour. Ignoring these facts in official experiments leads to failure in the market.

As a final consumer, the researcher believes that most shoppers prefer produce that is fresher, firmer and of good colour. In any modern economy, the purpose of production is to satisfy human wants and needs. The ability to satisfy these needs and wants is affected by the extent to which the market concept is applied.

7.3 Marketing of Dates

Introduction

Iraq, which is located in one of the date palm belts, began growing date palms long before any other country in the Middle East. The Northern belt extends along the Southern shore of the Mediterranean, from Morocco to the Nile valley, through Arabia, Iraq and Southwest Iran to the Northwest corner of India. Iraq is the world's leading exporter of dates which are the country's leading fruit crop. In recent years dates have become Iraq's largest individual agricultural export item.

At the beginning of this century, palm growing began in other countries where the soil and climatic conditions were suitable, notably the U.S.A., particularly in the State of California.¹⁰ It is therefore likely that the availability of dates will increase in the main producing countries. It is also anticipated that acute competition will increase between countries such as Iraq, Algeria, Tunisia, and the U.S.A.

The date palm is dioecious and heterosexual, although it can be propagated from seeds or off-shoots. In fact, date palm propagation comes from off-shoots which are buds growing below the original tree on the surface, takes six years to develop the characteristics of the parent tree. In general, propagation from off-shoots is more economic and the results are positive, whereas propagation from seeds is more

expensive as it is more time-consuming and the results are less reliable as seeds are likely to produce an equal number of male and female palms. Thus, when the farmer uses seeds, he has to wait for a considerable time and many of the trees are male which naturally do not bear fruit. For economic reasons, therefore, seeds are not needed since farmers wish to get a crop as quickly as possible. Furthermore, as farmers wish to reduce maintenance costs, one of their objectives is to eliminate male off-shoots, so that the land is available for the cultivation of female rather than male palms. The length of time during which a palm continues to be fruitful is about 140 years, but for commercial purposes it should be replaced within fifty years.

Date palms grow best in a high temperature environment during a long, hot, dry summer. Both physical conditions (hot and dry) are important factors affecting production. The opposite type of climate, namely a low temperature and high humidity, is not suitable for date palm production. A high level of humidity results in tree infection and eventually overcrowding. The appropriate temperature for date palm growth is needed during the last three months of the summer season, namely, June to August. Table 18 shows that maximum temperatures are to be found in June, July and August in the important date-growing localities.

There are few crops that can tolerate salinity of the soil better than dates. They simply require plenty of moisture at their roots and a continuous spell of five or six months of hot weather. The amount of moisture in the soil has a crucial effect on the rate of growth and eventually on the size and quality of the fruit. The level of moisture in the soil during summer affects the fruits freshness and weight. In fact, insufficient moisture in the soil in June-July reduces the tendency towards broken skin and blacknose in the dates.¹¹ Thus, to achieve a high quality of produce, it is better to ensure that water does not reach the palm groves for three months before harvesting. Thus, rainfall does not assist palm pollination or the cultivation of dates. It damages dates when they are ripening and ready for picking. Date palms can survive floods, and

Table 18

**Annual Maximum of Minimum Temperature of
Some Date Producing Countries**

<i>The Country</i>	<i>Years Recorded</i>	<i>Ave. Maximum Temp. °F.</i>	<i>Ave. Minimum Temp. °F.</i>
Algeria	15	96	38
Iraq	19	99	43
Saudi Arabia	12	104	52
U.S.A.	25	99	38
Bahrain	12	93	56

Source: *Nixon, R., Date Culture in Saudi Arabia,
Date Growers Institute, Volume 31, p. 15.*

they can make good use of water, but can produce more fruit with irregular rainfall and very limited irrigation. These conditions are found in Iraq.

To Jews, dates are one of the seven holy fruits and Christians celebrate Palm Sunday. But no other religion stresses the holiness of dates and date palms to the same extent as Islam. The Holy Koran mentions dates in 17 of the original 114 verses.¹²

"Thuo shake the trunk of the date palm tree and reappable, mature dates shall fall for thee. Then eat, drink, and thine eye delighted shall be."

These words were revealed to Mary, the Virgin, when she was carrying the Lord Messiah and had nothing to eat. The Prophet Mohammad 'Peace Upon Him' is reported to have said that dates cure many disorders and diseases and urged Muslims to eat dates and tend to their palms.¹³

Providing comprehensive date concerning the trade in dates in terms of exports and imports by all producing and consuming countries is not our concern, and in any case, such information is not available. Our discussion in this part of the Chapter is restricted to the date trade engaged in by Iraq. Attention is concentrated on the problems facing the marketing of dates in the local market, reference also being made to the marketing of this product at international level due to its importance in the country's foreign trade. Here again, attention will be focussed on the marketing problem too, as the public sector has a large share of the volume of exports.

7.3.1 Date Production

The number of date palms in the world is estimated to be just over 90 million, distributed throughout twenty-six countries.¹⁴ Iraq has about one third of that total. Iraq supplies most of the current world demand, accounting in 1985 for 65% of the total world trade in dates. This is due to the large quantities Iraq can produce and the growth of trade in dates between Iraq and other countries, especially socialist countries. With

this comparative advantage in terms of the number of palm trees and the high level of production compared with that of other countries. Iraq remains the largest exporter of dates in the world. Attempts have been made by the government to increase the level of exports, but as we shall see later, the target aimed at has not been achieved due to the lack of managerial skills and failure to improve this sector of the agricultural industry.

Date products represents 40% of Iraq's agricultural production. Of the 2,000 types of date palm,¹⁵ Iraq has about 455 female and 5 male varieties. Dowson described forty-eight varieties in the Basrah governorate,¹⁶ and Nixon describes one hundred and ninety-six varieties, many of which can be found in Iraq.¹⁷ The number of fruit-bearing palms in Iraq is around thirteen million. Annual world production of dates is about 1.8 million tons which is more than the combined world production of dried figs, prunes and raisins. Iraq produces 350,000 tons of that total, i.e. 26% Zahdi, Sayer, Hillawi and Khadrawi are the commercial varieties, constituting about 85% of the total number of palms in Iraq,¹⁸ and provide about 66% of annual date production. Table 19 shows the annual production of each variety between 1981 and 1985.

The share of the Middle region, which includes eight of the thirteen governorates where dates grow, has increased in recent years. It accounted for about 60%, 72% and 87% in 1971, 1976 and 1985 respectively. Table 20 shows the total production of dates by governorates in 1985. Statistics also show that the level of production has been generally declining during the last ten years. This is due to the fact that the number of female productive palm trees has decreased to a considerable extent. Table 21 shows that the number of fruitful trees decreased from 17,923,000 in 1976 to 12,676,000 in 1985, and the number of female trees decreased from 21,842,000 to 17,822,000 during the same period. The reasons for this decline will be discussed later.

In Iraq's date-producing areas, particularly the South, the date is the staple diet of most of the population. The amount of dates consumed annually by the people of Iraq is about 40,000 tons for human consumption, while 15,000 tons are used by the date syrup

Table 19

The Production of Dates in Iraq by Variety (1981-1985) (10 Tons)

Variety	1981	1982	YEAR 1983	1984	1985
Zahdi	26004	29262	24832	18299	30055
Sayer	1754	772	1535	855	1067
Hillawi	1528	337	1751	568	659
Khadrawi	897	541	860	505	742
Khistawi	2376	2693	2224	2170	2589
Braim	183	117	119	96	57
Chapchap	671	592	479	331	292
Others	3605	3061	2729	2320	3562
Total	37018	37375	34529	25144	39023

Source: Annual Report: Ministry of Planning, 1985, p. 72.

Table 20

Total Production of Dates by Governorates, 1985

Governorate	No. of Female Trees (000)	No. of Prod. Trees (000)	Ave. Prod. Tree/kg.	Total Prod. (10 Tons)
Salah-Aldeen	113	93	31.6	292
Diyala	1460	1394	26.5	3690
Baghdad	1240	1071	31.6	3389
Anbar	894	724	40.1	2896
Babylon	2844	2171	42.7	9264
Kerbela	2262	1979	43.7	8645
Najaf	976	916	34.1	3121
Qadisia	733	651	34.4	2239
Muthana	299	258	31.2	805
ThiQar	966	720	15.7	1132
Wasit	500	432	29.1	1256
Maysan	251	198	23.2	458
Basrah	5284	2096	8.9	1836
Total	17822	12676	29.9	39023

Source: The Ministry of Trade, Annual Report, 1985.

Table 21

Number of Female Trees in 1976, 1985 (000)

Variety	Total No. of Female Trees	YEAR	
		1976	1985
		Total No. of Fruitful Female	Total No. of Fruitful Female
Zahdi	10821	8966	8232
Sayer	3833	3128	789
Hillawi	2242	1755	855
Khadrawi	1274	1083	554
Khistawi	772	615	762
Braim	90	80	38
Chapchap	228	147	181
Others	2582	2149	1265
Total	21842	17923	12676

Source: Ministry of Planning, 1985.

Table 22

Number of Orchards and Trees by Kind in 1985

Kind of Cultivation	Total		Rural Areas		Urban Areas	
	No. of Trees (000)	No. of Orchards	No. of Trees (000)	No. of Orchards	No. of Trees (000)	No. of Orchards
Date Palms only	10998	88015	7728	65358	3270	22657
Citrus Trees only	217	739	201	667	16	72
Palms & Citrus Trees	3705	9231	2607	6678	1098	2553
Palms & Deciduous	12528	26078	9579	19253	2949	6825
Deciduous Trees only	41559	47986	36733	39505	4826	8481
Mixed	28638	29814	22777	22389	5861	7425
Forest	27005	8426	22648	7684	4357	742

Source: Annual Report: Ministry of Planning, 1985

Table 23

Total Production and Average Yield kg. per Tree in 1985

Variety	Total Production (10 Tons)	Average Yield Tree/kg.
Zahdi	30055	36.5
Sayer	1067	13.0
Hillawi	659	7.7
Khadrawi	742	13.4
Khistawi	2589	34.0
Braim	57	15.0
Chapchap	292	16.1
Others	3562	28.2
Total	39023	29.9

Source: Ministry of Planning's Annual Report, 1985

and vinegar industries, 14,000 tons for making industrial alcohol and liquor and 3,000 tons for animal foods. Thus the total amount of dates and date products consumed in Iraq is about 72,000 tons per annum which represents 21% of Iraq's total date production. The remainder is either exported or stored for one or two years. Table 22 shows the number of orchards officially recorded in 1985. Statistics show that the total number of date palms was more than 22 million. Figure 3 indicates the distribution of palms throughout the country in terms of density.

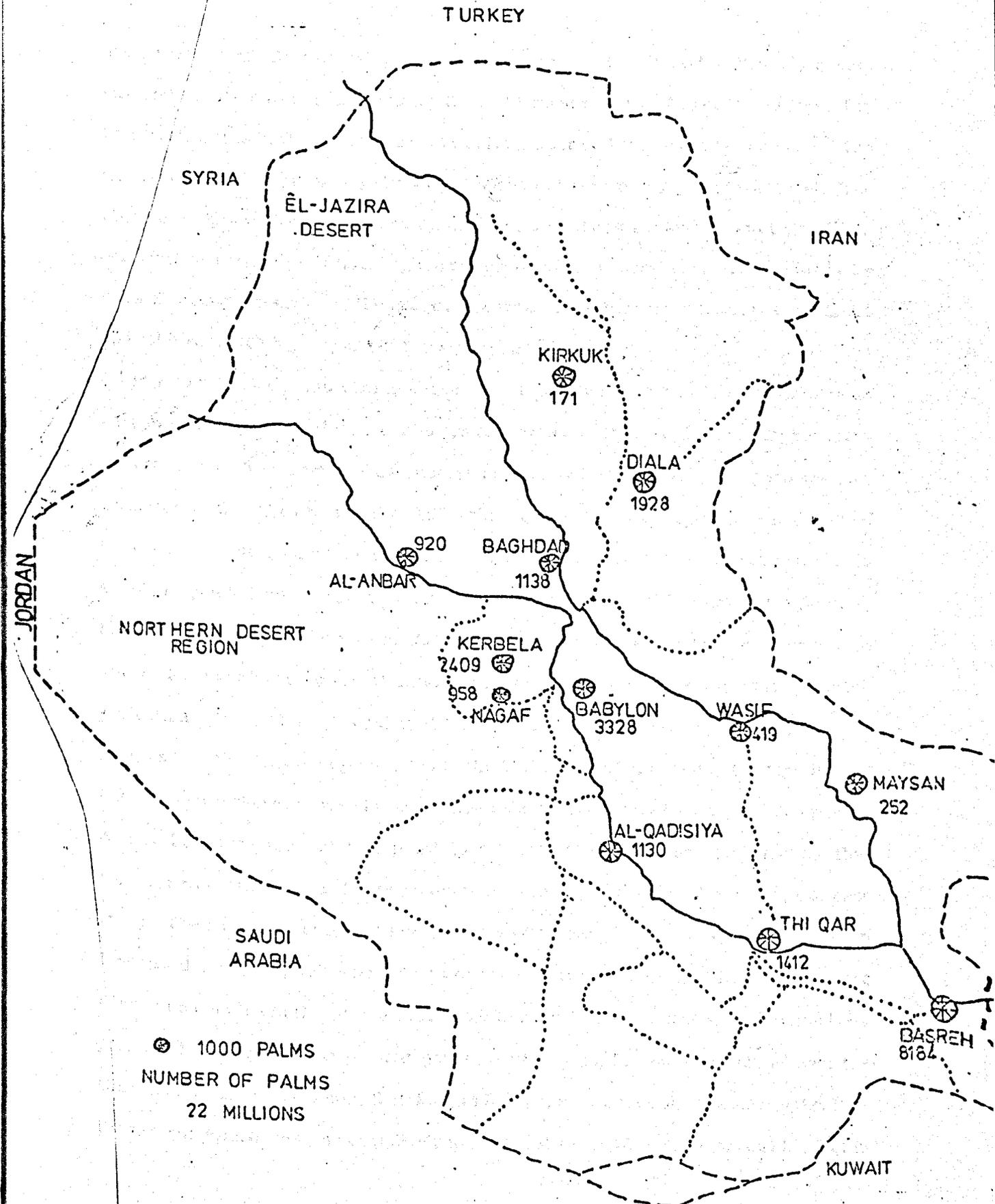
About 0.5 million donums are planted with date palms in Iraq, representing 50% of the area devoted to fruit orchards. There are about 600,000 owners of palm orchards, each with an average of about six donums. Table 23 shows the total date production together with with amounts contributed by each of the main varieties.

During March the blossoms of the female palm, the fruit-bearing tree, are pollinated by hand and about one month later it begins to fruit. Natural agents like wind and insects play their part in the pollination of the date palms but a large number of female palms would be needed to achieve effective pollination. Since the opening of the spathes extends over a period of one or two months, the process of artificial pollination is also continued during these months and in order to ensure pollination, a female palm is treated more than once. Inadequate pollination results in poor sets, failure of the seeds to develop and the production of fruit which is very small or late in ripening.¹⁹

Date palms and dates are attacked by a variety of pests in the orchards, packing houses, and stores. The 'Lesser Date Moth' bores into young fruits. Infected dates turn a reddish colour, become dry and consequently drop off. In some localities, over 60% of the date crop is lost. The 'Greater Date Moth' bores into the spathes and bunches, feeding on the flowers, dates and leaves. The level of infestation is 49% among spathes and 70% among date palms. Stored dates are attacked by many moths and beetles, the rate of infestation being 3% in October and 84% eleven months later. Some varieties

FIGURE 3.

PALM DENSITY
IN IRAQ



☉ 1000 PALMS
NUMBER OF PALMS
22 MILLIONS

Source: Annual Report Of Iraqi Date Administration.

are resistant to disease, while other, for example, Sayer and Hillawi, are very susceptible. Palm trees and especially their crowns are sprayed two or three times. The first treatment is in October, the second in November and the last in December.²⁰ The use of insecticides on many palm varieties has not shown any phytotoxic effect. The above description shows how vulnerable to infection dates are and this in turn affects the level of production. The high percentage of loss mentioned above caused by infestation is given serious attention by the authorities, bearing in mind that chemical control results in a higher yield of dates per palm.²¹

In general, date production is concentrated mainly in the middle Governorates as we mentioned above, and date palms are also grown in three of the thirteen Southern Governorates. The Basrah Governorate contributed 90% of the Southern region's production. Statistics provided in 1985 show that the Middle region provided 70% of the country's date production, the remaining 30% coming from the Southern region. It should be pointed out, however, that the density of palm trees per donum in the South is higher than in the Middle region. About 52% of all palms are in the Southern region and 48% in the Middle region. Ground cover by palm trees is so dense that they provide protection against the hot wind that blows in the summer season. The researcher believes that the decline in production in the Southern region is due to the high level of infestation mentioned above. Table 24 shows the number of date palms for each region. It may be appropriate at this point to reiterate the most important factors that contributed to the decline of date production as these have some relevance to our case study. The basic reason is that successive governments from 1920 onwards relied on foreign aid and after 1952 when oil was discovered, the availability of this major source of revenue resulted in the agricultural sector being neglected. Some attention has been paid to this sector by the present government, which, for example, introduced the Crusade Project. It is difficult, therefore, to find support for the subhypothesis, i.e. that the present government has completely neglected the agricultural sector, but the fact is

that this sector has received less attention than the industrial sector, though the interest of economic development would have been better served by promoting both sectors simultaneously. As a consequence of this neglect over a considerable period, farmers migrated to large cities and this created a shortage of labour in rural areas, so that orchards were not properly looked after and palm trees were neglected. This problem has been exacerbated by the primitive methods used in caring for the plants and processing the products and the low standard of services provided by the government which have also adversely affected both the quality and quantity of this crop.

Table 24

Number of Palms by Governorates in 1985

Governorate	Number of Palm Trees (100 Trees)
Salah-aldeen	1943
Tameem	10
Diala	18650
Baghdad	16437
Anbar	9874
Babylon	33896
Kerbala	26731
Najaf	10607
Muthana	3114
Thiqar	9402
Wasit	6624
Qadisia	8671
Maysan	2629
Basrah	65457
Total	214045

Sources: Compiled Report, Ministries of Planning, Trade, Annual Report 1985.

Farmers differ from workers in the industrial sector, who, without the necessary experience are often employed in the public departments involved in the agricultural sector. In fact these government bodies achieved losses for successive years. The researcher examined the balance sheets of 90% of these establishments and found that their outlay exceeded their revenue. Further evidence of the fact that orchard development by government appointees has been introduced without sufficient preparation is the uneconomical operation of properties the ownership of which has been re-allocated to official departments. This indicates the lack of care taken by those appointed to look after such properties. The researcher believes that these officials do not take their work seriously enough because their wages do not depend upon the quality of the service they provide. Many orchards suffer from neglect in these circumstances.

The weakness of these establishments and the lack of administrative assistance have been partly responsible for the decline in production. A recommendation concerning the government services that should be provided in relation to date palms was made by Lord Salter in 1955 during his visit to Iraq, when he stated that additional irrigation facilities were required as these would help to make more of Iraq's land open to cultivation. Capital investment for this purpose was urgently required in many areas to increase agricultural productivity and extend the availability of agricultural services.²² In 1954, floods affected a large area covered by palm trees, destroying a large number of off-shoots. Fourteen years later, disease badly damaged the dates in the Shatt Al-Arab area, damaging both the fruit and the leaves.

For a time farmers discovered that it was more profitable to use the land between the trees than to look after the trees themselves. The maintenance of palm trees requires special skills and involves considerable cost. Among the preparatory activities required are land cultivation, pruning, fertilising, trimming and so on. But when the land has been cultivated, farmers can then plant fruit and vegetables, thereby

avoiding the other 'time-consuming' and expensive activities. Moreover, appreciating that a higher return is guaranteed from growing fruit and vegetables instead of dates, they stop attending to their orchards and in the course of time, the date industry suffers. As a result of such changes in the utilisation of resources, the cultivation of palms as a business and as a source of earnings is neglected, a phenomenon occurring especially in the Southern region, particularly in Basrah where the decline in date production is most marked. By turning their attention to growing fruit and vegetables, farmers are likely to improve their standard of living and this makes growing dates an unattractive pursuit.

7.3.2 Date Processing

Date processing includes operations such as grading, transporting the produce to packing houses, capping and washing for packaging. Harvesting is a difficult and dangerous task. A man has to climb the date palm and cut the bunches of dates from the palm using a sickle or bill-hook and he then throws the fruit into a cloth held open below. Rotten or unripe dates are removed from mature date palms. Dates are graded twice. The first grading is before processing, the second during processing in the packing houses. Date grading depends on factors such as size, colour and ripeness. In modern packing houses, fumigated dates are washed with water to remove any contaminating material so that they are largely free of contamination at this stage. However, 7-23% of the dates still contain foreign matter. But after a second washing in a solution of water and ethylene oxide, the percentage of dates with foreign matter is reduced to between 6% and 21%. This is illustrated in Table 25. The dates are then automatically weighed and packed.²³

The above discussion reveals that date processing is crucial for marketing, as a means of increasing the product's competitiveness both locally and in foreign markets. In fact, effective processing enhances the contribution of the date industry to the

Table 25

**Infestation of Dates Varieties (%)
During Production Cycle**

<i>Variety</i>	<i>Insect Part</i>	<i>Plant Part</i>	<i>Soil Part</i>	<i>Other Causes</i>	<i>Before Washing</i>	<i>Washing with Water</i>	<i>Washing with Water & Soda</i>
Zahdi	8	33	54	5	69	23	17
Sayer	14	21	42	23	71	7	6
Hillawi	36	14	43	7	70	8	8
Khadrawi	19	26	38	17	76	20	21

Source: Ministry of Trade, Annual Report, 1979

Table 26

Production of Dates by Variety in 1979, 1985 (Tons)

<i>Variety</i>	<i>YEAR</i>	
	<i>1979</i>	<i>1985</i>
Zahdi	226,380	248,320
Sayer	54,880	15,350
Khistaui	30,100	22,240
Hillawi	37,730	17,510
Khadrawi	6,860	8,600
Bream	2,050	1,190
Chapchap	4,000	4,790
Others	31,000	27,290
Total	393,000	345,290

Source: Ministry of Planning, Annual Report, 1985, p. 70.

country's economic growth by increasing earnings from trade and consequently increasing foreign exchange earnings. During the past two decades, various crops, including dates, have traditionally been regarded as of great importance to the Iraqi economy. But after 1972, Iraq began to import a number of crops, though it has continued to export dates up to the present time because of its immense supply of date palms, although production has declined. Table 26 indicates the level of decline in date production between 1970 and 1983.

Overall production from all varieties declined from 393,000 tons in 1970 to 345,290 tons. But in spite of this decline, dates are still the leading non-oil revenue earner, accounting for 57% of the 1985 revenue. In the rural areas, about 30% of the population earn their livelihood from dates and about 18% of the Iraqi population is connected in one way or other with this industry. Moreover, for many owners involved in processing this crop, it represents their only source of cash earnings. Without this crop, such owners would remain outside the cash economy. Owners in this category are located mainly in the Southern region, particularly in Basrah.

Owing to the ignorance of farmers concerning the economic benefit to be derived from careful handling and processing of their produce, a large proportion of the product is often lost. In fact, the cost of using too much labour in date cultivation could be reduced considerably by employing mechanical methods. Many of the methods currently practiced could be improved so that product wastage would be reduced.²⁴ The researcher believes that appropriate modification of the harvesting tractors employed by local industry so that they could be used for palm pollination would increase the quantity and quality of dates.

Standardisation and grading is the most important aspect of date processing. It helps to reduce the risk of disease transmitted through the sale of infected products. The incidence of poor quality levels is also reduced by standardisation and this provides an economic benefit in that the image of the product is improved in foreign

markets. Efficient grading ensures that consumer needs and wants are met, which is a significant feature of the marketing concept. Such benefits were well summarised by Abbott²⁵ whose experience in developing countries is relevant to our present case study. He stated that standardisation and grading are much more widely accepted in some areas of agricultural marketing than in others, depending on the nature of the trade and the purpose it serves. They can be established successfully only where there is sufficient demand. Accordingly, some discretion is required when grading programmes are recommended. The above statement suggests that grading has an economic function to fulfil and it can help to improve the marketing system employed for agricultural produce in general and dates in particular.

For successful grading, a policy of price regulation must be implemented to provide farmers with incentives. Although we refer to price regulation again later on, it should be pointed out here that product classification should be hand in hand with price differentiation. Thus the advantages to be gained by farmers from the grading of dates must be made clear to them. Although grading appears to increase production costs, it actually increases the net returns per kilogramme.²⁶

7.3.3 Packaging of Dates

The rapid increase in the demand for dates by foreign markets made it necessary to change the packaging system. Thus attention to packaging was an important feature of the last decade, and an ever increasing demand for dates had a direct impact on developments in the packaging industry. But since the packaging materials are locally available one would expect that such a comparative advantage would be exploited for economic purposes. Unfortunately, in Iraq, the level of development in the packaging function is far behind what is required to compare with the packaging of other country's products. Although the economics of packaging will be discussed in the next

Chapter, the advantages to be derived from the efficient packaging of dates will be mentioned briefly at this point.

The traditional methods of packaging are still practised. The researcher believes that where thousands of tons are imported by countries such as China or India or countries in the Eastern Block, these methods of packaging are preferred because they are cheaper. Hence a considerable amount of foreign currency can be saved by not having to pay for more modern packaging which is more expensive. The researcher based his opinion on the fact that Eastern countries are very concerned about using foreign currency and try to confine trade within their own block as far as possible since no foreign currency is required. Most Western countries on the other hand are relatively rich and are prepared to pay more and expect a higher standard of packaging which is naturally more expensive.

The traditional containers used for packaging are woollen sacks, tins, baskets, skins, wooden boxes and cellophane bags, the last two being the most advanced types of containers. Perhaps surprisingly, all containers except sacks, tins and skins can be made from palm trees. Other packaging materials are also manufactured locally. Baskets made of woven leaves are the cheapest types of containers and these are used mainly for marketing dates in the domestic markets. This method is also generally used for marketing dates to neighbouring countries such as Kuwait, Syria and Saudi Arabia when transport does not take longer than two days, and 20% of the dates exported are packaged in this way. Tins and Jute sacks are used for exporting to countries which buy large quantities, such as India, Indonesia and various Arab countries. About 58% of all date exports are shipped in such containers. The remaining 22% is sent in wooden boxes and cellophane packages to the Western European countries, including the U.K., West Germany, France and also to the U.S.A. These packages come in different weights and sizes.

Companies in the European countries import dates in 70 lb. standard wooden boxes specially designed to carry the produce. At their final destination, these boxes are split into smaller consignments and packed into 1 lb. cartons. These countries have imposed restrictions against the importing of infested dates. For example, the U.K. has imposed restrictions and requires a certificate indicating that dates are free from infestation and thus dates sent to the U.K. and the U.S.A. often have to be repacked to meet these requirements. Care has to be taken to fumigate dates and to remove the stones which are replaced by various fillings to increase the attractiveness and texture of the produce. The researcher believes that efforts should be intensified at official level to extend this practice to other markets to improve the product's image and to stimulate exports in both new and existing markets.

As a final consumer, the researcher believes, based on his experience of living in the U.K. during his period of study, that some produce such as date syrup, despite its nutritional value is packed in unattractive tins without aesthetic appeal. Some of the tins are damaged and they do not provide clear information about their contents. Improving the quality, providing appropriate information in English and introducing a new type of glass container or small jar would encourage supermarkets to display the product in the same way as honey or other foods. Such a policy would be likely to improve the product's image and stimulate demand for it. It is worth mentioning that there has been a strong demand for date syrup in the world markets. In less than ten years, exports have doubled, reaching more than 5,000 tons per annum.

The above discussion reveals that the packaging industry could be improved, and become more competitive, not only stimulating demand for dates but also saving a considerable amount of foreign exchange. The date palm is valuable not only because it produces food for direct human consumption; it also provides other by-products as mentioned above, the palm leaves are used to make containers, cordage packaging and high quality mattresses, while date stones provide material for producing animal

fodder, of which there is an acute shortage (see Marketing of Grains). Above all, the date palm provides material for the paper industry. According to the 1985 statistics, the authorities planned to import packaging material to the value of ID500,000. About 73% of the plan was implemented at a cost of ID363,000. These figures show that a flourishing packaging industry is urgently needed in Iraq. The economic advantage this would provide should not be underestimated.

In the export trade, since dates have to travel a long distance to reach their final destination, improved packaging is urgently needed to reduce the damage that occurs so easily during transportation. An official stated that the inferior type of packaging used is one reason for Iraqi dates not being able to compete on the world market, for example against Algerian dates in Africa and Iranian dates in Western Europe. The researcher believes that improvement will start through negotiation with the countries concerned, introducing more modern technology, improving the performance of the present production line and above all, through undertaking marketing research into consumer needs and wants. Unfortunately, the researcher discovered through his interviews, that the only research of this kind was carried out by a French agency in 1977, and there is no indication that any use of this research has been made since that time. Although it is difficult to quantify the financial benefits derived from adopting new packaging techniques, these will be dealt with in our discussion of the economics of packaging in the next Chapter.

7.3.4 Date Marketing in Iraq

The date palm has great economic significance in Middle Eastern countries such as Iraq, Saudi Arabia and Iran. The trade in Iraq is developed to a greater extent than in any other country in the Middle East or South Asia, mainly due to the operations of the "Iraqi Date Administration" which has been part of the Ministry of Agriculture and Agrarian Reform since 1939. Even more has been achieved since the "Dates Marketing

Establishment" (DME) was founded by the Iraqi Revolutionary Command Council in May 1971, under Decree 910. The capital of this establishment, which is administered by the Ministry of Trade, amounted to ID3 million provided by the government. Its Board was given full control over the industry and the marketing of dates, including responsibility for contacting procedures and securing better prices in an attempt to reduce the influence of middlemen in the local market.

7.3.4.1 The Dates Marketing Establishment (DME)

The role of the DME is that of a distributor authorised to buy and market dates. It is headed by a Director General who is appointed by the Revolutionary Command Council and is assisted by the Board mentioned above. Its headquarters are located in Baghdad. It has six branches in the Middle and Southern regions of Iraq. The principal aims and objectives of the Board are to control and organise the date trade, to improve palm cultivation and date packing, to supervise the packing, storage, transport and export of dates and to provide assistance and appropriate facilities to the date industry and trade in this product by identifying consumer preferences in the foreign market so that increased demand may be achieved. The DME sets a price which will guarantee a minimum yearly income for the date growers, thus providing an incentive to increase production. There have been large increases in date prices since 1971. Between the 1970's and the 1980's the price of Hillawi, Khadrawi, Sayer, Zahdi-Basrah and Zahdi-Euphrates increased by 113%, 149%, 139%, 181% and 218% respectively. The date grower is free to sell his dates at a price higher than that set by the government but if he cannot do so, he can sell all his dates to the DME which is obliged to buy all his dates at the fixed price. In other words, price depends on official decisions rather than on the producer.

A comparison between dates and other agricultural crops such as grain for example, reveals that the annual percentage increase in production is higher for dates than for

the others. The researcher believes that such differences in price levels are the result of government policy which encourages the receipt of dates from producers for many reasons, such as the importance of this crop to the economy in terms of foreign exchange. This ensures government commitment towards other countries on the one hand, and crops such as grains which are mainly imported from abroad on the other hand. Accordingly, because dates have the support of guaranteed prices, they are subject to fewer problems than other crops.

The grading system, linked with this price context, produces many advantages since fixing prices for different grades is facilitated and farmers are encouraged to improve the quality and the quantity of their crop. This in turn provides other advantages, in that the reputation and image of the Iraqi dates in overseas markets is enhanced and their competitiveness is improved. Since it is not easy to introduce a standard grading system intended for dates for the foreign market due to the difficulty of ensuring uniformity of the produce, the official prices are based on date varieties, not on quality, and the farmer, being unaware of the importance of grading, mixes high and low quality produce together. The researcher believes that improving the image of the produce will increase its competitiveness which basically depends on its quality and taste and consequently establishing price differentials for different grades is an effective method of guiding production towards providing the quality the market requires.

Again, official prices depend to a considerable extent on the outcome of negotiations between Iraq and other countries, taking into account various political and economic factors. The official prices are fixed by the DME with government approval just as prices for grains and other crops are determined by the appropriate departments. The prices are usually fixed a short time before harvesting, so that when the fruit is still on the trees, farmers have no idea of the direction prices will take and, once these prices are fixed, they remain in force for the rest of the season. In this situation, there is no

incentive for farmers, just inconvenience. They can either sell the produce in advance, since their future return is uncertain, or they may be encouraged to harvest the produce as soon as they can in order to avoid any additional overhead cost, especially since prices remain constant. All these problems make farmers less willing to continue their business activities or to attempt to maintain the desired quality so that the consumer suffers. Such a situation is unacceptable from an economic point of view as the principal aim of the pricing mechanism is to ensure an adequate supply for the local market and above all to strengthen the government's position in foreign markets. The writer believes that the government gives priority to the latter aim since producers are free to sell their output in the local market. However, if the fixed prices are not convenient for farmers, they will not be able to take advantage of higher prices abroad since private producers are not permitted to engage in foreign trade. This may represent an income stabilisation from their point of view, and secure national revenue from government's point of view. But again this may be at the expense of quality. The above objective, namely, price stabilisation, was set out by a high level committee (OECD)²⁷ which stated that establishing a reasonable degree of stability by avoiding sharp fluctuations in prices and agricultural output was the first objective of price support policies which would help to ensure that producers received an adequate income. When price control is recognised as an incentive, then production is likely to increase, thereby providing the surplus required to generate additional foreign exchange. This view is supported by economists such as Bauer,²⁸ who stated that "Both the general progress from a subsistence economy to a market economy, and the production of particular crops (especially long period supply) are greatly affected by the price received by producers and prolonged payment of prices below market levels will tend to affect them adversely. This is implicitly but clearly recognised in the practice by governments the world over of offering higher prices for crops, the output of which they wish to encourage". He added, "This does not mean that the absolute level of output will

necessarily be lower, but only that it will be lower than it would be if prices were higher".

In particular, when producers achieve a high return from a particular product, they prefer to continue cultivating that product, which shows that an attractive price is regarded as an incentive. This was found to be the case in the fruit and vegetable case study which demonstrated that farmers in Iraq tend to produce the crop which has fetched a higher price in previous years. Thus the researcher believes that Bauer's view is valid in Iraq.

Moreover, this view could also be applied to other crops in the developing countries, where the necessary information is lacking. In this context, Falcon,²⁹ in his study undertaken in Pakistan, stated that "There may be significant acreage responses to changes in relative prices." He added, "It is even true in the case of food crops when climatic conditions are not overly severe and when there are good cash crop alternatives". However, it may be necessary to examine how far changes in the production of dates have been influenced by factors other than price variations. Further study would be required in that area which is not, however, our concern at the present time, although some of these other variables are referred to in Chapter 3, in which the agricultural marketing in Iraq is discussed.

Although a price mechanism for use in overseas markets is outwith the scope of our present study, one official stated that Iraqi dates face fierce competition from other date-producing countries. Thus, the best method of increasing sales overseas is to reduce prices. On the other hand, an official supported the researcher's point of view that when dates are of high quality, the level of competition will be reduced and there will be less need to lower prices. When the cost of production, including all overhead expenses, is reduced, the negotiating position of the DME overseas will be strengthened as a result of the comparative advantages Iraqi dates already enjoy.

The researcher believes that quantitative and qualitative improvements in the dates intended for export must start with the farmers. Officials also believe that in this respect the return from other fruit and vegetables is higher. This belief is based on a comparison of the cost of cultivating and maintaining these crops on a donum of land. In the case of other fruit and vegetables, farmers earn about ID300 a month, whereas in the case of dates, the monthly income is about ID25. Assuming that the season lasts about four months, farmers producing dates will earn about ID100 during that period. In other words, the difference in income is very large and in general, there is much less incentive to cultivate dates than to cultivate other fruit and vegetables and this affects the country's level of exports. In fact, there is a positive relationship between date production and export levels. In other words, the authority must meet its export contracts even if this affects the amount of produce available in the local market. Thus in some seasons, date prices in the local market mushroom unexpectedly. The situation becomes worse if some of the produce is consumed or stored by producers themselves, a practice pursued by 56% of those who have date palm orchards. In this situation, farmers are reluctant to use modern inputs and this leads to deterioration in the condition of the palm trees and a decline in production levels. With adequate care and servicing, the average yield per productive tree is at least 10 kg., whereas in a neglected orchard, average productivity falls to 3 kg., and eventually the quality of the dates is no longer suitable for commercial trade in both local and foreign markets. The information provided in Table 27, supports the above statements. It shows the net returns per donum for different agricultural crops. The high return from other crops obviously explains why individual producers prefer to cultivate crops other than dates. From each donum the net earnings from dates was ID25 per month whereas for crops such as okra and tomatoes, earnings are ID221 and ID107 respectively. It appears that earnings from other crops are seven to ten times greater. Faced with such price differences, farmers will regard other crops as more valuable, whereas dates will be

Table 27

Return per Donum for Various Agricultural Products: 1985

<i>Kind of Crop</i>	<i>Productivity Kg./Donum</i>	<i>Total Cost Kg./Fls.</i>	<i>Wholesale Price Kg./Fls.</i>	<i>Cost of Donum/ID</i>	<i>Revenue of Donum (ID)</i>	<i>Net Return Per Donum</i>
Okra	1852	77	300	184	405	221
Tomatoes	3203	63	250	146	261	107
Grapes	1590	53	550	232	577	345
Oranges	1910	80	490	129	270	161
Dates	1650	13.1	230	26.2	50.6	24.2
Apples	1490	53	550	232	577	345

Source: Ministry of Planning, Accumulative Statistics, 1977, 1985.

Table 28

Date Prices from 1979-1985 (ID/Ton)

<i>Variety</i>	<i>YEAR</i>		<i>1985</i>
	<i>1979</i>	<i>1980</i>	
Zahdi	26	30	50
Sayer	38	45	80
Hillawi	39	48	93
Khadrawi	38	47	92

Source: Ministry of Trade Annual Report, 1980, 1985.

regarded as inferior produce in monetary terms. To farmers, the superiority of other crops is indisputable. Table 28 shows that the prices of most varieties of date increased by 13-25% between the 1979 and 1985 seasons. During the same period, average food prices to consumers increased by nearly 155%, this reflects the low earnings of date producers.

In an attempt to provide further incentives, the DME, together with the farmers' cooperative movement, reorganised the delivery process. The packing of dates was carried out in some of the production areas rather than at the assembly points as was done previously. ID4 million was allocated to this function in the 1983 season, as opposed to 3.5 million in 1980 and only ID1.5 million in 1979. Although this experiment was implemented only on a limited scale, production increased from 98,000 tons in 1976 to 300,000 tons in 1978. This practice should be widened to cover other areas of production.

The trade in dates is not well organised and there are no specialised markets for this product. It is therefore difficult to have a detailed and effective price structure that applies throughout the country. Since information services are not available to the producer, he sells his products according to his own cash-flow situation and according to local rumours concerning the price of dates. Farmers are particularly vulnerable because they usually need cash in advance of the harvest and their indebtedness ties them to a specific money-lender. The marketing system involves a number of distributive steps, each of which has its profit margin so that the share available to the farmer is reduced. This point is discussed in various parts of this thesis.

The DME aims to bypass many links in the distribution channel, replacing wholesalers and sub-wholesalers where possible. It has established many assembly points where it receives and stores agricultural produce until it is despatched to the next link in the chain, i.e. the retailers. Collecting at the assembly points is not an easy task, as a high percentage of the dates are severely contaminated. In a few cases the

farmers prepare the crop for dispatch themselves. The DME is responsible for looking after the orchards with reference to harvesting and marketing. This is convenient for the farmers who are saved the trouble of transporting and storing their crops.

The problems faced by the date by-products industry are numerous and merit more detailed study on account of its economic importance. However, it is outwith the scope of our study. One particular concern is with issues that are relevant to marketing.

Although there is vast scope in the processing field, the industrial demand for dates is quite low. At present, small quantities are used for making date syrup, and there is an increasing demand for dates for the production of alcohol. This is illustrated in Table 29, which shows that only 1.3% of the total date production was used to make syrup, while 6.1% was used in the production of alcohol, this is out of 17% of the present total capacity. This is still the situation at the present time. It was estimated that a number of projects introduced throughout the country would use about 84,000 tons of dates a year for processing purposes. But this target was not achieved. The researcher believes that the decline in total production on the one hand and mismanagement of the processing industry on the other, account for the failure to achieve the proposed target. Table 30 shows that the consumption of dates for industrial purposes declined during the period 1980-1983, these being the most up-to-date statistics available during the researcher's visit to the DME.

The by-products from dates, such as alcohol, syrup and vinegar in spite of their economic importance, are made from low quality produce. Therefore, more official support should be given to the processing industry to avoid potential losses even from the small amounts involved. By so doing, exports would increase and the country would receive more foreign exchange.

Although the figures presented in Table 29 cover only five years, officials stated that the phenomenon they represent also existed before 1980. Statistics show that 547 and 833 tons were exported in 1984 and 1985 respectively, but a thorough study of potential

Table 29

Industrial Demand for Dates Production 1970-1978 (Tons)

<i>Season</i>	<i>Total Production</i>	<i>Date Syrup</i>	<i>% of Total</i>	<i>Alcohol</i>	<i>% of Total</i>
1974	385,000	19,243	4.9	13,396	3.4
1975	340,000	18,341	5.3	17,831	5.2
1976	459,608	13,396	2.9	28,246	6.1
1977	254,454	11,608	4.5	25,824	10.1
1978	476,830	6,221	1.3	29,311	6.1

Source: Ministry of Trade, Annual Report, 1979, p. 13.

Table 30

Industrial Demand for Dates Production, 1980-1983 (Ton/ID)*

<i>Season</i>	<i>Total Production</i>	<i>Value (ID)</i>	<i>Average Price</i>
1980	48408	1426859	29.5
1981	52561	1881631	35.8
1983	2235	99000	44.3

Source: Ministry of Trade, MDE, Annual Report, 1984.

markets must be undertaken. The researcher, following his interviews with officials, believes efforts should be made to encourage foreign companies engaged in food processing and the manufacture of confectionary to use dates in their industry even if the profit from the sale of dates is low. Such efforts might not achieve much in the short run, but they would represent a step towards increasing the volume of exports in the long run. Although Iraqi date syrup, for example, has a reputation for good quality in many importing countries, annual earnings from this source are low, totalling about ID60,000. Most exports of this particular by-product are to neighbouring countries, namely Syria, Lebanon and Jordan which account for 67%, 22% and 6% respectively. The remaining 5% is shared among other countries such as West Germany, Egypt and Saudi Arabia. Thus the DME should make every effort to find potential markets for dates and date by-products in order to increase their contribution to international trade, taking into account consumers' preferences, wants and needs.

The public sector's share of trade in these by-products is greater than that of the private sector, especially with reference to the volume of exports as the public sector takes more care and uses more sophisticated techniques, whereas the private sector employs less hygienic practices and lacks the advantages of modern technology so that the quality of its products suffers. With regard to date syrup, for example, 5% and 21% respectively were exported in 1985 by the private and public sectors.

A large amount of the dates wasted in different processing stages could be used by the alcohol industry. Making use of rejected produce would provide additional revenue and alleviate the development of the processing industry. However, the development of this industry was encouraged by the World Bank Mission following a visit to Iraq in 1951.³⁰ Although the researcher does not wish to encourage the consumption of alcohol, it is known to be effective for medicinal purposes and for this reason it is smuggled to neighbouring countries. The researcher believes that religious and social customs

directly influence domestic demand for alcohol. But foreign markets do exist. Just over half of the available capacity for making syrup and alcohol was actually used.

In our discussion relating to the marketing of grains, we found that grain for human consumption is sent to animal feeding mills, costing the government millions in foreign exchange, and often creating the kind of black market which brings chaos to the marketing system. Yet a potential, untapped, natural source exists which could greatly reduce the shortage of food stuff and grains for human consumption. An official stated that about 45,000 tons a year are unsuitable for human consumption. Since such a large amount could be used to produce animal feedstuff, a substantial effort is required to expand the available processing capacity for this purpose. The present capacity uses about 10,000 tons of dates to produce 24,000 tons of animal food. An expansion of the existing capacity to increase production of animal food from dates would reduce wastage associated with inferior quality and eventually reduce the amount of grain diverted to manufacturing animal feeding stuff.

Government initiatives should be directed towards introducing new projects to increase the capacity to produce vinegar, date syrup, alcohol, and animal feeding stuffs. The annual total capacity for producing each of these by products is 2,000 tons, 49,000 tons, 7,000 tons and 18,000 tons respectively. In other words, when these industries work at full capacity as planned, all produce of inferior quality will be used profitably. Moreover, when these targets are achieved, about 60% of the country's animal food requirements will be produced locally. Again, achieving these targets depends mainly on the level of production and coordination between the Ministries of Agriculture, Trade and Industry, without which the full effect of these projects will not be realised and capital resources will not be utilised.

Transport and storage problems are created by a lack of marketing specialisation. They constitute a cost which is justified as a means of avoiding waste and spoilage and preventing wide price variations when the supplies of a product with inelastic demand

are marked by shortage or glut at different times.³¹ Infrastructure is important to marketing efficiency. The transporting of dates is the responsibility of the seller rather than the buyer. Delivery time is irregular due to an inadequate infrastructure. The DME frequently suffers because of the shortage of facilities in the domestic transport system, especially where perishable produce is concerned. The scarcity of trucks has constituted a major difficulty for the DME. Poor road links between rural and urban areas make the creation of a sound marketing system extremely difficult. Producers are located in areas which cannot be reached easily. This increases costs and travelling time and often results in the deterioration of products. To penetrate into the more remote rural areas and expand the agricultural industry, adequate roads are required as their absence presents a serious obstacle to successful commerce. It has become obvious that the process of economic development in Iraq is concentrated in the cities rather than in the rural areas but the latter are areas of vital importance in which more investment should be made.

Agricultural economists devote a great deal of attention to the transport facilities required for agricultural produce. They regard efficient transport as essential for agricultural development. Mosher³² emphasised that transportation is the most important of the five elements he regards as essential for agricultural improvement.

A large part of the population (an estimated 4 million) do not benefit from increases in oil revenue in the form of increased purchasing power. The solution to this problem is to redistribute income among the various classes and thus stimulate the national economy.

Reminding the reader about Chapter 1, the crucial problem hampering the development of effective transportation is the high cost involved and this particularly affects the marketing of fruit and vegetables. Iraq's inland waterways have an important part to play in transporting dates as most orchards are situated along river banks. This method of transport could also be useful for other products that are

important to the economy. Iraq has an extensive waterway system for domestic transport purposes and it also connects Iraq with international maritime routes.

The researcher believes that effective utilisation of these resources would reduce transport costs, improve the welfare of those who live near the rivers perhaps by encouraging tourism throughout the country, at least at domestic level. Table 31 compares the cost of waterway and railway transport in 1985. The figures show that the cost of waterway transport is only half that of rail transport. This comparative advantage must be utilised. In Iraq there are 3,425 kms. of waterway. The two main rivers, namely, the Tigris and Euphrates, account for 2,305 kms. or 73% of the total and together constitute the Shatt Al-Arab waterway, the Iraqi gate to the Arabian Gulf, providing a sea link with the rest of the world. All the date orchards in the South and most of those in the Middle region are located along the river banks which provides an opportunity to reduce costs if these facilities are fully utilised. Less than 24,000 tons of different consumer and industrial products are transported annually by this means. The statistics relating to the transport sector provided in the first chapter which gave a gloomy picture of the extent to which these natural resources are utilised, reinforce the above statements.

In this context, effective storage and transport services should be supplied in these areas to increase the marketing infrastructure, as a large proportion of the perishable products are cultivated here. Moreover, most of these crops are produced on a seasonal basis. Attention was drawn to this in a study undertaken for the FAO relating to the marketing infrastructure. What is relevant to this case study is that proper storage, for example, enables export to be so adjusted that the time and place of production coincides, as far as possible, with the time and place of consumption. Dates, for example, should reach the Islamic countries before the holy month of "Ramadan", the month of Fasting. Such infrastructure also assists in reducing shipment costs by

Table 31**Comparison Between Costs of River and Rail Transport (Ton/ID)**

<i>Commodity</i>	<i>Transportation Cost by River</i>	<i>Transportation Cost by Rail</i>	<i>Delivery Times</i>	
			<i>By River</i>	<i>By Rail</i>
Sugar	4.0	5.0	2	3
Tea	4.8	11.0	2	3
Iron	5.0	10.0	3	5
Wood	5.0	7.0	3	5
Vegetables	4.0	11.0	1	2
Fruits	4.0	7	1	2

Source: Ministry of Planning, 1973, 1985.

enabling bulk shipments to be organised. This in turn encourages producers to increase their output, all of which helps to secure price stabilisation.

Primitive methods of storing dates are employed at the present time, the available facilities being of a rudimentary nature. This is not a situation in which successful export operations can be conducted. In fact, advanced storage techniques are essential if the quality of crops for export is to be improved. Although efforts have been made by the government to create additional storage capacity, many of the producing areas lack basic storage facilities, resulting in further damage and increased loss due to exposure of the produce to bad weather conditions or infestation. An official told the researcher that methods of storing are for the most part unsatisfactory. The problem is exacerbated when methods of cutting the fruit from the tree are primitive, or, for example, when this work is carried out by long-term prisoners or old women. The total cold storage capacity is about 11,000 tons, whereas the average annual production is more than 200,000 tons. In other words, modern storage facilities are available for only 6% of the total production, which is clearly a very low proportion. In the Middle and Southern regions concrete buildings used as warehouses have a total capacity of about 140,000 tons. Such an inadequate infrastructure causes some of the problems encountered in marketing dates in both domestic and foreign markets.

Referring to the small quantities produced in each orchard to provide most producers with their livelihood, the researcher believes that improving the existing warehouses and giving more encouragement to the private sector to establish new storage facilities, even at a basic level, with government assistance, are steps that are urgently required to help the national economy during the period prior to the provision of a modern cold storage system. To avoid any planning failure, a careful study of actual requirements must be undertaken. This would be based on scientific and accurate information relating to average annual production, also taking market conditions into account. Moreover, consideration should also be given to applying the

same techniques to fruit and vegetables. In economic terms, such measures would result in improved utilisation of resources and provide a better return on the capital investment made available by the government.

The establishment by the government within the last development plan of cold storage facilities for an additional 10,000 tons in both regions indicates the level of official concern about the shortage of such facilities, but more effort is required and it seems that the government bears a heavy responsibility in this area.

With regard to the marketing of fruit and vegetables in Greece, McCorkle³³ emphasised the importance of cold storage facilities. The following quotation has relevance to our present case study. "Storage and cooling of produce for export is essential to maintenance of quality and to a limited extent, adjusting variable supplies to market demands and available transportation. Most vegetables and fruit products undergo extensive chemical change within a few hours after being picked if they remain in the heat of the day. Ideally small facilities should be erected at many locations in Greece to ensure proper cooling of produce". The conditions to which these comments apply, also exist in Iraq.

7.3.5 Foreign Trade in Dates

Before dealing with the importance of dates to the Iraqi economy, it may be appropriate to consider the importance of marketing information. Data concerning consumption levels, estimates of future demand, and price trends, and farmers' evaluation of their produce and details of market conditions all constitute the type of market information which determines the level of competition and helps to improve bargaining power. For the DME, this information is vital to enable it to draw up future strategic plans relating to the world market. In fact, such information is crucial not only for the DME but also for the producers since it can help the latter to make decisions concerning appropriate output levels and to take steps to supply the quality that obtains higher prices from the

DME. For the DME, such information is important, as this establishment is responsible for adhering to the terms of signed contracts and information about prices and data concerning demand and supply can be used as a guide to prevent any losses in the existing market caused by customers transferring their business to the DME's competitors.

The importance of marketing information for the growth of agricultural production and trade in developing countries was clearly stressed by Professor Abbott.³⁴ He stated that "Lacking information as to prospective value of produce and where they can sell it advantageously, farmers may not even try to grow and market some crops in current demand for which their land is suitable". The absence of adequate information is a frequent cause of physical waste. For example the provision of appropriate information would enable producers to avoid saturated markets and ship their produce to markets where it is actually required.

About 150,000 tons of dates for human consumption are exported from Iraq every year. This produces revenue to the value of at least ID9 million and constitutes about 70% of annual world exports of dates. Table 32 shows date exports as a proportion of total Iraqi exports. Although their contribution has declined in recent years, this is mainly due to an increase particularly in the 1970's in the value of oil exports rather than a decline in the value of date exports.

In 1985, dates still constituted over 14% of Iraq's revenue from exports other than oil. Table 33 shows the change that has taken place in the roles of the private and public sectors in recent years, with regard to the export of dates. The public sector has continued to be more dominant, a point already referred to in connection with the export of date syrup which constituted 91% of Iraqi date exports in 1978 and 85% in 1983. The DME entered a new market in Europe. Since consumers there required specific types of dates with improved packaging, the price of each ton sold abroad

Table 32

Dates Exports as a Proportion of Total Exports, 1979-1983 (M/ID)

Year	Date Exports	Total Exports	Dates as of Total
1973	10.016	32.523	30.8
1974	8.313	28.130	29.6
1975	11.493	35.565	32.3
1976	11.819	46.530	25.4
1977	11.230	42.700	26.3
1978	13.748	62.914	21.9
1979	12.507	83.687	15.4
1980	12.481	121.984	1.0
1981	8.471	168.059	0.4
1982	7.613	15.544	4.6
1983	2.287	81.801	0.3

Sources: 1. Ministry of Planning, Annual Report, 1985.
2. Ministry of Trade, Annual Report, 1983.

Table 33

Dates Exports by the Public and Private Sectors, 1979-1983 (Tons)

Sector	Variety	YEAR					
		1978	1979	1980	1981	1982	1983
PUBLIC SECTOR	Zahdi	151743	166541	146181	86935	107002	12941
	Hillawi	9986	2884	4624	1318	3665	1109
	Khadrawi	1543	656	412	-	-	577
	Rutab	34981	6	292	43	-	-
	Sayer	5579	9987	12705	8430	1975	511
	Bream	15	6	672	-	153	191
Sub Total		213,847	187,427	164,886	96,726	112,795	15,289
PRIVATE SECTOR		1,523	29,440	17,705	13,007	19,579	29,085
Total		215,370	216,867	182,591	109,733	132,374 *	44,374 *

** The big fall in Public Sector exports in 1982/83 is due to the country's circumstances.

Sources: Ministry of Trade, Annual Report, 1983.

increased. The average price per ton increased from ID31 in 1969 to ID160 in 1984, i.e. a rate of increase of 8.2% per annum.

The importance of dates for export purposes must not be underestimated. According to the Ministry of Trade, the percentage of exports represented by this crop is higher than that of any other commodity excluding oil. Table 34 shows the importance of dates in relation to total exports. They accounted for 45% and 57% of such exports in 1984 and 1985 respectively. Four of the four hundred and fifty varieties are the main ones exported. Table 35 provides a summary of the quantities exported according to the type of package used. Although the data obtained by the researcher is six years old, it is important to draw attention to inadequate packaging and emphasise that new methods of packaging must be introduced in order to make the product more attractive and, more important, to reduce spoilage. In fact, packaging is one element of the marketing mix which must be designed in keeping with consumers' preferences. In other words, the marketing concept must be adopted in relation to that aspect of the food industry.

The data in Appendix 5, which was obtained in an interview with the commercial staff of the DME, shows the quantity and value of dates exported by various countries between 1975 and 1985. In 1985, Socialist Asian countries imported the greater proportion, 41%, followed by non-Socialist Asian countries with 20%, Eastern Europe with 15% and Middle Eastern countries with 17%, while America and Canada accounted for only 7%. The decline in exports during the years 1984 and 1985 is closely related to the country's political situation which seriously affected the ability of farmers to harvest their produce.

Table 34

Total Exports of the General Establishment for Exports (ID)

Details	Value (000ID)		Percentage of Change %	Importance Percentage	
	1984	1985		1984%	1985%
Export of:					
Food Products	916.5	1208.3	32	30	20
Chemical Products	28.6	256.4	798	1	4
Construction Products	572.7	630.2	10	19	10
Textile Products	75.7	333.0	340	2	6
Engineering Products	100.7	206.3	105	3	3
Dates	1374.6	3488.9	145	45	57
Total	3068.8	6123.1	100	100	100

Source: The Ministry of Trade, Annual Report, 1985.

Table 35

Quantity of Dates Exported According to Package 1970-1979 (Tons)

Year	Carton (Hard Cover)	Boxes	Sacks	Tns	Total
1970	57,729	156,500	84,785	7,272	306,286
1971	55,290	96,503	78,789	4,711	235,293
1972	63,756	126,744	95,316	5,543	291,359
1973	68,866	102,582	80,503	3,811	255,762
1974	66,129	105,154	120,285	6,515	298,883
1975	62,563	80,871	95,578	6,680	245,692
1976	63,892	63,174	156,596	10,239	293,901
1977	46,582	22,883	110,463	225	180,153
1978	68,350	29,824	133,760	277	232,210
1979	45,921	421	128,511	30	174,883
1982	31,000	348	101,422	25	132,795

Source: Ministry of Trade, DME Working Paper, Baghdad, 1979, 1982.

Conclusion

This subsection set out to investigate the problems and obstacles affecting the development of the date industry in Iraq, the factors affecting the level of production and the reasons for the decline in exports to foreign markets, with particular reference to marketing. Some incentives must be given to growers, as most take very little interest in the development of their orchards. Statistics show that the return available from this crop is less than that from fruit and vegetables. Comparison shows that the daily or seasonal return is lower for dates than for any other crop. Thus many farmers no longer tend their orchards and devote their attention to other activities. Moreover, farmers may not receive the officially declared prices, but sell their produce to middlemen to whom they are indebted so that they remain poor and in a weak bargaining position.

One incentive for farmers would be provided by announcing the pricing policy before the season starts thereby ensuring stabilisation of prices for agricultural produce so that farmers would realise that a reasonable return would be obtained, but neither the farmers nor the authorities fully understand the importance of such a policy. Farmers must improve the quality and quantity of their produce, and the government should ensure that a fair pricing policy is implemented to encourage farmers to increase their output. If these actions were taken, they would provide a solution to the social, technical and marketing problems affecting palm orchards.

It is unfair to pay a uniform price to farmers without differentiating between quality levels, if a better type of produce is wanted for export. Such a policy treats good and bad produce as equal and therefore does not encourage farmers to improve their quality control and to take more care of their orchards. In fact, a uniform policy benefits those with low quality at the expense of those who produce better quality

produce at greater cost to themselves. Thus, prices paid to farmers should be more favourable, irrespective of world prices. Thus when world prices are high, farmers will be better off, and when they are low, the government should subsidise the produce to reduce the financial uncertainty experienced by farmers in relation to their produce.

Inadequate warehousing and handling facilities leave the farmers' products at the mercy of weather, insects and so on. Shortages of food products are aggravated by inadequate methods of storing and warehousing. Losses caused by diseases are serious, and often control measures are directed mainly towards insects, rarely towards diseases. Inadequate insect control frequently results in damage to fruit that has been picked and stored. Damage to dates caused by pests is estimated to total ID3 million per year or about one third of their total export revenue. The price of first grade varieties may drop by as much as 50% if infestation rises about 5%. To reduce crop damage, dates should be picked as soon as they ripen and thereafter be fumigated as soon as possible and stored in suitable conditions.

The country has no facilities for the implementation of market research. Evidence suggests that it is better for the DME to undertake this work by means of an intense advertising campaign using the Commercial Councils attached to Iraqi Embassies abroad. The researcher believes that the DME could collaborate with students pursuing higher education in Western Universities in order to identify consumer attitudes and preferences in relation to this crop.

Since dates are grown mainly in underdeveloped areas, their cultivation has not received the full attention it deserves. Dates contain a considerably high proportion of digestible nutrients which could be used in the West as pasture supplements for pigs and as food for domestic animals. Iraq has the potential to become one of the biggest exporters of animal foodstuffs in the world. But the palm is not simply a food-producing tree; it also provides wood for fuel and both ropes and mats are made from its branches. Again, the absence of scientific research has seriously affected the demand

for Iraqi dates despite their superiority over varieties available in other date-producing countries. Effective action must be taken to improve existing demand, by identifying the factors affecting consumer satisfaction and encouraging the adoption of new techniques. The Iraqi Centre in London was closed due to its failure to stimulate demand in the U.K. The researcher believes that officials in that Centre had little or no experience in marketing and simply acted in their capacity of employees in a government department instead of thinking in commercial terms. Research carried out by a French agency in 1977 on consumers in the U.K. showed that people in the South of Britain consume more dates than those in the North, as the latter consumed more dried fruit. The researcher believes that the opposite should be the case, i.e. since dates have a high calorific value they make the body warmer and they should therefore be consumed to a greater extent in the North where it is colder. One message, therefore, to the DME is to concentrate more on consumers in the North. Other measures must be taken such as reducing costs, improving packaging, and introducing to the market, new products, for example - including dates in chocolate bars.

High quality improved, pressed dates, accounted for about 27% of the annual exports to Europe and the United States in recent years. The data available indicates that there is an increasing demand for dates in this form. The Hillawi is a favourite date with the American consumer, probably because of its light and attractive colour. The greatest obstacle to the export of dates is the narrow time gap between the harvesting season and the best time for selling. Demand is at its highest in Europe during the Christmas season and in the Autumn. The harvesting period and the time when demand is highest unfortunately do not coincide, the time lag being so great that it is extremely difficult to maintain the desired quality level. Again, better methods of processing and packing are required to enable foreign demand to be met.

Dates are also in great demand in neighbouring Arab and Islamic countries, where 90% of the population are Muslims, for whom the date holds a special religious

significance. These markets could be exploited far more than they have been up to the present time. This supports the third part of our hypothesis, namely, that religious factors have an effect on food products, but we shall discuss this point in greater detail in the next Chapter.

An official told the researcher that, surprisingly, dates from California are the strongest competition Iraqi dates face, particularly certain varieties. Basically, palm trees were transferred from Iraq to California, where they were grown in a similar climate. The researcher believes, and in this he has the support of officials, that the quality of United States dates was improved by using advanced technology which enhanced their image in world markets. An official stated that consumption by Muslims remains constant, but the researcher believes that there is a potential market in other Islamic countries such as Malaysia and in other African countries, particularly in those which have recently become independent. The high population of these countries may encourage the Iraqi government to take appropriate steps.

The adoption of the appropriate technology would enable Iraq to take the lead in the sugar industry. Officials stated that the technology for manufacturing table sugar exists in Japan. The availability of the necessary raw materials - mainly dates - would provide Iraq with the opportunity to affect sugar prices in the world market. Since the government has the ability to provide the finance for such projects, it should, as a matter of urgency, take steps to implement these projects which could, in practice, prove to be of immense value to the country's economy.

The DME has played an active part in finding new markets and has made some efforts to raise commercial standards, but the task of improving the date marketing system remains an urgent one, requiring cooperation between producers, buyers, the DME, exporters in the private sector and so on. For example, dates should reach Islamic countries, before "Ramadan" the holy Fasting month, and the European countries before "Christmas". Improving this market is not therefore the sole

responsibility of the government. Part of the responsibility must lie with the General Union of Cooperative Peasants which should educate its members about their products. The inability of the movement to compete with other retailers is generally believed to be due to faults in the organisations' structure. Date growers should form a special cooperative which would provide credit and training facilities and help with improvements in picking, packaging and preserving the produce. Credit difficulties and a general shortage of financial resources force farmers to harvest their crops too soon. Accordingly, they do not care for their crops properly and this reduces their competitiveness in world markets.

Political factors may have an effect on countries with which contracts for the sale of dates will be arranged. Any adverse effect would be reduced if Iraq's political images in the eyes of other countries was enhanced and relations between them were based on an interchange of benefit on the basis of equality. However, efforts must be made by the DME to negotiate with the international food industry companies - particularly in Socialist countries such as Czechoslovakia which produce sweets and confectionery for European countries including the U.K. about the possibility of using date products in their industry.

To facilitate the marketing of dates in both local and foreign markets, it is essential to reduce the transport costs which are high because existing transport routes are not fully utilised. The use of the railway to reach the local market, and waterways for exporting could provide the most effective transport methods at lower cost if the existing networks were improved. The allocation by the government of ID268 million for railway projects to link Iraq with Syria, Turkey and Western Europe represents an important step towards achieving this end, but more work is needed to extend the network throughout the country. Increased utilisation of waterway routes which are usually cheaper than other methods, would link Iraq with routes throughout the world. About 18% of dates are exported to the Gulf states by waterway routes and more than

60% of all date exports are transported by this method. Officials told the researcher that high transport costs still constitute an obstacle to selling dates in foreign markets. Most countries prefer to have the produce reach their countries under the umbrella of DME responsibility whereas the DME prefers the F.O.B. system. The researcher believes that improving Iraq's trade image and utilising efficient transport methods might minimise such problems and improve the country's bargaining power in foreign markets. But above all, greater flexibility by the DME concerning the question of selling is very important, to avoid exposing the unsold dates to further damage, particularly at the present time when Iraq lacks adequate storage facilities.

Better organisation of transport and storage might reduce the effect of the narrow time-gap between harvesting and the best sales periods, as mentioned above, namely Christmas and Ramadan, the holy month.

The above conclusions indicate that Iraq, despite its comparative advantage as the world's largest date-producing country, has little control over date prices in international markets, and faces serious competition from other producing countries such as Algeria and Iran. There is a lack of management skills at farm level as most farmers have a low level of education which makes it difficult for them to own or develop their orchards effectively. At an official level, greater managerial skills are required to enable an acceptable price policy to be implemented so that fair prices can be secured for farmers.

The level of production clearly has an effect on the level of exports, but the relationship between the level of production and the amount available for sale in the local market is not necessarily positive, as the authority's priority is to ensure its foreign market commitments are met, even at the expense of the amount available for local consumption. Figures show that the decline in production has an obvious adverse effect on the country's level of exports and this decline is to some extent the result of inefficient production methods and general mismanagement.

The researcher believes that the DME has concentrated on foreign rather than on local markets but the criterion of success when domestic and foreign markets have to be served is the extent to which local consumers and the national economy benefit. In the last ten years, despite the present political situation in the country, there has been a noticeable decline in the quantity and quality of dates available in the local markets and a considerable increase in unofficial prices. Since this has been largely due to defects in the marketing system, the DME must take further steps to ensure that the marketing of this crop is implemented more effectively. The researcher hopes that the above discussion will help to prepare the way for improvements in the date marketing system as that the country's interest will be better served.

7.4 Marketing of Grains Introduction

Instability is a general characteristic of the agricultural industry. Accordingly, price movements vary to a significant extent from year to year, and when the most of the produce required for the home market and surpluses are marketed, the price is usually low. Such downward price movements were referred to in Chapter 6. Farmers need to repay their loans or receive cash payments. The lack of storage and other facilities explains why most marketing takes place soon after the harvest. Seasonal price changes occur for the reasons we mentioned at the beginning of this introduction, namely unforeseen production fluctuations, the poor market information system, and above all, inaccurate or unscientific forecasting. When there is a shortage of agricultural produce which is capable of being forecast, government policy naturally is to import in order to meet the deficit, but a point worth mentioning here is that seasonal price variations become quite marked because of the unpredictable form government intervention takes when such intervention should be to achieve price stabilisation.

The traditional marketing system may have been a limiting factor to agricultural development in Iraq. Therefore the present government has tried to improve

marketing facilities with the purpose of increasing the availability of agricultural products in the market for the population through the establishment and enhancing the establishing firms which are dealing and responsible for the market of these products within their own fields. The history of government intervention in the marketing of agricultural produce started in the 1970's as we shall see later. Intervention by the government seems to be vital in times of food shortage as it benefits the whole population despite their low purchasing power whereas the private sector may exacerbate the situation by causing price inequity by transferring the products to urban areas where purchasing power is high and when there is a surplus, farmers have no incentive to grow these crops. Thus government intervention is directed towards the distribution of agricultural produce and the stabilisation of prices.

7.4.1 Crops Characteristics

In general, grains constitute the basic diet of the Iraqi populations. The main types of grain grown in Iraq being wheat, barley and rice. Those three grains, individually or together are consumed every day. At one time wheat was eaten mainly by the rich, particularly in urban areas, and barley was the staple food of the poor, especially in rural areas. As the people's standard of living improved, wheat flour was commonly used throughout most areas of the Middle and Southern regions. Wheat and barley are grown on both irrigated and dry land, but the latter is much more suited than wheat to the arid climate, requiring less water and being more tolerant of soil salts.

Bread, which is consumed daily is made from high extraction wheat or barley flour in both urban and rural areas, though bread made from barley flour is still popular in the rural areas. Throughout the country bread called "Khubus" and "Regheef" is made in one hundred gram disks. In the rural areas of the South, a similar kind of bread called "Tubag" is made of unleavened barley or of millet and rice flour. In the North, wheat is

used as "Burghul". Corn and millet, which are popular in the Middle and Southern areas, are used in soup as well as in bread.

Wheat consumption has increased considerably in the last two decades. The variety which is grown in the North region is of a high quality and can even compete with imported varieties while wheat grown in the Middle or the Southern provinces is greatly inferior to the imported or Northern varieties. Thus, in the latter areas, farmers have sometimes found it more profitable to produce other agricultural products such as beans, sesame, soya or cotton.

Grains represent almost one third of Iraq's total agricultural production, wheat alone accounting for 41% in 1985. The areas allocated to grain have increased considerably in the past and are continuing to do so, to keep up with the growth of population which has increased by at least 60% since the 1950's. This increase has occurred mainly in the North part where dry-farming areas of marginal steppe lands bordering desert regions have been brought under cultivation, using mechanical equipment. This has taken place in spite of fluctuations in the level of winter rainfall. Table 36 shows the total production of grain crops for the period 1981 to 1985.

The Table shows that the areas cultivated have increased to a considerable extent. For example, areas used for wheat, barley and rice increased from 4.8, 4.1, 0.2 million donums in 1981 to 6.2, 5.8, 0.3 million donums in 1985 respectively. But on the other hand, despite such increases in the areas cultivated, productivity decreased instead of increasing, and this supports the researcher's view that the decline in production persisted after the period when land reform was implemented, for reasons mentioned in Chapter 5. Where there are marked variation in production levels, this also has an effect on government programmes intended to ensure that sufficient grain is available. Table 37 shows that variations in the level of production affect the programmes of grain buying at national level, so imposing major constraints on the government and the types of food present in the local market. Sometimes the differences between

Table 36

Area Yield and Production for Main Cereal Crops, 1981-1985

Crop	Year	Cultivated Area (00 Donum)	Harvested Area (00 Donum)	Yield Kg./Donum	Production (00 Ton)
Wheat	1981	48,469	47,700	186.1	9020
	1982	47,277	46,738	204.1	9651
	1983	51,261	47,653	164.1	8410
	1984	52,712	19,708	89.3	4709
	1985	62,661	61,609	224.3	14055
Barley	1981	41,947	39,355	220.4	9247
	1982	46,654	44,410	193.3	9020
	1983	55,655	48,663	150.1	8355
	1981	57,439	21,017	83.9	4820
	1985	57,948	54,264	229.8	13314
Paddy	1981	2290	2180	708.3	1622
	1982	2450	2305	666.8	1634
	1983	2272	1956	486.4	1105
	1984	1810	1566	600.5	1087
	1985	2452	2101	607.0	1489
Maize (Seeds only)	1981	1042	705	376.8	393
	1982	794	477	354.7	282
	1983	1086	600	259.0	281
	1984	1389	775	223.0	309
	1985	1363	857	300.4	410
Millet	1981	41	35	204.0	8
	1982	11	10	201.0	2
	1983	87	78	163.0	14
	1984	123	116	202.0	25
	1985	98	94	158.0	16

Source: Ministry of Planning Annual Report, 1985, p. 59.

Table 37

Comparison Between Planning and Achieved Buying Programme
Of Grain (Domestic), 1976-1983 (Tons, 000)

Year	Expect. Buying	WHEAT			BARLEY			RICE		
		Actual Buying	%	Expect. Buying	Actual Buying	%	Expect. Buying	Actual Buying	%	
1976	300	589	196	10	21	205	30	67	225	
1977	500	150	30	15	16	109	50	91	183	
1978	350	298	85	20	43	215	120	115	96	
1979	500	182	36	33	41	124	100	122	122	
1980	300	399	133	35	200	570	145	63	44	
1981	500	336	67	50	289	577	140	73	52	
1982	350	405	115	250	230	92	110	110	100	
1983	250	233	93	150	85	56	110	89	89	

Source: Ministry of Trade, Annual Report, 1983.

planned and actual production were as high as 30%, 56% and 52% for wheat, barley and rice respectively during the period 1976 to 1983. Such variations directly affect stock levels at the end of each year, a situation which may threaten the national interest.

Until the 1960's, Iraq had been self-sufficient in grain, with a small amount available for export, but since the level of production has dropped, wheat, barley, rice and even fruit and vegetables have had to be imported. Until 1972, Iraq was able to export some of her grain production to neighbouring countries. Table 38 shows export trends from 1965-1972. Iraq started to import grain after the Land Reform System was introduced in 1970 therefore the hypothesis that production declined immediately after the implementation of the land reform system appears to be supported. Table 39 which shows the trend for major imports over a number of years, indicates that they have increased in both volume and value, especially in the most recent period, and that the rate of imports was higher during periods of lower production. Thus, the recovery of agricultural prosperity in Iraq is possible.

Most of the grains grown in Iraq are of the winter season type. Usually the land is pre-watered in October of each year and ploughed again one month before planting. During the last two months of the year, the seeds are planted in small areas by hand and in larger areas by machines. The yield is then harvested at the end of the fifth month of the following year.

Machinery undoubtedly plays an important part in the development of the agricultural sector, and particularly for certain crops. The use of the tractor is becoming increasingly popular particularly by private sector farmers. The government sometimes makes an effort to provide the necessary machinery and implements which may be available for hire from stations built for this purpose by specialised cooperatives. The researcher's opinion is that these services are very limited in terms of quantity and quality and greater efforts are required. The officials working in this field lack technical experience and the experiment has not been successful. Intensive

Table 38

Trend of Grain Exports, 1965-1972 (000ID and Tons)

Year	WHEAT		RICE		BARLEY	
	Quantity	Value	Quantity	Value	Quantity	Value
1965	1,312	30	0.011	0,915	128	2,000
1966	26,943	763	0.002	0,183	150	3,000
1967	485	16	0.010	1,0	11	0,279
1968	505	14	1,000	89,0	40	0,677
1969	14,452	383	4.0	234	82	1,300
1970	225	8	80.0	8	36	0,538
1971	-	-	-	-	-	-
1972	13	282	50.0	7	190	4,500

Source: Ministry of Trade, Annual Report, 1979

Table 39

Quantity of Grain Imports and Value from 1975 to 1984
(Million Ton/Value)

Year	THE COMMODITY					
	Wheat		Rice		Barley	
	Quantity	Value	Quantity	Value	Quantity	Value
1975	0.568	39.7	0.151	24.0	0.002	0.336
1976	0.616	41.8	0.188	23.7	0.028	0.245
1977	1.363	54.5	0.244	23.3	0.106	4.5
1978	1.323	26.2	0.194	27.7	0.155	5.5
1979	1.483	77.0	0.363	53.0	0.101	4.6
1980	2.115	152.2	0.400	64.1	0.253	15.0
1981	1.306	99.3	0.333	62.0	0.136	96.0
1982	1.598	95.6	0.400	51.4	0.100	38.0
1983	2.383	40.5	0.490	66.8	0.204	1.7
1984	3.077	180.9	0.675	36.6	0.409	5.9

Source: Ministry of Planning, 1984, p. 45.

preparation is required for providing such services but there is no indication that this has been provided, despite the government's desire to encourage farmers to own machines. Statistics appear to support the researcher's opinion. There was only one specialised cooperative providing machinery services in 1985 and this had no experience in the field of agriculture so with a staff of eleven, it could hardly be expected to provide the required services for the whole country or even for one region. Moreover, according to the 1985 reports by the Ministry of Agriculture and Agrarian Reform in 1984, only two training programmes were undertaken, involving sixty-six farming trainees. With reference to the agricultural training programme, no provision is made within it for providing training in the use of machinery. Table 40 shows the number of programmes arranged and these do not appear to have been successful.

When using these machines, farmers are exempted from the cost of fuel and cooperative members are given priority and a discount of 10% of the normal price. In general, the number of tractors and harvesters employed in this sector increased from 22,000 in 1976 to 38,778 in 1985.³⁵ Ownership of machines used in farming is more widespread in the private sector than in the public sector, see Table 41. In 1985, the public sector owned 0.04% of all the machines used in Iraq, while private sector ownership was about twenty-six times greater. This greater use of machines by the private sector may allow us to assume that the private sector is more innovative than the public sector. The researcher bases this opinion on the fact that the private sector made use of technical input even before the Land Reform system was introduced. The various reasons for this might be a useful source of further study. A report by the Ministry of Information issued in 1977 revealed an increase in tractor working hours. Differences in the average working hours of tractors indicate that there is a low level of utilisation of available capital resources. The average number of hours for tractor per year increased from 178 in 1965 to 460 in 1972. Thus the efficient use of machines may

Table 40

Training Programme for the year 1984

<i>The Subject</i>	<i>Programme Number</i>	<i>Number of Trainees</i>
Agricultural Training	3	8
Agricultural Development	2	22
Machinery Training	-	-
Total	5	30

Source: Ministry of Agriculture and Agrarian Reform Annual Report, 1984.

Table 41

Number of Agricultural Machines in the Agricultural Sectors in 1985

<i>Sector</i>	<i>KIND OF MACHINES</i>					
	<i>Tractors</i>		<i>Harvestors</i>		<i>Pumps</i>	
	<i>1982</i>	<i>1985</i>	<i>1982</i>	<i>1985</i>	<i>1982</i>	<i>1985</i>
<i>Public Sector</i>						
Ministry of Agricultural & Agrarian Reform	1691	821	846	114	849	708
Ministry of Irrigation	642	453	19	18	452	72
Cooperatives	134	10	-	2	773	523
Total	2449	1284	865	134	2074	1303
<i>Private Sector</i>						
General Total	27507	34721	1908	2053	35662	40573
General Total	29956	36005	2773	2187	37736	41876

Source: Ministry of Agricultural and Land Reform, Annual Report, 1985.

Table 42

Regional Gains from New Planting Methods For Wheat and Barley in 1980 (Kg./Donum)

<i>Region</i>	<i>Traditional Method Output</i>	<i>New Method Output</i>
Babel	401	592
Diyala	226	622
Sulaimania	233	514
Mosul	136	357
Arbil	132	386
Kirkuk	122	338

Source: Ministry of Agricultural, Annual Report, 1980.

increase agricultural productivity and may represent one of the factors that contributed to the increase in agricultural productivity by the public sector.

In Chapter Five we mentioned that successful efforts were made to encourage grain production as a part of a nationwide government project, including adopting a more scientific approach and providing modern agricultural prerequisites such as an improved irrigation network, fertilisers and pesticides, appropriate managerial skills, and level of agricultural credit. In Iraq those inputs which provide a higher yield are gradually being introduced, but the introduction of new technologies, both biological and chemical, have proved to be successful, and other benefits will be achieved in the long run, if there is widespread implementation of such measures as increasing cropping intensity, reducing costs, increasing rural incomes and in general, concentrating on the production of more valuable crops. Such policies were pursued in 1976³⁶. The principal overall benefit from this programme was that productivity increased, although up-to-date statistical information about this programme was given in Chapter 5. Using new planting methods, the average productivity of each donum was 468 kg. compared with 208 kg. using traditional planting methods (see Table 42). The success of such a policy would be assured if it was implemented by cooperatives at national level. Agricultural cooperatives are responsible for more than 60% of all the cultivated land and the government tries to provide them with the necessary market infrastructure. The researcher believes that if such projects are undertaken throughout the country as a whole, this will encourage farmers to devote most of their time to planting produce which is more profitable. By so doing, benefit will be derived from existing comparative advantages which may help to reduce the acute shortages of some types of agricultural produce. Moreover, the provision of these facilities, when coupled with the guaranteed prices set by the government, has some influence on both the commodity and credit markets. Guaranteed prices offer the farmer greater security against price fluctuations and make him less dependent on the moneylender. This in

turn makes him less vulnerable and provides him with better means of increasing his yield.

Rice grows best where humidity is high, especially in marshlands. Thus, the best plan is to encourage the planting of rice in the Southern part of the country as appropriate conditions exist in the South. On the other hand, farmers should be encouraged to grow barley and wheat which is more suited to conditions there in the Northern part of the country. The researcher believes that by using up-to-date technology and modern inputs, the production would rapidly increase and reach an unexpectedly high level. The researcher's view is based on the statistics related to crops delivered by farmers and marketed through official channels. Table 43 shows that wheat and barley delivered to the "General Establishment of Grain" from the North part of Iraq represents 73% of the total amount received by that establishment. The contribution for the North is in fact greater than the joint contribution of the Middle and Southern part of the country and the quality of the grain is higher. When productivity is at a high level, the government can reduce the volume of imports while ensuring that nationwide demand for such a staple item of diet is met. Not only would such a policy be appreciated, but it would also improve the government's image.

A part of the five-year plan covering the period 1976-1980, the government arranged to cultivate 1 million donums in 1978 and a committee of personnel who were specialists in agricultural affairs was established to arrange for the cultivation of 5 million donums in 1979. The aim was to increase grain production in order to secure self-sufficiency by 1980. Table 44 which illustrates the value of allocations to cover grain imports, indicates the size of this project. More than ID140 million was allocated to achieve the target. Although the government has succeeded to some extent in that farmers are producing larger quantities of grain, the national target was not achieved. On the contrary, in that particular year, namely, 1980, the level of imports increased compared with that of previous years. The quantities of barley, wheat and rice

Table 43

Wheat & Barley Delivered to "GEG" (1981-1985) (Tons)

Year	Northern Region		Middle & Southern Region	
	Wheat	Barley	Wheat	Barley
1981	299,696	237,677	58,197	67,797
1982	330,157	180,512	77,639	55,680
1983	193,698	27,151	56,379	63,706
1984	17,394	17,000	58,772	86,773
1985	579,063	462,844	108,970	223,078

Source: Ministry of Trade, Annual Report, 1985.

Table 44

Grain Import Project in 1979

Commodity	Amount Allocated (ID Millions)	Amount Paid (ID Millions)	Commodity Value Reached (ID)
Wheat	83.0	83	57,722,693
Rice	53.0	53	53,000,483
Barley	4.4	4.4	4,268,232

Source: Ministry of Trade, "GEG", Annual Report, 1980, p. 7.

imported were 253,000, 2,115,000 and 400,000 tons respectively, at a cost to the government of more than ID231 million. Obvious reasons for this failure to achieve the objectives set were the lack of managerial skills, and the misallocation and inefficient utilisation of available funds. These points were discussed in Chapter 5.

Despite the low productivity in respect of grain, the government's position was enhanced in the recent years by the implementation of the system of guaranteed prices and the considerable measure of control exerted over the distribution and marketing system of these commodities.

7.4.2 The Marketing of Grains

At the end of 1969, the "General Establishment For Grains" (GEG) was established by law number 119, and was to be administered by the Ministry of Trade. Its objectives were redefined in 1982 when it became the government department responsible for the supervision of Local and foreign trade related to grain and for its transportation, processing and storage. Thus it has become the sole distributor of grains in the country for both the private and public sectors, and it has monopolistic rights in the grain market. It has jurisdiction over both domestic and foreign trade in grain. It has a number of other functions, such as recording and publishing information relating to markets and supplies, granting permission to buy and sell grain and regulating movements in both the domestic and export trade. It can exercise control to stabilise prices and it is authorised to support domestic prices when necessary. In the field of storage, it has responsibility for constructing grain silos. Thus the size of its investments constitutes an important and integral part of Iraq's development plan. The GEG headquarters is in the capital, Baghdad. It has four branches throughout the country to facilitate and supervise the grains movement between the silos in the Northern, Middle, and Southern parts. All major contracts and other agreements concerning the importation of crops are signed by the "Administrative Committee"

which has full authority and responsibility for importing any type of crop which is classified as crucial to the economy, particularly if it is not produced locally.

The "GEG" is of vital importance to the national economy. It is responsible for making grains available in terms of the quantity and quality required by the consumers at the right time and at the right price. Accordingly, its main function is to ensure that there is an adequate supply of grains for consumption by buying it locally or importing it from abroad. In fact, arranging for imports has become its major function due to the decline in domestic production. Thus it is of great importance to the economy as a means of providing a regular supply of food for human consumption and also of foodstuff for animals. -

The GEG serves both the public and the private sectors, supplying not only the merchants or wholesalers in the market but also the bakers and millers in the public sector. It therefore bears heavy responsibility for dealing with these vital areas of the economy especially since it has to cope with fluctuations in production from year to year. Therefore, large-scale production of grains in particular would make its operations more effective, allowing it to deal more successfully in world markets to reduce the import levels, lower prices and minimise the need for government subsidies. Table 45, shows the quantities of grain sold during the period 1976 to 1983. The amount of grain sold over this period has increased as is shown by a comparison between planned and actual sales of grain. The rate of increase for wheat, rice and barley was 21%, 15%, and 39% respectively.

The most obvious characteristic of grain production is that there are marked fluctuations from year to year. When fluctuations are underestimated, which is generally the case, as the information supplied by those involved in the agricultural sector is subject to political considerations, this situation imposes on the GEG the obligation to take prompt action to avoid the effects of this irresponsible behaviour which leads to the need to import grain of low quality or the required quantities at high

Table 45

**Comparison of Grain Quantities
Sold from 1976-1983 (000 Tons)**

Year	WHEAT			BARLEY			RICE		
	Sales Expected	Actual Sales	% Change	Sales Expected	Actual Sales	% Change	Sales Expected	Actual Sales	% Change
1976	1080	1311	121	90	53	59	204	223	109
1977	1250	1507	121	100	120	120	240	257	107
1978	1550	1679	108	120	105	88	264	302	114
1979	1798	1934	108	180	229	127	310	342	110
1980	2028	2033	100	250	302	121	283	383	100
1981	1816	1866	103	250	348	139	370	388	105
1982	1809	2206	121	375	401	106	411	466	113
1983	2381	2344	98	346	376	109	429	493	115

Source: Ministry of Trade, GSG, Annual Report, 1983

Table 46

**Level of Stocks of Grain on Yearly Basis
From 1976-1983 (000 Tons)**

Year	WHEAT			RICE			BARLEY		
	Sales Expected	Actual Stock	% Change	Sales Expected	Actual Stock	% Change	Sales Expected	Actual Stock	% Change
1976	340	238	70	70	49	70	20	86	80
1977	190	110	58	56	106	189	20	13	65
1978	380	171	45	72	27	38	40	80	199
1979	744	234	32	71	65	91	82	21	25
1980	676	504	75	128	125	98	83	83	101
1981	529	377	71	92	124	135	62	172	278
1982	532	330	62	103	70	68	84	10	11
1983	658	345	52	107	111	103	87	49	56

Source: Ministry of Trade, GSG, Annual Report, 1983.

prices. This clearly has an adverse effect on the balance of payments position. Above all this puts the national security in danger. Table 46, shows how fluctuations in production have affected grain stock levels during the period 1976 to 1983, when levels for wheat, rice and barley declined to 32%, 38%, and 11% respectively. Therefore domestic production does not maintain adequate stock levels.

The researcher believes that the lack of accurate information about production is the most crucial problem facing the GEG. This problem is caused by the absence of coordination between the various government departments involved in the agricultural sector, namely the cooperatives, the Ministry of Trade and the Ministry of Agriculture and Agrarian reform. But responsibility must also be borne by the productive units, and the many administrative problems encountered by the GEG. Failure to estimate production levels creates chaos and seriously affects plans for importing grain. The administrative problem is concerned with how to ensure that crops reach their final destination, in other words, the policy managed marketing agencies are not capable of handling the distribution of large numbers of widely dispersed, small marketable surpluses of subsistence crops. When grain is in short supply, free market prices almost always tend to be higher than those fixed by the government, thereby making it difficult to ensure that grain is marketed through the GEG. Guaranteed prices will be discussed again later in this section.

The GEG faces problems related to the marketing and production of grain. Thus the present policy adopted towards producers must be revised in such a way that they are provided with incentives. For example, a premium should be paid to those producers who provide high quality produce. Worthwhile incentives must be offered to those who achieve the prescribed target. Most of the produce, according to an official is in a filthy state and unprocessed, and generally the good and the bad quality produce earns same reward, just to ensure the support of farmers and cooperatives, but this policy simply excludes the possibility of providing incentives in the long run.

Credits, should be provided at the start of the season and during the preparatory stages. Funds should also be made available after the harvest for clearing the farm and free transport facilities should be provided. An official told the researcher that farmers are paid only 2% of the total value of what they sell to cover transport costs, grading and personal expenses. Obviously this is a trivial amount and it is regarded by some as merely a form of charity. The psychological effect of this is that a poor relationship exist between farmers and officials. Moreover, they may as a result, prefer to sell their produce in a free market, thereby saving both effort and time, rather than be prepared to accept such low return.

In contrast giving producers credit in advance will encourage them to keep producing grains , and improve their relationship with the GEG. This relationship would be strengthened in the long run, and farmers would be less dependent on money lenders in that they would be able to obtain their financial requirements in advance without their bargaining power being weakened. Products have to be delivered to a collection station administered by the General Union of Cooperative Peasants. At the stations there is a representative from the GEG whose duty it is to examine the quality of the grain (to ensure that the pre-set specifications are met), such as protein levels, the percentage of spoilage and various chemical specifications, but in practice most of the produce was treated in the same way, with little or no differentiation in terms of quality. The produce is then transported to the nearest silo .

To ensure that all the produce is delivered to the collection stations, the guaranteed price is usually higher than the market price just after the harvest, in order to encourage farmers to sell their produce to the GEG. The guaranteed price is usually set at ministerial level, and a small premium is added to the basic official price to differentiate quality standards. The price set is usually fixed with reference to the local production level and prices in the free market.

The researcher obtained a list of the guaranteed prices relating to the grain crops in our study in recent years in order to assess how far official prices reflected changes in the increasing costs of production, and the desire to ensure that produce reached the GEG by providing incentives for farmer. The list is presented in table 47. The table reveals that guaranteed prices have increased by only 50% over a period of six years which may be regarded as quite a small increase. On the other hand, the price differential relating to different qualities is about 5% except for rice where the percentage increase is a little higher. The conclusion is that little incentive was given to producers in general and little encouragement to provide high quality produce. Accordingly, farmers in the remote areas might prefer to sell their produce to the private sector, bearing in mind that the higher guaranteed prices are counter balanced by the additional costs involved, and this deters farmers from dealing with the public sector which in theory should provide a profit made up of the difference between the guaranteed and free market prices. Furthermore, dealing with official departments is time consuming if no close relationship is established between the farmers and the GEG, by, for example, providing credit in advance, or appropriate services, it is not likely that farmers will be encouraged to deal with the GEG, especially since statistics prove that cultivation costs increase faster than the guaranteed prices.³⁷ The researcher is of the opinion that the estimating of costs was not performed accurately, in view of information obtained during his discussions with many officials in the Ministry of Agriculture. Those officials emphasised that the setting of guaranteed prices should be arranged following consultation with other parties who have a direct interest in the overall agricultural process, including representatives of farmers, managers of wholesale markets, and private wholesalers. The contributions made by these representatives would ensure that prices were fairer and more acceptable to producers. In Iraq, government agencies generally lack the necessary administrative structure to enable them to purchase a significant portion of the marketed surplus at

Table 47

**List of Guaranteed Prices of Grain
During the Period 1981 to 1986 (ID/Ton)**

	1981	1982	1983	1984	1985	1986
Wheat, 1st Graded	74	88	100	110	140	155
Wheat 2nd Graded	70	84	96	102	130	140
Wheat - Small	65	78	89	92	120	120
Barley	65	72	85	90	120	120
Rice - Anbur	137	150	170	210	250	300
Rice - Furat 22	90	105	115	125	150	180
Rice - Furat 36	85	95	105	115	135	165
Rice - Yareet	65	65	65	65	65	65

Source: Ministry of Agriculture,
General Establishment for Cooperatives, 1986.

Table 48

**Quantities of Grains Received by the GEG
From 1975 to 1985 (000 Tons)**

Year	Wheat	Barley	Rice
1975	295.1	3.9	22.0
1976	550.1	21.0	91.0
1977	140.0	16.0	129.0
1978	291.0	43.0	108.0
1979	176.0	39.0	89.0
1980	389.8	144.4	108.4
1981	332.0	287.0	108.4
1982	201.3	235.0	106.5
1983	228.0	88.0	63.8
1984	45.0	61.0	55.6
1985	657.5	656.2	43.7

Source: The GEG Annual Report, 1985.

low fixed prices so that they can have an impact on market prices. Thus, government corporations dealing in grain often have to depend heavily on imported supplies during periods of shortage, ³⁸ and not surprisingly this particularly affects the GEG which can only obtain locally about 40% of the required amount of grain. Table 48, represent the quantities of grains received by the GEG from 1975 to 1985. This clearly demonstrates how small were the amounts reaching the GEG compared with the quantities imported during the same period (Table 4). Lack of coordination between the GEG and another department dealing with grains, namely, the "General Establishment for Feeder Animals" (GEFA), affected the GEG's work to considerable extent. The researcher found that some of the wheat available for human consumption is sold to the private sector for conversion to material for feeding animals. The price paid by the private sector for a ton of wheat to be used for this purpose is generally 1D36. After processing, it is then sold for 1D80 a ton. This means that part of the food stuffs is diverted to other purposes. The private sector uses wheat because it brings higher profits due to the government subsidy which makes wheat particularly attractive. This type of business obliges the GEG to import more than was originally planned and this means that very large sums are spent on importing grains which are not intended for human consumption. Moreover, this applies, irrespective of quality standards, and it also applies equally, to domestic and imported wheat. The researcher believes moreover, that the existing situation makes it possible for a black market to be created, whereby wheat bought at low prices can be resold at guaranteed prices, which are higher. Although no official evidence of such a practice has been produced, this possibility should be the subject of further investigation, but this lies outwith the scope of our study. The solution to this problem which is underestimated by officials is to implement a careful pricing policy under the terms of which there would be an adjustment to the price of raw material used for producing animal food and steps would be taken to ensure that low quality produce was used for that purpose. Another alternative is to import animal food which is

cheaper than producing it locally. These alternatives are practical methods of overcoming an existing problem and at the same time they would help to ensure that produce would be differentiated in respect of high or low quality, thereby providing an incentive to supply high quality produce, and also to reduce the price of feeding stuff for animals. These measures should be implemented immediately through collaboration between the GEG and the GEFA.

Granting government aid to the GEG contributed to a large extent to developing its economic activities. The first step was to increase the capital provided from 1D 100 million to 1D250 million in 1985. Table 49 shows sales of grain by the GEG in 1985, the revenue from these sales totalling more than 1D 235 million. Such an expansion of the establishment's activities placed a heavy burden on the government which had to provide additional subsidies to maintain price levels. The GEG's losses without government subsidies totalled 1D12 million, in 1984, increasing to 1D185 million in 1985. These figures show that distribution costs almost always tend to be lower under a free market system. The high cost of the GEG's operations is due to the fact that management costs are usually high because a large permanent salaried staff is employed. Also the high cost of its marketing operations often stems from the handling of commodities in storage and during transportation which is less careful than usually occurs in the private sector, and which results in poor quality produce.

In general, the public sector marketing and processing facilities are often highly capital-intensive and frequently underutilised, so that operational costs are higher. These points, which also apply to other developing countries,³⁹ will be discussed further, later in the case study.

An unbiased view of the onerous activities undertaken by the GEG, despite the relatively high costs of its operations, indicates that government intervention through this department has performed a useful function in providing these principal items of the Iraqi populations's diet. However additional facilities must be made available to

Table 49

Quantities of Grains Sold in 1985

<i>Commodity</i>	<i>Quantity (M/Ton)</i>	<i>Value (MID)</i>
Wheat	2.6	80.2
Barley	0.6	45.0
Rice	0.5	108.0
Other Crops	0.01	1.8
Total	3.71	235.0

Source: Ministry of Trade, Annual Report, 1985

provide the necessary impetus and incentives for even small farmers to increase crop production in general and grains in particular.

Officials are concerned about storage and transportation problems which directly affect the establishments day-to-day activities. Of the two, the researcher feels that the storage problem is the more important. The researcher believes that the transport problem is the main cause of under-utilisation of present capacity, a problem which could be overcome if managerial skills were effectively employed. Farmers also expressed their concern about the inadequate marketing services provided by the GEG.

7.4.3 Grain Storages

Because storage facilities are inadequate, farmers prefer to dispose of their produce as quickly as possible. With reference to grains in particular they are reluctant to store these products because of the risk of spoilage. This problem is particularly serious for the GEG as it is responsible for maintaining produce in condition and satisfying people's needs for this staple food at the right time and in the right place. In general, providing storage facilities near production areas would reduce the transport problems and save farmer's time.

At official level, the proposed programme is gradually to construct storage warehouses with an eventual capacity of 685,000 tons. Warehouses only with a capacity of 265,00 tons were provided in 1985, it was expected that storage for the remaining 420,000 tons would be available by 1986. In 1985, warehouse capacity was allocated between various agricultural products as follows:

<i>Grain</i>	<i>Storage Capacity (000 Tons)</i>
Wheat and Barley	615
Rice	80
Mansory	246
Total	941

A study of the statistics relating to the GEG activities in 1985 revealed that it handled 5,073,000 tons of grain either imported or bought locally. The GEG sold only 3,215,000 tons in that year, so that the remainder would not be catered for by the existing storage capacity mentioned above. Thus the extra storage capacity required is about 917,000 tons, and this deficit in capacity is exacerbated since, according to the available data, storage capacity for 246,000 tons is not suitable for storing grain. In general, available storage capacity represents only 50% of the country's requirements. These figures give some indication of the amount of waste and grain loss borne by the GEG and the economy as a whole. The official figures show that losses in 1985 amounted to more than 9% consisting of 7% for rice and 2% for wheat and barley, but the FAO believes that losses are probably higher, ⁴⁰ a view with which the researcher concurs.

The rapid expansion of storage capacity should be given top priority among the different government projects aimed at achieving a successful agricultural policy, particularly as a means of improving the present marketing system. The government has become aware of this problem and has therefore decided to increase the existing capacity during the next five years. It is hoped that total capacity will exceed 1,376,000 tons by the end of 1988.⁴¹

From the researcher's discussions with officials in the GEG, he found that sometimes new silos delivered to the GEG suffer from some form of technical deficiency which requires the expenditure of considerable time and effort before the silos can be put to proper use. This entails delay in benefiting from the use of these new storage facilities, therefore, strong measures, must be taken to avoid this weakness.

7.4.4 The Transport Of Grain:

Just as the storage problem increases the level of risk, so transportation affects costs and both of these factors affect prices. The researcher, having investigated the transport capacity available for use by the GEG came to the conclusion that inefficient

use of that capacity was responsible for the problem referred to by officials in the GEG. Whatever the cause of the transport problem, however, the point is that delays in transporting grain adversely affect both farmers and the GEG. The local transport problem is concerned with the transport of the agricultural produce from the farm to the assembly stations, and from there to the establishment's silos. An inadequate and inefficient transport system makes it impossible to deliver produce punctually or regularly to the areas where they are required.

Using trucks to their full capacity would help to reduce the problem caused by the shortage of transport services. The solution is to increase government services and provide additional capacity where there is a shortage in the production areas. Thus the GEG must have access to the necessary government funds for every aspect of their economic activities. Most of the trucks required are inoperative due to technical failure, which means that the available capacity is not efficiently exploited. For example, of the 221 trucks with a total capacity of 5494 tons that were available in 1983, only 131 were in service in 1985. In other words, 90 trucks or 41% with a combined capacity of 4500 tons a day were not available. Also, maximum permissible use of each truck is not achieved. Although mathematical calculations concerning the technical specifications of trucks are outwith our research area, the researcher, in his discussions with officials, found that a truck's working hours are considerably less than its technical specifications permit.

In general the utilisation of fully capacity would reduce the problem of shortages in the consumption areas and surpluses in the production areas. Thus action to reduce the gap between supply and demand should be taken. The inefficient technical services provided at official level means that price differences between the production areas and the collection stations will persist, caused by problems in storage and distribution.

The researcher believes that through the involvement of the "General Inland Transport Establishment" in the transporting of grain between silos in different

governorates, the GEG could liquidate its truck assets and withdraw from management participation in the transport problem. Similarly, the GEG's involvement in buying and trading in locally produced grain should be transferred to another government department, since it is mainly concerned with importing grain from abroad and domestic production constitutes only a small proportion of its business. The suggested department could be the "GEFA" mentioned earlier. This would reduce the adverse effects of the transport problem.

Before the present war, depots at the port of Basrah could not cope with all the imported grain to be loaded and unloaded, produce which represented the bulk of the imports. In addition, it was the storage centre responsible for maintaining the level of stocks in silos, and for produce from neighbouring regions. The resulting congestion brought chaos to attempts to transfer grain to various final destinations. After the war, it will be necessary to provide modern equipment to alleviate pressure on these silos in order to reduce costs and to improve the distribution process. According to officials, this will definitely reduce overhead expenses such as those incurred by ships waiting to be unloaded, thereby saving a large amount of foreign currency. Appendix 6 indicates the quantities of grain handled in the port of Basrah before the war began.

Conclusion

Agriculture in Iraq is characterised by low productivity in respect of most of its produce, including grain, production of which is well below domestic requirements. Grains represent the staple diet of the whole of Iraq's population, which exceeded 15.5 million in 1985 and is growing at an annual rate of about 3%. Because the government is aware of the importance to the population of such produce it became the main distributor of grain in the market, but its present policies are ineffective, despite the huge subsidies it has given to the GEG. Government subsidies for this purpose totalled more than ID205 million in 1985. This amount of money supports the GEG's grain marketing activities.

One of the fundamental causes of rural poverty in Iraq is the number of small farms and the fragmentation of holdings. Given the characteristics of grain products, the organisation of production and retailing should be improved to develop an effective marketing system.

Moreover, there are traditional, sociological characteristics which operate simultaneously to determine the method of distribution. For example, when farmers live at subsistence level and are constantly in debt, their tendency is to sell their products to one particular wholesaler. Therefore, if the marketing system is to play its proper role in implementing a development plan, and if the government is genuinely concerned about ensuring a continuous supply of grain to the GEG, all the facilities provided by the wholesalers to the farmers should be made available by the government itself, so that farmers can be independent of the wholesalers. The GEG should undertake specific responsibility for various types of services such as providing credit, arranging for the collection of produce from farmers, processing it and transporting it to the final destination. Again, the implementation of such a system should start at the farm. The

obstacles to the achievement of a rapid and sustained increase in agricultural output by Iraq are great and many of them are lodged deep in the social and political fabric of the country. The government pays Iraqi farmers at present, ID136 per ton, whereas it pays ID76 per ton for imported produce, so clearly improvements within the agricultural industry itself constitute an indispensable basis for economic progress. Improved marketing practices can provide the producer with a better return and the consumers with higher quality products at reasonable prices, particularly by devising a more effective distribution system.

Through the research, the researcher found that most of the GEG activities depend on the shortfall in local production. At the same time, the volume of future grain imports also depends largely on the governments' programmes for agricultural development and the extent to which farmers are prepared to produce crops with a high yield. A complete study and analysis of the grain programme should be undertaken to determine the production, marketing and storage requirements. Farming in the Middle East is only mechanised to a slight extent, the use of machines being neither widespread nor intensive. In Iraq, we find that the public sector owns fewer machines than the private sector. Fertilisers are not used in growing wheat or barley. It is not surprising, therefore, that land that has been producing for thousands of years, without any steps being taken to maintain its level of fertility, now produces very low yields. To achieve maximum benefit from the land, the Ministry of Agriculture and Agrarian Reform and the Ministry of Trade must coordinate their activities. This objective would also require more funds which the researcher believes the government would be prepared to provide and efforts should be made to improve every aspect of grain management.

An official stated that most of the delivered crops contained a high percentage of mould and were already rotten. The blame lies with both the farmers and the GEG. Produce should be processed on the farm, by farmers or cooperatives, to avoid chaos in the distribution process, one of the many points already referred to when the various

services the GEG should provide were discussed. The interpretation of this is due to the lack of marketing knowledge, coupled with inexperience in this field, creating inefficiencies in handling of the products when harvested and when delivered to the firm. Because farmers are not organised as a group, they do not know which products will attract consumers, and so they lose the opportunity to improve their position. This lack of organisation weakens their bargaining power.

Rapid agricultural advance requires an improvement in the market infrastructure and the provision of labour-intensive public facilities. Where new agricultural technologies are provided for rural public enterprises, local people tend to benefit from them. Changes in marketing, handling, transportation and so on can only operate efficiently within the physical framework of an infrastructure which has yet to be created. Progress will, therefore, be slow, but the benefits in terms of increased supply and increased satisfaction of consumer demand at reduced prices will easily outweigh the cost involved. Transport facilities are limited, but to help to solve this problem, the researcher suggests utilising the firm's own vehicles and increasing the use of local waterways. Other suggestions were proposed when we discussed the transportation of grain.

Unlike some other Arab countries, Iraq's policy is to use oil as a weapon so that in the long run agricultural self-sufficiency should be ensured by the expansion of agriculture to compensate for any loss of imported produce. However, in present conditions self-sufficiency could be achieved by ensuring an adequate flow of grain supplies to meet emergency requirements, by increasing storage capacity and facilities. In the researcher's opinion, the latter policy would be safer in the long run for the national interest. Uncertainty regarding the future political situation may pose a serious problem for Iraq. During the past ten years, reserves of grain have varied between three and four month's supply, which is inadequate. Statistics show that this level of stock is not high enough to serve the national interest. The sources available at

the time of the researcher's visit related to 1983. The statistics for that year show that the reserves of wheat, rice and barley were 15%, 23% and 13%, respectively, of the population's needs. Such reserves are too low and special measures should be introduced as a matter of urgency to improve the overall situation. When the war is over, immediate action must be taken to increase the capacity of the existing silos, especially at the ports through which imports reach the country. The expansion of silos at Basrah and other locations should be undertaken so that a capacity of about 2.5 million tons is achieved. The quickest and best way to improve storage capacity is to construct solid concrete multi-purpose warehouses, which are inexpensive to build and keep crops more effectively than other types of buildings. Equipping these warehouses with pesticides and rodent-repellents would help to keep these crops in good condition and reduce infestation. Such warehouses could be used for other crops apart from grain, in order to maximise their use.

From a political point of view, the researcher is in favour of building annexes to the Basrah silo, a proposal which is compatible with the previous suggestion, but he is not in favour of the idea currently suggested by the GEG of providing what is called a "Swimming Ship" or a "Mother Ship" to be used as a terminal for transporting grain to other silos. This proposed ship would be stationed in the Shatt-al-Arab waterway and would be used to store cargoes from other ships in order to avoid delay, congestion, and the heavy fines associated with delays in unloading ships. The researcher believes that putting this idea into practice would depend on whether the officials who support it could convince the authorities, but it would increase rather than reduce expenditure. Building the necessary annexes and at the same time widening the river of Shatt-al-Arab so that it could accommodate even large ships as well as providing the technical facilities required would minimise delay in berthing and reduce liability to loss of foreign currency in the form of fines imposed for prolonged delays.

In this way, grain would be transferred directly from the silo rather than transferring it from the proposed ship to the silo then moving it later to its final destination, which would be a very time-consuming procedure. Moreover, the present volatile political situation in the Middle East means that the idea is not viable at present as the risks involved are too great.

From the most up-to-date statistics available to the researcher during his visit it seems that the provision of animal feeding products represents a potential market which should be seriously considered. The statistics for 1984 show that the sales of barley and wheat by the GEG totalled 376,000 and 2,344,000 tons respectively. Although no official data exists concerning the tonnage required for animal fodder, the researcher estimated from his interviews with officials that at least 200,000 tons per annum of both crops were needed. Appendix 7 shows the number of livestock by kind and Governorates in 1985, according to the latest figures derived from the livestock survey. It was estimated that the number of livestock was then about fourteen million which indicates that very large amounts of grain for processing into animal foodstuffs are required, although alternative sources, such as date, should also be encouraged. Moreover, the researcher believes that some bottlenecks that occurred in the local grain market are often due in part to the fact that grain for human consumption is diverted to other purposes such as feeding animals, although this matter requires further investigation.

As revealed in the preceding discussion, statistics show that wheat, barley and rice are the most important cereal crops in Iraq. But the shortages of both wheat and barley are higher than in the case of rice, although the production of the two former cereals accounted for no less than 90% of the total area devoted to winter crops. Moreover their value on average constituted nearly 70% of the value of the gross output of all field crops. These figures were obtained in discussions with respondents in the Ministry of Agriculture and Agrarian Reform. Barley, in particular, is also widely used for animal

feeding as well, both as dry or green fodder. In our discussion we indicated that some crops are used for feeding animals as well as humans. The point that the researcher wishes to make is that the importance of utilising barley as animal fodder should not be underestimated. In fact, the researcher believes that fluctuations in the production of barley are less marked than for wheat or rice because barley is used to a greater extent for feeding animals. Thus the importance of utilising barley stems from the fact that inadequate grazing facilities are not available. Thus the fact that farmers can use barley as green fodder for grazing their livestock and also manage to produce a grain crop is particularly important and should be regarded as being of benefit to both the farmers and the national interest. In the Southern province, barley production is particularly important. This is because barley generally requires less fertile soil and is more tolerant of salt in the soil than wheat.

Summary and Conclusion

The previous case studies show that political considerations have an effect on the operations of any enterprise, from the appointment of staff to making managerial decisions. Moreover, when officials are engaged in marketing activities, they adopt a political stance, without recognising that the government itself wishes to effect a change in the passive reaction displayed by consumers towards its activities. Thus, most of them need further training and education to enable them to implement the reasons for government intervention. Without appropriate experience and understanding, lack of judgement is only to be expected and this influences the quality produce and greater overhead costs are entailed. Most of these government enterprises have been unprofitable despite receiving subsidies in respect of staple foods, but they give the impression to top government officials that they are operating effectively.

The present system operates in favour of small-scale private interests which may or may not be in keeping with the national interest. Moreover, it is not vertically

integrated, its structure being based on large number of wholesaling and retailing rings. It is therefore necessary for both farmers and the industry as a whole to be so motivated and educated so that innovative practices will be introduced to promote the process of development. Therefore, any attempt to provide a successful marketing system should be revolutionary in nature and realistic in its application. The purpose would be to improve the efficiency and effectiveness of the present system.

The above criticism appears to suggest that the authorities should give more scope to the private sector to work, but this is not necessarily the case. Certain measures could be taken by the public sector to increase government participation in the field of marketing in an attempt to change the adverse reaction by the public towards public sector management.

First of all, we must point out that although the private sector have had a great deal of acumen in the field of commerce, the public sector has taken risks and accepted without hesitation the level of uncertainty that prevails in commercial business, which is the main reason for the private sector not becoming involved.

Despite the shortcomings of the public enterprises in the competitive marketing of fruit and vegetables, the marketing of dates by the private and public sectors is highly competitive and the level of competition provides an indication of the extent of government participation in the field of successful marketing. The two sectors compete in both the local and foreign markets. Collaboration between the two sectors is urgently required to create a successful system in Iraq for the marketing of all kinds of agricultural products. Despite the different approaches pursued by the two sectors, their collaboration might achieve better results. The public sector, aided by government intervention, is able to control and monitor all the economic activities so that they assist the process of economic development. Within the government policy relating to both public and economic activities, the private sector can achieve its aim to reduce

operational costs and utilise available sources more efficiently, in terms of entrepreneurial and management skills.

It is necessary for the market imperfections mentioned in Chapter 3 to be reduced through action by the government to stimulate competition within the economy by means of its control of finance and other resources, since the private sector's financial position is such that it is unable to take the necessary steps. The financing of basic projects such as additional cold storage facilities, improved packaging, more warehouses and the provision of feeder roads are all required as a matter of national policy.

The initiative for the purpose successful collaboration must be taken by economic planners and other officials concerned with the country's economy. It is believed that government monitoring of the private sector in relation to the development process will reduce the hostility displayed by public officials. An appropriate government policy would ensure that the correct attitude is adopted towards the private sector where an education programme is needed and that political interference which does not bring economic benefits to private enterprise is reduced.

Again, collaboration between the private and public sectors would increase the fund of goodwill between them which in turn would help to provide improved agricultural marketing services and less expensive products, in the interest of both producers and consumers.

Precise information would be required concerning the situation in market places throughout the country. To obtain such information, a capable and reliable body would have to be established to arrange, at low cost, for the transfer of specific types of produce to wherever they were required, in order to meet different consumers' demands and preferences. Success in so doing would depend on the attitude of decision-makers and those in authority and the availability of the information needed to cope with constraints and overcome obstacles.

It is essential that improvements in the market infrastructure should accompany such measures in order to achieve the desired targets. In Chapter One, we pointed out that Iraq's waterways have been neglected during the last ten years, and railways must therefore play an important distribution role as witnessed by the government's attempts to provide a new, wide-reaching railway network between 1985 and 1990. To this end, priority must be given by the government to providing adequate investment and competent management in order to improve the marketing system. Although 783 km. of new roads were built between 1979 and 1985, inadequate transport facilities place severe limitations on marketing in Iraq. In some cases, vegetables - especially perishable ones grown in outlying production areas - may lie unmarketed where they are produced. A farmer told the researcher during his visit to one of the wholesale markets, that the sale of his produce does not cover his transport costs. Cooperatives transport their produce by private means which is very costly. In general, the availability of appropriate transport and of the necessary feeder roads in rural areas is still inadequate. Total agricultural investment increased from ID7 million to ID203 million during the period of the last five year plan, in an attempt to achieve several objectives including providing additional cold storage capacity and silos for storing fruit and vegetables and grains for which provision is inadequate as we pointed out earlier. This type of improved infrastructure is urgently required.

Prices must be set which will enable consumers to satisfy their needs and wants, and at the same time ensure that producers will receive more than their production costs. This can only be achieved if there is access to relevant market information. Effective price-setting is a prerequisite for an efficient marketing system. It can be argued that this can be done in a free market society but not in a planned economy where the government is responsible for setting prices. The researcher believes that this is true where a one-way communication system exists, namely from the top downwards as happens in most developing countries. But where there is two-way communication, this criticism does not hold because, in the researcher's opinion,

where there is a feed-back system concerning the actual level of production opportunity costs to society and consumption levels, then a fair official policy can be adopted and specific measures can be taken at official level to compensate for any shortages in the system.

The above discussion shows that the government is anxious to control the market by intervening directly in the marketing of agricultural produce. Certain regulations have been introduced to prevent certain unethical tactics being adopted by those involved in the distribution channels. We have pointed out that specific measures are required in order to achieve proposed targets. For example, the organisation of an efficient agricultural information system would make a substantial contribution towards improving the overall marketing system. Such information is required to reduce the marketing risks and the uncertainty surrounding the agricultural industry which affect farmers, who consequently become more vulnerable to pressure exerted by unscrupulous middlemen or wholesalers. The conclusion reached at the end of each case study was that an efficient marketing system should be organised by government departments so that farmers would obtain greater benefits from the marketing function and would be less subject to manipulation by middlemen since farmers would be able to carry out their business activities more effectively.

Briefly, the Marketing Board is controlled by the government rather than by the cooperatives. In fact, it is part of a government department, and is therefore subject to government control and supervision. A major function of the Marketing Board has been to transform the existing marketing structure through its monopoly control of foreign trade. In that context, the most important part of the Marketing Board's work is to control trade in the export market, being responsible for price stabilisation and market regulation, with few incentives being available to producers in terms of prices related to quality. Thus the Board's function with regard to the provision of advice on

product promotion, and supplying marketing information to farmers is not properly carried out. By and large the Board has more bargaining power than the cooperatives. Thus, due to the lack of objective evidence, it is in practice difficult to evaluate the Board's performance in terms of the positive help supplied to farmers. However, evidence suggests that the economic function of the Board in Iraq is strongly directed towards stabilising agricultural prices in the local market rather than in foreign markets.

In this Chapter, some of the weaknesses of the present agricultural marketing system are examined with reference to the marketing of three agricultural products. In Chapter Eight, the relevance of the researcher's survey findings from the food processing industry will be examined and an attempt will be made to show how the marketing concept could be applied in the food industry by using different marketing mixes. The importance of these mixes in an economy characterised by scarcity will be discussed. Thus the last two chapters, namely Chapter Seven and Eight will serve as an introduction to the final chapter in which the researcher presents his conclusions and recommendations.

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CHAPTER EIGHT

**FINDINGS OF THE SURVEY
WITH REFERENCE TO
MARKETING CONCEPT**

CHAPTER EIGHT

THE SURVEY FINDINGS

Introduction

- 8.1. Food Industry and the Extent of Marketing Concept Implementation.
- 8.1.1 Market Orientation and Organisation
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Introduction

The marketing concept may be interpreted in a number of different ways. In advertising for example, the concept of marketing is based on the principle that consumers should not be misled. In a particular research undertaking, the marketing concept should be implemented in such a way that the results are not manipulated to serve the interests of the client. Thus, the marketing concept in the food industry may be explained in terms of producing according to consumer needs and wants in order to ensure consumer satisfaction, in other words, firms should not be production oriented but marketing oriented. To meet this requirement, a firm should practice the marketing concept in their activities.

Bearing in mind the characteristics of the developing countries including Iraq, it is not likely that the marketing concept will be properly implemented in such countries. An important reason for studying consumer behaviour is the evaluation of the extent to which consumer groups have unsatisfied needs or desires. To be successful, an organisation must not only recognise unmet needs but also understand whether there are clusters of such needs that can be profitably served and what organisational response is required for success in responding to these clusters. This is certainly consistent with the marketing concept which recognises that the greatest long-term success comes from well-planned and executed strategies that are responsive to consumer preferences.¹

In this Chapter, some marketing functions will be used as guides for applying the marketing concept in some Iraqi firms in the agricultural food industry. We have to bear in mind that the application of the marketing concept by a particular firm's management implies a fundamental change in its attitudes and behaviour compared with those of traditional management in the market place. In this Chapter, we shall see in the sample selected, the level of awareness which has been achieved in applying the marketing concept.

8.1. Food Industry and the Extent of Marketing Concept Implementation

After the Second World War, many firms sold their products in large quantities because of the high demand and little regard was paid to the real needs of the consumer. Later, more firms competed for the consumer's money and firms found that they had to take heed of the consumer's requirements in order to keep, or increase, their hold on the market. Analysis of the marketing factors affecting consumer behaviour is quite sophisticated and appropriate data are valuable for predicting the potential demand. Such data form the basis for undertaking a new venture in the future or for refining the design of existing products.²

It has been already stated that marketing policy must be formulated in conjunction with other functions such as production and finance. Current trends in marketing organisation reflect first the coordination of such functions as product development with marketing and also indicate that marketing research has assumed growing importance. Generally marketing organisation, as a means of meeting the demands of consumerism is far from being realised in most firms, to which marketing is no longer a selling or a promotion activity. Although most executives in the survey claim that they have applied marketing in their firms, in practise there is confusion among them about what the marketing function really is. The organisation of marketing is the mechanism through which management translates its business philosophy into action. As its philosophy changes, management not only shifts its orientation and revises company goals, but also makes changes in the organisation. In moving toward the marketing concept, very significant changes occur in the marketing organisation, which serves as the company's main link with the market. In adapting company operations to fit the market environment more appropriately, decisions are required on products, marketing channels, promotion, and prices. The marketing organisation provides the vehicle not only for making these decisions but for implementing them.

Appropriate company organisation under the marketing concept must result in a total integration and coordination of all organisational units. All should be welded into an operating system whose components are so orchestrated that the market is served effectively so that company goals are achieved. Generally speaking, an organisation that is satisfactory today may prove inadequate tomorrow. A significant change in any market factors can reduce the effectiveness of an organisational structure not only in serving the market's needs but in acting as a vehicle for achieving the firm's objectives.³

Despite the importance of these different models of marketing organisation, it is unlikely that they will be found in Iraq. In the firms visited, it was found that there were only three types of departments performing the marketing functions. The relevant results are provided in Table 1, which shows that twelve firms, 40%, including the private sector firms, have a marketing department. These firms are familiar with the marketing department's function since they have established such departments which are well organised. Management has a clear picture of what is required so that these departments consequently perform all the functions related to marketing in their business, such as research, finance and promotion. However, we do not accept that these departments apply the marketing concept perfectly or that they are sufficiently marketing-oriented to constitute a means of effective marketing.

Five private firms, 17%, in the sample have a Sales Department. The Sales Manager in these firms is used in place of a Marketing Manager. But to be more specific,

Table 1

Responsibility For "Marketing" Functions Within Sample Firms				
Department Responsible for Marketing	Number of Firms	Firm's Status		Percentage %
		Public	Private	
1 Marketing Department	12	9	3	40
2 Sales Department	15	10	5	50
3 Production	3	3	-	10
Total	30	22	8	100

the term "Sales Manager" should be confined to the person responsible for the organisation and control of the selling and distribution activities. The duties of the Marketing Manager are wider than those of the Sales Manager. For example the schedule of responsibilities of the Marketing Manager may include advertising and display, the preparation of sales budgets in liaison with the production and finance department, control of warehousing, etc. Generally speaking, it appears that the function of the Sales Department is to fulfil orders received from customers and, as we explained before, it deals very little with marketing in its fullest sense.

In the sample, only three firms, 10%, in the sample claimed that the marketing function is the responsibility of the Production Manager, but here the manager of that department worked closely with the Sales Manager. In this case, the marketing responsibilities were in practice usually assumed by the Production Manager. This is similar to the situation where the Sales Department has responsibility but the Sales Manager usually seeks the collaboration of other departments.

In the last two types of department (namely, Sales and Production), there are many disadvantages stemming from the nature of the work environment. One of these disadvantages is that the required cooperation may not be achieved, and each department may try to pursue its own interests when dealing with the management, completely ignoring the importance of such coordination or collaboration. This situation is exacerbated especially where there is a poor inter-departmental communication system within a firm. Another disadvantage is that loss of control may easily occur, and it is not difficult to blame another department when a mistake is made. Where marketing is not integrated with other functions such as production, it is in general unlikely that the marketing concept will be found to have been adopted by the firms concerned. Finally within such an unorganised system, it is unreasonable to expect any refinement of existing products or the adoption of new ideas, since production orientation predominates, and coordination is lacking.

In a productive firm the first requirement that should be considered in order to avoid any wastage of resources is the integration of the marketing and production functions. Usually the production function is supervised by a particular department whereas the marketing function may not be carried out by an independent department within a firm's hierarchy. This depends upon the circumstances within which the firm operates, and the dependence of each unit upon others varies accordingly, but always the aim is to achieve the firm's objectives by means of a workable system.⁴ In such a situation, we can assume that the department of marketing is not sufficiently independent to be able to assume a position of leadership and enjoy a completely harmonious relationship with other groups in a firm's hierarchy. Separation of functions is the most widely used organisational basis. Three main divisions are found in most enterprises. These are production (the creation of or addition to the utility of goods or service, selling (finding customers for goods and services at a price) and finance (obtaining and expanding funds). Just as the type of enterprise varies, so department names vary.⁵ For this reason, the marketing function is not an easy task and conflict between the marketing and other departments is common in terms of short-run and long-run results.

Most writers on marketing stress the importance of the marketing department and this upgrades the importance of the marketing function, a view compatible with the emphasis of our present research, namely, that marketing has its effect on the overall economic development process. In utilising effectively the available resources this is especially beneficial for developing countries where resources are scarce, and in a production firm, marketers will participate in deciding production design and the materials employed. But when such a policy is pursued, resentment by other departments can be expected. A firm that has already accepted the marketing concept is organised so that marketing has an equal voice with other departments; but that is only half the organisational task. The marketing effort requires an integrated

approach in order to succeed. That is not always easy to accomplish. In most marketing-oriented companies, marketing is equal, but not superior, to other departments. Very often the heads of other departments and marketing managers do not see eye-to-eye. Such disharmony in the organisation can quickly undermine the achievement of objectives. When a firm recognises the importance of customer orientation, causes of resentment should be removed so that full support for marketing can be achieved.⁶

The extent to which the marketing functions have been carried out has been examined in the sample in order to find out what are the duties performed by their firms, and the results are shown in Table 2. Before discussing the results of the findings, and bearing in mind our evaluation of the status of marketing, it may be concluded that marketing is practiced unsystematically and unsatisfactorily from a commercial point of view, due to the influence of the environment on the business. In most developing countries, marketing has a passive role in the economic development process as visualised by the economic planner who, rather than giving marketing the leading role, assigns to it a low priority. Most studies concerning the role of marketing in developing countries confirm the existence of this tendency. The problems in developing countries stem from the need to stimulate their economies and the lack of specialised personnel qualified in marketing. Furthermore, this function has a low status since economists believe that improving the marketing system will not lead to an increase in per capita income.

Glade, in his study of South American countries, reveals the inadequate marketing orientation which exists in those countries. For example, in the manufacturing firms in Peru, marketing executives are not marketing-oriented. In 55% of all the firms surveyed, the attention of executives is devoted mostly to production and finance, with little attention being given to the marketing function. Moreover, the marketing function is not undertaken by specialists in that field.⁷

Table 2

Functions performed by Departments Having Marketing Responsibility
within Sample Firms

Type of Function	Number of Firms	Firm's Public	Status Private	Span of Activity		Percentage %
				Export	Non-Exp.	
1. Marketing Research	5	5	-	5	-	17
2 Pricing	10	-	10	2	8	33
3 Product Planning	11	9	2	10	1	37
4 Sales Forecast	12	10	2	7	5	40
5 Sales Promotion	25	15	10	11	14	83
6 Advertising	20	15	5	7	13	67
7 Credit Facilities	6	6	-	6	-	20
8 Packaging	6	4	2	4	2	20
9 Purchasing	30	20	10	13	17	100
10 Transportation	25	20	5	20	5	83
11 Warehousing	30	20	10	20	10	100
12 Sales Training	-	-	-	-	-	-

A study of the Turkish economy also revealed that the Turkish economic system is production rather than marketing-oriented, although some marketing functions have been undertaken in some Turkish organisations.⁸

Al-sharbini, in his study, demonstrated the lack of marketing orientation in developing countries. He mentioned that in the early period of industrialisation in these

countries, the emphasis is on production, finance and administration, rather than on marketing considerations.⁹ Boyd's study of marketing management in Egypt indicated that management operated on a production basis, and that the Egyptian economic system is production rather than marketing-oriented. The study clearly revealed that Egyptians have little regard for the status of marketing, and most marketing jobs were created recently, since management committed itself to production, leaving the selling function mostly to wholesalers.¹⁰

In a study of the Indian economy, comprising eighteen food processing firms, only nine executives in these firms defined marketing properly and mentioned consumer satisfaction.¹¹ This percentage is low compared with the high level of technology used by the Indian firms and their success in the export field.

The situation in Iraq is not greatly different. It is not surprising that executives in Iraq do not have a clear picture of what is required since this situation exists in most developing countries. Six firms, 20% of the public sector, mentioned that the marketing concept is familiar to them. The rest of the sample firms, 80%, stated that they are not familiar with the concept. Ten firms of the latter (all in the private sector) revealed a confused picture of the meaning of the marketing mix, regarding marketing as being synonymous with selling. The remaining public firms regarded marketing as being synonymous with promotion in the widest sense. The above results were obtained when the researcher asked those executives to define the marketing concept. The researcher found that the six firms mentioned as aiming at satisfying consumers were involved in export activities. Thus the hypothesis, which may require further investigation, is that firms involved in export marketing are more aggressive than firms which are not, and are probably more successful in terms of their level of selling.

Although some aspects of the marketing function have been employed in Iraq, the economy is not yet marketing-oriented. The results shown in Table 3 support this statement. The relative lack of marketing specialisation is obvious. The higher

Table 3

Executives' Perception of "Marketing" Perceptions performed according to Job Title in Sample Firms

Job Title	Number of Firms	Percentage %	Firm's Status	
			Public Sector	Private Sector
Marketing Executive	15	50	10	5
General Manager	10	33	7	3
Production Manager	5	17	-	5
Total	30	100	17	13

percentage, i.e. fifteen firms, 50% including the public firms assigned the primary marketing function to a marketing specialist. Ten firms, 33%, delegated responsibility to general managers. On the whole, production managers assumed the main responsibility in the rest of the sample. Generally, the above findings revealed that in 50% of the cases, the responsibility for the marketing functions has been delegated to people other than marketing executives. These results assume greater significance when coupled with those of firms in the public sector. The lack of specialisation is a parameter for judging the absence of marketing expertise. Firms in the public sector are more likely to have marketing responsibilities than firms in the private sector.

The above discussion may reveal that the private firms generally perform their commercial business using traditional methods and the lack of specialisation is more obvious here, than in the public sector. This result may be due to their dependence on family skills and working within the close family environment in carrying out their business. On the other hand, the difference may be explained by the ability of public firms, backed financially by the government and, by their power of penetration and control. Greater support may thus be given to integration between marketing and other

functions, but the comparative advantages of private firms (business being one's own affair) should be exploited when manipulating the elements of the marketing mix to maximise consumer satisfaction. This will be demonstrated more clearly in the following discussion.

Since 33% and 17% of the responses to questions relating to marketing specialisation indicated that this function was carried out (i.e. functions performed by the General Manager and Production Manager) which means that the typical General Manager will spend considerable time on functions other than marketing such as production or finance with little or no attention being devoted to the marketing function. This is characteristic of most developing countries as well as Iraq, and therefore seems to be a deep-rooted problem. The most important reasons for this situation are the prevailing idea that expenditure on marketing is useless since demand exceeds supply and the belief that the main task which management should be involved in after the production process is the physical handling of products within an uncomplicated marketing system. Another reason which stems from the first point, is that since management is production-oriented, marketing will consequently be given a lower priority since it is regarded as an unproductive activity. The assumption follows that marketing specialisation is not related to economic development and is only a demand oriented activity. This approach may result from unfamiliarity with the role of marketing in a developing economy.

The level of performance in the marketing functions referred to in the questionnaire submitted to the firms visited is indicated in Table 4. Only 26% of the functions listed for consideration by the executives in both sectors are taken into account and 74% of the proposed marketing functions are neglected. The study findings revealed that half of the firms adopting the marketing function are firms in the public sector. This means that only two firms, 6% in the private sector, are engaged in marketing functions, which constitutes a discouraging proportion.

Table 4

Researcher's Assessment of whether or not "Marketing" Functions were performed in the Sample Firms

<i>Kind of Sector</i>	<i>Marketing Performed</i>	<i>Percentage %</i>	<i>Marketing Not Performed</i>	<i>Percentage %</i>
Public Firms	6	20	14	47
Private Firms	2	6	8	27
Total	8	26	22	74

8.1.1. Marketing Orientation and Organisation

A rather small proportion of the firms visited, the firms engaged in export activities, namely thirteen out of thirty, claimed to have a marketing orientation. Most of these firms do not undertake prior analysis of market needs so that, where necessary, they can adapt products to meet such needs. We have shown earlier that some firms in the public sector somewhat exaggerated their marketing orientation. No positive or casual relationship between the existence of a marketing department and marketing orientation can be demonstrated. In fact, some firms in the public sector such as those dealing in vegetable oil, dairy products or soft drinks have a marketing department but are not marketing-oriented. Often the marketing function was not carried out by a

marketing specialist, but by the Managing Director or the Sales Department. Not surprisingly, if most of these personnel are selling-oriented, little attempt is made to establish a marketing orientation, and the sales staff are then mainly responsible for handling marketing functions. From the survey, the researcher found that in firms with a marketing department, only three to four persons undertook these functions and they mostly relied on other departments to pursue the process of selling, under the supervision of the General Manager. In general, there was no distinction between selling and marketing and some executives did not even distinguish between the two functions. On the whole, little or no attention was paid to other functions within the marketing mix, such as marketing research, public relations and marketing services. This situation is opposed to that which exists in developed economies, where one marketing manager stated that "These days there is no point in selling a product unless you have got a very good idea of what people want, so we do put emphasis on prior analysis of market needs".¹²

Firms engaged in export activities particularly those in the public sector, are more likely than other firms in either sector to be marketing-oriented in respect of some of their products. Their approach is more aggressive than that pursued by other firms in similar industries.

As most of the seventeen out of thirty firms were production rather than marketing-oriented, a feature which is characteristic of most developing countries, such firms were more likely to achieve a poor level of performance, whereas those which were marketing oriented (irrespective to the level of such orientation, since they could not be expected to achieve the level reached in developed countries) performed very well. In the present survey, most firms were found not to be marketing-oriented and evidence presented by the researcher has supported this view which is not influenced by the claims of executives that their firm is marketing-oriented. Details provided at the beginning of this Chapter concerning the status of marketing are not encouraging. A

clear relationship was found to exist in U.K. companies between performance and the orientation of firms. Companies making less use of marketing techniques were more likely to incur losses or achieve lower profit margins. The main reason for such companies making little use of these techniques were lack of financial resources and their dependence on internal sources for the information required. However, they believe that using information services would enable them to be more competitive.¹³ But the opposite situation exists in Iraq. First, most firms in both sectors do not appreciate the effectiveness of marketing techniques on their performance and profit levels. In other words, they are not marketing oriented and their sources of data are not reliable. Second, most firms do not suffer from financial problems. On the one hand, the public sector is financed by the government. On the other, firms in the private sector do not think it is necessary to mount the same type of campaigns or commit the level of resources which are customary in developed economies.

The researcher's conclusion is that in the firms visited, there is no evidence that executives in non-marketing roles are trying to achieve a greater understanding of marketing or are making serious efforts to grasp the distinction between production, marketing and selling. When this does happen, it tends to apply to firms engaged in export activities and to vary from firm to firm. Exporting firms are more likely than others to achieve cooperation between the different departments. Although no question was set to determine the degree of such cooperation, the chaotic situation in which firms found themselves in the market place, as revealed in our case studies, obviously points to lack of cooperation between various functions such as buying, distribution, planning, etc., and consequently between the departments concerned. This study confirms what common sense suggests and points to the importance of the marketing function in bringing an effective organisation into being.

The vast majority of the firms visited did not adopt any method of forecasting future events and planning to cope with them. Only twelve firms, 40% of the sample,

undertook forecasting, the usual approach being to predict future situations and adapt policies to deal with them. The occasional absence of products from the market, shortages at certain times and gluts at others are obvious evidence of the fact that the importance of this element of the marketing mix was not fully appreciated. Firms engaged only in local activities used the "wait and see" approach to forecasting. Thirteen firms, 33%, adopted this approach. The researcher believes that the main reason for using this primitive technique in Iraq was the lack of reliable data, which made prediction too difficult and the shortage in both sectors of the necessary resources and specialists. In addition some firms found that there were inadequate funds for them to undertake forecasting. The "predict and adapt" approach is more scientific and consequently more accurate and this approach is adopted by most business firms in developed countries. The "wait and see" technique is used to a slight extent in commercial business in developed economies. Of the firms visited, only two used this approach and both of them are involved in export activities, being in the public sector. They adopt this approach as a means of ensuring that they meet their commitments to those who import their products. In the U.K. most business firms used scientific techniques, rather than the primitive ones used by Iraqi firms. In a survey carried out in the U.K. in 1983, 10%, 49% and 38% respectively used "wait and see", "predict and adapt" and "Identify possible future scenario, to bring one about", respectively, whereas in Iraq 82% and 18% respectively used the first two techniques. Moreover, the survey also shows that there is a causal relationship between the performances achieved and the different approaches to marketing planning. The "wait and see" approach is more likely than the average to be associated with negative or low profit margins and poor relative performance. The "predict and adapt" approach is more profitable.¹⁴ This statement is accepted by the researcher who believes that the "wait and see" approach will reduce the opportunity of selling products in the market, particularly in a highly competitive environment, as competitors will attract potential consumers in the

market. In an economy characterised by scarcity, this also applies as there is competition between the private and public sectors although since the level of competition is low, it takes time for the effect to manifest itself. Not surprisingly, firms engaged in export activities as well as serving the domestic market in Iraq are more profitable and more successful than firms serving the domestic market only, partly because they employ more advanced techniques.

Officially, firms in the public sector are required to prepare an annual marketing plan but not a long-term one, and such plans must be approved by their headquarters. In the private sector, there was no indication that such marketing planning was undertaken. The interviews revealed that of firms engaged in foreign and domestic market activities, one third of the total devoted more time to planning which was also regarded as necessary in the domestic market. In other words, some firms prepare plans for both the domestic and foreign markets simultaneously. But available evidence suggest, as we mentioned previously, that the two markets are not dealt with equally (see marketing of dates) as most of the firms concentrated mainly on the foreign market for reasons mentioned in Chapter Seven which presented the case studies. The remaining twenty firms, 67%, undertake little or no formal marketing planning.

It is important to emphasise here that such planning as is undertaken is by no means as scientific as the planning carried out by firms in developed economies. This is mainly because access to accurate data for planning purposes is so restricted. One of the effects on the market of such primitive planning is that from time to time some produce is not available and the whole marketing system is adversely affected. In business, planning can prove to be a profitable aspect in marketing. This aspect is common in the business environment of developed economies where firms may perform better than their competitors. In the various industries in the U.K., there is a direct relationship between the amount of formal planning and the achievement of

high profit margins, and managements who undertake strategic planning techniques tend to be more successful than their major competitors in terms of profit and overall performance.¹⁵

The firms visited which reported that they carried out little or no formal planning gave several reasons for this policy. The researcher believes that the most important reason and the one which is most characteristic of the situation in the Iraqi market, namely, the lack of reliable information stems from the fact that firms' executives are unwilling to look to the future. In fact, they are confident about the future of their business activities, partly because their business is conducted in a constantly changing environment of inherent instability, with fluctuations occurring from day to day. This factor is closely related to one mentioned earlier, namely, the low level of forecasting that is undertaken so that executives tend to react in terms of crisis management. But above all, a measure of flexibility should be included in a firm's policy to allow for any unexpected events which might render the formal planning ineffective. Ignoring formal planning for the above reasons may be justified, but if firms are marketing-oriented, they should at least undertake marketing planning in the short term so that some flexibility can be introduced into their programme. In the advanced economies, because of the increased level of uncertainty in their economic environment, emphasis on long-term planning has been reduced. Even short-term planning was not undertaken by most of the firms in the food industry that were visited, since the inherent uncertainty in the agricultural environment exacerbated the situation, a problem discussed in greater detail in Chapter 3.

Now we shall consider the research findings in greater detail with reference to other marketing functions, namely marketing research, advertising and packaging due to the importance of these functions, the economic significance of which will be highlighted.

8.1.2. Product Planning

Product planning is concerned with the assortment of products or product mix offered by a business organisation. Moreover, the product is one of the most important elements in the marketing mix.¹⁶ Referring again to marketing research, it is relevant to point out here that by finding out what product features are liked, and disliked, marketing research can assist in the development of new products and the redesigning or improvement of current offerings. Product policy could be embodied in the concept of marketing in a particular firm. It covers a number of different ideas and interrelated business activities such as judging the market potential, identifying the right consumer, selecting the right time for satisfying consumer needs and assessing the firm's success in the market place. In addition, it covers the planning of the style attributes of products, the packaging design, branding and even market testing and above all, taking the decisions required to implement these functions successfully. Of course, a firm takes a particular decision based on its own position in terms of availability of resources, the degree of competition, the alternatives to its product that can be used by consumer, etc., all these factors define its market share. A decision then has to be made concerning whether to continue with the product, improve it, or drop it. Firms should make a decision after evaluating the consequences of a particular action.

The findings shown in Table 2 indicate that only eleven firms, 37% engaged in product planning which is a disappointing result, especially when nine of these firms are in the public sector. Such findings are in keeping with the points made above.

To follow a policy of differentiated marketing is a wise decision if a firm is financially strong, well established in a product category and competitive with other firms that are also strong in that category. Such a policy allows a firm to pull out of a segment that proves unprofitable and rely on other segments, but it is not practised by the firms surveyed. Differentiated and concentrated marketing each have advantages and disadvantages, consideration of which, however, is outwith the scope of our study.

Marketeers must weigh the risk associated with specialisation against the cost involved in diversification when deciding which policy to pursue.

The researcher found that most of the firms surveyed engage in concentrated marketing, but this strategy is more appropriate to small firms or firms new to a particular field. Some risk is attached to concentrated marketing, however, because if the market for the product concerned should contract for any reason, the firm has no other product on which to rely.¹⁷ Our conclusion is based upon the fact that most firms focus all their efforts on one segment employing a single marketing mix. This point will be explained in more detail later. In so far as most Iraqi firms do not apply the concept of marketing, the absence of external information upon which product specification can be based means that final product characteristics are shaped by the material used, the design of packaging and the distribution methods. Consequently in such firms, the marketing forces may not operate or may be completely paralyzed, as products of a high quality are required to justify other marketing mix elements like promotion, branding, and other elements which cannot be effectively carried out unless product quality meets the standard required. Whether marketeers change the intangible characteristics of a product or its objective features, the goal is always to improve the product's ability to satisfy consumers needs. The surveyed firms followed what is called width or breadth of product lines as factories produce many products at the same time. The product mix can be classified in terms of how many different product lines it contains. If it includes a large number of product lines, the mix is classified as wide or broad.¹⁸ But if the product mix contains only a few product lines, it is considered as narrow or limited; this policy is followed by ice-cream firms. Thus the product/consumer matching process can be directed at changing an existing product line, adding or deleting products from a product mix, or changing the assortment offered.

There are different types of markets, depending on the degree of match that exists between a product and the needs of its consumers. Obviously, marketers try to design products that match the core markets' needs. Thus product management is based on the marketing concept, for the matching process is aimed at satisfying consumers in such markets.¹⁹

Again, the research findings in Table 2 indicate that in Iraq, in the food industry especially, the marketing concept is ignored. In practice a factory produces many products with no attempt at specialisation and product diversification policy is very wide and not related to a particular segment in the market. Nor is packaging or any other element through which economy can be achieved taken into consideration in order to maximise profit and consumer satisfaction. Finally, the contradiction between the results shown in Table 2 and Table 5 in terms of a firm's numbers would seem to be due to a confusion of these functions, and the researcher's recommendation in this respect is that product mix employed in establishing production policy should be looked at carefully in the Iraqi food industry.

However, with reference to the development of new products, Kotler has argued that many difficulties arise. Briefly, the first difficulty is that not all firms have the necessary research and development capability, through this does not mean that they can never have new products. Secondly, it is necessary to distinguish between innovation and imitation, in other words, between a product new to the firm and a product new to the market. A particular product may be new to the firm but not to the market. A firm's new product may be similar to other products in the market place, or produced to specifications devised by another firm. Thirdly, in practice it is difficult to distinguish between a modified and a new product. For a firm, a new product means that a new element in the marketing mix is created, such as a new process, packaging, etc. Fourthly, there is the question of consumer perception. A product regarded as new by a firm may not be so regarded by consumers or by the market.

Table 5

**Responsibility and Extent of Performance
of Key Marketing Research Functions**

Research Activities	No. of Firms	Department Marketing Dept.	Responsibilities		Frequency		
			Prod. Dept.	Sales Dept.	Always	Occ.	Never
1 Product Development	3	1	2	-	3	-	-
2 Product Planning	9	3	4	2	5	3	1
3 Packaging	3	1	2	-	2	1	-
4 Distribution	6	1	1	4	4	2	-
5 Advertising	9	2	-	7	7	2	-
6 Market Share	4	-	-	-	-	4	-
7 Consumer Behaviour Element	2	-	-	-	1	1	-

(Columns in the above Table do not total 30 because of multiple answers)

Table 6

Firms' Major Marketing Goals - Executives' Views

Goal	No. of Firms	Percentage %	Firm's Status	
			Public Firms	Private Firms
1 To obtain high level of profit	15	50	10	5
2 To obtain high sales proportion of production	11	17	7	4
3 To obtain a predetermined market share	5	17	5	-
4 To produce high quality product	5	17	3	2
5 To introduce new product to the market	2	7	1	1

(Column in the above Table do not total 30 because of multiple answers)

In most developed countries, product development has been systemised to a great extent and a new product is introduced after successive stages of searching for and generating new ideas, testing in the market, and finally, launching it on a commercial basis. Table 5 shows that only three of the thirty firms surveyed realised that establishing and stabilising a firm's market share depends partly on the development of new products which match with consumer needs and wants. The conclusion is that most of the firms visited have concentrated on increasing their level of selling as a means of achieving growth, being unaware that their market share is indirectly affected by the new product factor. Not surprisingly, two of the three firms mentioned above are involved in export activities.

The immediate problem is to match the performance of industrialised countries. The financial strength of the economy may help Iraq to do so. At the present time, most Iraqi firms, even in other sectors, are imitative rather than innovative. Their concentration on production rather than marketing means that product development is left far behind. The situation has been exacerbated through such government measures as import restrictions introduced to protect Iraqi industry and allow firms' management to operate actively in the local market. Moreover, in other industries, a particular product line is generally determined by the requirement to produce a percentage of the firm's total output in the basic products of its field, the rest being for export.

Executives were asked to identify their firm's marketing goals in order of importance. The findings are in line with the above comments, since they revealed that new products came last, being therefore the most neglected area of planning. These findings are shown in Table 6.

It appears that the firms main priorities are to achieve maximum profits and to achieve a high sales level. Elements such as establishing market share or introducing high quality come third. This supports the view that the government embargo on

foreign products encourages management not to think on a commercial basis, its first aim being to produce for the local market.

However, the interpretation of these findings depends upon the type of industry pursued - for example, industrial products - but the situation is no better in other developing countries. In El-haddad's study of thirty manufacturing firms in Egypt, he found that only two of the firms relied on new products as a major element in their growth strategy.²⁰ Such a strategy should be systematically worked out and based on reliable information and careful consideration. Introducing a new product to the market entails the risk of the product failing to meet expectations. But on the other hand, for a firm to continue as it is while the process of industrialisation is proceeding is also an increasingly risky policy. Under the conditions of increasing competition in the world markets, it is too risky to innovate. Yet successful new product development is increasingly expensive, and becomes more difficult to undertake as time passes. Textbooks propose a number of stages to be considered in launching a new product. Some of these stages are referred to briefly below.

One of these steps involves a firm in assessing its position in the market. Such an assessment includes analysing its past performance by reviewing its corporate and marketing objectives, its market share and what was achieved in practice, compared with its forward planning, including consideration of competitive and other environmental conditions. This action may prepare the way for the second step, namely, idea generation, although there are different techniques for doing this, such as brain-storming, although the initial idea may come from another source. This subject is related to marketing research rather than to the subject at present under consideration. The third stage involves selecting the most reasonable idea from those submitted, this being achieved by using a technique such as concept testing or concept development. The fourth stage consists of analysing the selected idea which enables the firm to make relevant comparisons and to determine the potentially most profitable

approach. To estimate future profit, it is crucial to analyse both the potential sales and the potential cost involved. The fifth stage is development of the product. In this stage the product concept is transformed into a physical product which satisfies the findings of the business analysis. This stage may encourage the firm to move the investment stage in which a product may be developed, entailing new packaging, branding and testing. The last stage is the launching of the product on a commercial basis. This represents the birth of the product in the market and considerable costs are incurred at this stage.

In practice, it is not always necessary to proceed through all the above stages. A firm may find itself going straight into production following the idea generation, while others may fail between the different stages as they are unable to identify the activity required. Wind (1982) emphasises that new product development systems may vary markedly from one company to another. What is needed is a continuous new product development system, which reviews multiple product development efforts and which is concerned with correlating the various phases in each project.²¹

Goolding strongly asserts that there can be no generalised approach since each company's needs are unique. This shows that there is a great variety of approaches to the subject, and reflects the complexity of the subject itself.²²

To provide a complete picture, it is necessary to mention the role played by the development of new products.

8.1.3. New Product Development

Executives in the firms visited were asked to explain what they understood by the term "new product". Before discussing the answers given, we should point out that they were expected to fall into one or other of three categories, namely: (a) a product that is new in the market place; (b) an improved version of an existing product; (c) a product that is new to a particular firm but not new to the market. The answers to the above

question are presented in Table 7 which shows that ten, 33%, of the thirty firms visited regarded a new product as being new to the market, a similar proportion considered it to be a product that is new to the firm but not necessarily new to the market, while seven classified it as being a modification of an existing product. The answers given may not be completely reliable because the product may be similar to an existing one. Three firms, 10%, did not reply which presumably indicates that they are not familiar with

Table 7

The Definition of New Product by Executives of Firms

<i>The Answer</i>	<i>Number of Firms</i>	<i>Percentage %</i>	<i>Export Firms</i>	<i>Non-Export Firms</i>	<i>Public Sector</i>	<i>Private Sector</i>
1 New to the Market	10	33	8	2	3	7
2 New to the Firm only	10	33	3	7	4	6
3 Improvement of Product	7	24	4	3	5	2
4 No Reply	3	10	1	2	1	2
Total	30	100	16	14	13	17

the marketing concept. These last firms were established by rich individuals or families when they became aware that there was a strong demand for a particular product by consumers in the market, no attention being paid to the marketing concept and there being no indication of marketing orientation. It is not surprising that most of the firms which answered in terms of a totally new product are engaged in export activities. Although the number of these firms is not revealed in the Table, they in fact represented eight of the 16 firms involved in export activities, which shows that half of those exporting firms are marketing-oriented, and concerned about applying the market concept, whereas only two firms not involved in export activities are marketing-oriented. All the firms visited claimed to be attempting to follow the

marketing concept though in fact this was not the case. With regard to the non-exporting firms, namely fourteen out of the thirty visited, they regarded a new product as being one that is new to their firms only but not necessarily to the market. Seven of those fourteen firms are not involved in the foreign market, whereas three firms less than half are engaged in foreign market activities out of sixteen, regarded the definition as approach to the new product.

Of the seventeen firms in the private sector, seven firms defined a new product as one totally new to the market and therefore also new to the firm, whereas six firms regarded the new product as new to the firm but not necessarily new to the market. It can be concluded, therefore, that there is no significant difference between these firms concerning their categorisation of a new product. A similar conclusion may be drawn concerning the firms in the public sector in which three of the thirteen firms concerned regarded a new product as one completely new to the market and four regarded it new as being new to the firm only.

The conclusion to be drawn is that firms in the public sector are more commercially oriented, they are involved to a greater extent in export activities, and are more integrated. The researcher believes that reasons for the high percentage of those in the public sector who adopt a negative attitude towards the new product concept is the continuing contact between officials of various departments. It is through such contacts and meetings that this attitude has developed. The researcher's opinion is based on his experience as a government official. In that capacity, he discovered that plans were often implemented, even if they were inappropriate, as a result of such contacts and reluctance to undertake responsibility for criticising the plans or attempting to amend them. Also four executives in the public sector defined a new product as one that is new to the firm and five defined it as an improved version of an existing product. The results presented in Table 7 reveal that twenty one of thirty in the firms surveyed did not define a new product concept properly and only ten firms defined it according to the sense generally accepted in the field of marketing.

8.1.3.1 The Limitation of Innovation

According to the marketing concept, a new product is any thing that consumers perceive as new. Creativity is the mental process which help us to generate new ideas and innovation is the practical application of such ideas so that a task can be performed in a better or cheaper way.²³

The above definition indicates that innovation refers to any aspect of a particular business that is new, while for a particular product, innovation means that the product is new, not imitative, the idea is new, and the services offered are new. This may appear to include adjustments to existing product,²⁴ but to meet the criteria for genuine innovation, such changes would have to be of a fundamental nature, so that the product performed a new function from the consumer's point of view. In advanced countries, the concept of innovation is all important, and it has become part of businessmen's life style. Accordingly, firms in these countries, whether they provide consumer or industrial goods, are more concerned about matching their products to consumer needs and wants in order to maximise consumer satisfaction and they do this by adopting the appropriate technology and up-to-date ideas, the benefits of which are enjoyed by consumers whose habits and behaviour are changed. Within such environments, the innovation process tends to be a continuous one which helps to strengthen a firm's current and future position. In this context, consumer satisfaction may be achieved by both slight and substantial product innovation. The trend towards innovation is the principal basis of growth of firms in advanced countries and leads to accelerated growth of the economy in general.²⁵

Changes in these countries have become commonplace, meeting no resistance, so that such changes can enhance the competitive drive of a particular firm, whereas resistance to change prevails in developing economies which are characterised by scarcity of resources, government intervention and a generally protected environment, motivation in favour of change is at a low level. Such environments consequently

encourage resistance to change. The problem of impeding the growth of the innovation process exists in all developing countries where these conditions prevail. But, there are many reasons for the innovation process being so retarded. The following reasons apply to Iraq and probably to other countries where the same conditions are found.

One of the reasons for restricted innovation in developing countries may be inferred from what has been mentioned above, namely that while in advanced economies, people take changes in their life style as a matter of course, in contrast, in developing countries people are reluctant to change their life style so rapidly. In developed countries, innovation is quickly accepted, and this may be related to such characteristics as the level of education, higher incomes and readiness to adapt to new situations. Such characteristics are seldom found in developing nations which also suffer from a scarcity of resources.

In general terms innovation involves a high level of risk, so that it can be costly, but such risks can be taken in advanced countries where firms have adequate resources while the financial capacity of firms in developing countries is limited. In the public sector innovation is limited due to the supervision imposed by the appropriate government, and in the private sector, firms introducing innovations could be courting disaster. Moreover, the consequences of the failure of any innovation introduced could be serious for the future of firms, especially those in the private sector. The low rate of innovative change is the result of the reluctance of most private and public firms to adopt a policy in favour of change. Psychological factors, therefore, have been effective in stifling any initiative leading to new product development.

The introduction of innovation techniques is costly in terms of modern technological plant or additional resources, a situation which most developing countries are ill-prepared to face since their resources are so limited. The researcher learned in his meetings with the executives of the firms surveyed, that some firms have adopted a continuous programme and policy of innovation which basically requires a continuous spending of resources, and the accumulation of data about consumer needs,

motives and habits as well as market conditions. Thus the innovation process passes through a systematic series of procedures, so that the fears of risk or uncertainty are eliminated to a large extent, and by adopting appropriate marketing techniques before launching new products on a commercial basis, the risk and cost of failure can be reduced. However, it must be mentioned that such firms, as we shall see later, are very few, a point that has already been illustrated by the results shown in table 7. In general, it is not expected that the recommended approach will be pursued by most developing countries' economies since they experience acute shortages of information about marketing opportunities and the needs and wants of consumers. Thus the level of risk and the environment of uncertainty which prevails put pressure on firms or producers in developing countries not to pursue such a systematic approach. Moreover, in these countries, where the role of government legislation is widely accepted and a seller's market exists rather than a buyer's market, these two factors to some extent reduce the need for management to be concerned about creativeness and the importance of practising their business in the market on a commercial basis. Consequently innovation was largely ignored as a feature of management practice which has been carried out without innovative efforts being made. In general, therefore consumer's wants and needs are not fully met, little attention being paid to maximising their satisfaction by adopting the marketing concept.

Table 8, which illustrates the practice of the firms visited with reference to the introduction of new products, presents an accurate record of the extent to which innovations are introduced. In our review of marketing literature, we pointed out that for a product to be regarded as new, it must be new to the market, the firm and consumers. Therefore a product is only new if it does not simply imitate other products a crucial distinction which must be emphasised. Thus for the local firm, a new product introduced into the local market is different from an imported product which is similar to one already available in the market. The researcher asked respondents in the firms visited to state whether they had produced and launched a new product during the previous seven years. Twelve of the thirty firms, 40%, stated that they had

introduced new products to the market during that period. Nine of these firms belong to the public sector and only three belong to the private sector. These three, but only two of the nine public sector firms engage in export activities, which enables us to conclude that those firms are marketing oriented, concern about consumer satisfaction being given high priority. This supports the hypothesis that firms engaged in export activities are more marketing oriented than firms which do not export, although the former are few in number of nineteen firms, 63% improved some of their products during the same period. The firms mentioned above as being engaged in export activities were also included in this category. Two firms in the public sector and five firms in the private sector represent the remainder which were engaged in improving their products. The only firms which neither introduced new products nor improved existing ones were three firms in the private sector.

The researcher believes that the above discussion requires further explanation concerning the interpretation of the new product concept, which should be in terms of genuine innovation, and that the responses provided by the executives should be studied in that context. He believes that a product emerges when it is made from local materials using new ideas provided locally, without imitating other national or international products. Thus a comparison of the results shown in Tables 7 and 8 produces more accurate data and provides a clear picture of whether a product is actually a new one or an adaptation of an existing product. In most developing countries, including Iraq, or in a centrally planned economy, the level of production is determined by many elements, such as the availability of the natural resources required for the production process, or the level of industrialisation in the economy or the amount of imports needed to close the gap between the demand for and the supply of each product. Thus, where local supplies are plentiful, the level of imports will be reduced and a campaign for increased local production for consumption in the local market will be launched in an attempt to achieve import substitution. In such cases, any product newly launched on the local market will be regarded as a new product by the firms concerned.

Table 8

Introduction of New Products
(Incidence by Firms in Sample)

The Criteria	All Firms	Percentage %	Firm's Status					
			Public Sector	Private Sector	Public Firms Export	Firms Non-Export	Private Firms Export	Firms Non-Export
New Product	12	40	9	3	2	7	3	-
Improved Products	15	50	9	6	9	2	-	4
Neither of Above	3	10	-	3	-	-	-	3
Total	30	100	18	12	11	9	3	7

Therefore, in terms of the previous definition of a new product, such products, though classified as new to the firm, are not new to the market. In reality, therefore, they are not new products and the process is merely one of imitation, which is completely different from what we understood by innovation. Again a particular product may be regarded as new if a new image or new ideas are presented or if local products previously unknown, are provided in the market. The researchers' opinions are based on the prevailing environment and the local market characteristics which exist in most developing countries. When the emphasis is on production rather than marketing, and little or no information is available concerning consumer needs and wants, these conditions do not encourage the process of innovation and they reduce the element of creativity required to develop new products. Also the product characteristics of the firms visited and the images they present support the researcher's point of view. Most Iraqi firms' ideas are borrowed from foreign sources simply because the emphasis is on import substitution, rather than on products based on local ideas. By adopting an innovation strategy and aiming at consumer satisfaction, firms can to a large extent avoid the unfavourable consequences of risk and uncertainty, and this would enable them to take note of social and economic factors as well as market conditions, without feeling that their business would be adversely affected.

8.1.3.2 Factors Affecting the Marketing of New Products

The above discussion indicates that there are certain factors which affect the introduction of new products. Table 9 shows the results of discussions held with the firms visited on this subject. By and large, that discussion reveals a negative rather than a positive attitude towards new product development. When demand exists for a new product in the market, this should create motivation leading to innovation which would reduce competition against the firm concerned. Nevertheless, many executives are reluctant to encourage innovation, which further confirms the existence of a

Table 9

Major Factors Affecting New Product Development
(Executives' Perceptions)

Factors	No. of Firms	Percentage %	Kind of Sector		Public Sector		Private Sector	
			Public Sector	Private Sector	Export	Non-Export	Export	Non-Export
1 Level of Competition	2	6.7	1	1	1	-	1	-
2 Technological Changes	2	6.7	1	1	1	-	-	1
3 Expected Demand	24	80.0	13	11	7	6	2	9
4 Capacity Utilisation	2	6.6	1	1	1	-	1	-
5 No Reply	-	-	-	-	-	-	-	-
Total	30	100	16	14	10	6	4	10

disappointing attitude. Of the thirty firms surveyed, twenty-four or 80%, stated that expected demand is one of many reasons for introducing innovation. This is certainly a sound reason for introducing the innovation process. High response is very encouraging. As the people's life style is continually changing, their buying habits and their attitudes change and as life expectancy increases, manufacturers and producers take part in a continuous race to provide maximum consumer satisfaction, as life styles

become more complex. However, this high percentage of response is contradicted by the number of firms previously claiming to have launched a new product. For example, if we compare the number of firms in Table 9 with the number in Table 7, we find in the latter that only ten firms, or one third of the total, had launched a new product during the last seven years. Such a contradiction is accounted for simply by the extent to which some of the executives in the firms visited exaggerated, but the previous conclusion, namely that firms engaged in export activities are more aggressive and marketing-oriented still stands. Eight of the ten firms concerned represent 60% of all the export firms in the sample of thirty and these eight are included among those who provided the answers which are based on their experience in both local and foreign markets. Two firms, both of them engaged in exporting, stated that the level of competition is another reason for new product development. The competition factor, therefore, seems to be relatively unimportant. Also two firms, or 6.6% stated that capacity utilisation is another factor encouraging the launching of new products. Another two firms, one from each sector, regarded technological changes as constituting a reason for introducing a new product.

The unprogressive attitude which the above discussion reveals in Iraq as in most developing countries, is in the researcher's opinion, is due to the deep-rooted attitude of the central planners and economists who assume that demand should match the supply in the market, ignoring the fact that such supply should be sufficient to satisfy consumer demand. Consequently, the management's primary concern is to satisfy the demand already in the market for the existing products. Accordingly, consumer wants are ignored and the spirit of innovation is likely to be stifled in such economies, since management practices, behaviour, and attitudes are not directed towards consumer satisfaction, unlike the attitudes and the orientation which characterise advanced economies.

By and large the executives tended to overstate the impact of potential demand as an inducement or incentive leading to innovation, therefore in the researcher's opinion,

their answers did not reflect the actual situation in the Iraqi market, although it seems to be essential that effective consideration should be given to such socio-economic indicators as an increase in the total population which is now more than fifteen million, the higher level of per capita income and above all the prospects of a higher standard of living. Before leaving this section, it would be advantageous to consider the factors that influence the introduction of new products.

8.1.3.3 Problems Related to the Introduction of New Products

To obtain a complete picture concerning the factors affecting the launching of new products in the market from the management point of view and the obstacles encountered in attempting such projects, the researcher asked executives in the firms visited to state what in their opinion presented the main obstacles to introducing new products to the market. Their answers are shown in Table 10.

The survey shows that only two firms were unable to identify obstacles impeding the introduction of new products and as might be expected, those firms are in the private sector. Such firms base their business practice on providing products that they understand to be required in the market, a point mentioned earlier in a previous chapter (see Chapter 3). The absence of the marketing concepts, poor management, the lack of a sound commercial basis for their business and possibly their limited financial resources are all factors presenting problems for those firms. On the other hand, seven firms, 23%, stated that they had no problems. But to accept such an answer without question is not wise. Such a good impression is not expected to be true especially in the developing countries, where consumer satisfaction is not their major concern, and prospects for most firms are therefore gloomy. Consequently such answers may not reflect an accurate situation as firms in developing countries including Iraq are likely to be lagging behind.

Table 10 reveals that the problems actually encountered and experienced mostly by firms engaged in export activities and firms who have adopted the marketing concept. It is only to be expected that such firms will be in a better position than others to handle

Table 10

**Major Obstacles to Launching New Products
In The Market (Executives' Perceptions)**

Kind of Obstacles	No. of Firms	Percentage %	Firm's Status			
			Public Sector Export	Public Sector Non- Export	Private Sector Export	Private Sector Non- Export
Level of Competition	12	40.0	8	1	2	1
Product Quality	7	23.0	5	1	1	-
Consumer Awareness	5	17.0	4	-	1	-
No Problems	7	23.0	-	5	-	2
No Ideas	2	7.0	-	-	-	2

(Columns in the above Table do not total 30 because of multiple answers)

any difficulties that arise since they employ more advanced marketing techniques, but this is seldom the situation in Iraq or other developing countries. The many factors responsible for these obstacles have been referred to earlier, namely organisational problems, lack of financial resources and bureaucratic management, all of which are outwith our study areas. By and large, such problems have long since been overcome in developed economies. The following discussion will be concerned with problems related to the main points dealt with in this thesis such as consumer attitudes and behaviour or the application of the marketing concept.

In a country where the level of illiteracy is high, which is a characteristic of developing countries, people do not easily accept any thing new, as only a minority of the population are educated and traditional attitudes prevail. This factor alone represents a serious obstacle to innovation. It is not difficult to persuade the Iraqi consumer of the benefits to be derived from innovation and he will accept change when he realises that it will not conflict with his traditions and that he will not be censured by the community for doing so. It is not surprising, therefore, that only five of the firms surveyed cite consumer awareness as an obstacle impeding the introduction of new product.

Another factor which may constitute an obstacle to the introduction of a new product is poor quality. This factor is less important in the local market, but is crucial for the success of business conducted in foreign markets. Seven firms, 23%, regarded product quality as an obstacle. These firms, five of which are in the public sector, are engaged in export activities. This factor, as we have already shown, has been found to apply in the marketing of dates where poor quality represents a deep-rooted problem for that industry in its attempt to compete abroad despite the fact that the dates taste good and there are many varieties. The researcher believes that the problem of poor quality can easily be avoided if appropriate measures are taken which are discussed in more detail in our case studies. No firms dealing only in local markets mentioned this factor. Again this is only to be expected since management initiatives are directed simply towards bridging the gap in the market between demand for and supply of a particular product.

The researcher believes that the failure associated with low quality produce results from failure to grade properly the produce used in the canning process, so that product differentiation is ineffective which weakens the effect of a firm's pricing policy. The researcher found through his discussion with some executives, that little grading of the products required by the food industry takes place, which has a negative effect on consumer's behaviour and their purchasing decisions. This problem combined with the absence of marketing research concerning consumer preferences contributes to the losses suffered by those firms, and this in turn has an adverse effect on their resources and on consumer attitudes.

When the quality of a product is poor, this gives rise to another problem, namely a reduced level of competition, which is not surprising. Twelve of the firms, or 40%, stated that level of competition constitutes an obstacle. This is obviously true when management practices and attitudes take no note of consumer needs and a seller's as opposed to a buyer's market is in operation in both local and foreign markets. In such

an environment, consumers are forced to buy what is available in the market because they have no other choice, since firms produce a limited assortment of products with low levels of differentiation (see the next sub-chapter on marketing research).

Consumer awareness, product quality and level of competition represent the chief obstacles affecting in particular, firms involved in export activities. Twenty-one firms drawn from both sectors stated that they encountered these obstacles in carrying out their business. This high proportion supports the researcher's opinion, mentioned at the beginning of this discussion, that about seventy percent, or twenty-four firms, faced problems relating to the adoption of the marketing concept which they implement aggressively as they are engaged in export activities.

Although the above obstacles were cited by respondents others which are also important were not mentioned, such as inadequate marketing research resulting in a lack of information about consumers and market conditions. This point is supported by figures presented in the marketing research subsection, relating to market conditions, the cost of technological improvements, technology transfer and pricing.²⁶ From the researcher's conversations with the executives of firms only two firms out of five in the public sector engaged in export activities agreed that lack of the information they needed about consumers to help them in their marketing strategy represented another obstacle. The researcher believes that a factor such as the cost of technology transfer was not regarded as an obstacle because the government assumes responsibility for introducing technological changes and for ensuring that the required financial resources are made available. The same conditions may exist in other developing countries where government intervention is also likely to take place. This is a possibility that requires further study.

The above discussion has indicated that problems relating to the introduction of new products are linked with other organisational and administrative difficulties, this

being an area outwith the scope of our study. Also involved are obstacles associated with research and information problems which are dealt within this chapter.

Access to detailed information is vital for business success in both developing and developed economies. It is essential for the launching of a new product, evaluating the product's success or failure and its market potential. But as we have already pointed out, the cost of failure in the developing economies is extremely serious due to the prevailing conditions of scarcity and failure creates problems for both the firms and the economy. Detailed information is an important requirement for any firm whatever its range of activities. Access to such information reduces the uncertainty, the possibility of failure, and the risk associated with the implementation of an inappropriate production strategy. Moreover, pursuing such a policy of effective information gathering may enable any comparative advantages to be fully exploited. Overall, making effective use of the modern approach to marketing will help to maximise consumer satisfaction by identifying market characteristics, organising resource utilisation, estimating demand and market size, assessing export potential by discovering market trends and ultimately achieving economic growth. In addition, for new products to be successful, full commitment to and conviction concerning the product must be provided not only by the marketing executives directly responsible, but by all managers throughout the company and particularly at top management level.²⁷ The tasks of researching consumer demand and introducing the product innovations desired by or acceptable to the target consumers have, on the whole, not been considered seriously by the public sector. Again the researcher believes that this is because these firms are not marketing-oriented and little effect is made to please and satisfy consumers. In essence, their approach is arbitrary rather than persuasive, because they are convinced that they know exactly what the consumer wants. The marketing-oriented approach is crucial and would be fruitful for the public sector in particular as a means of improving its public image.

In general, the above discussion reveals that there is a need for market research; in other words, effective analysis of marketing opportunities is required and this is made possible by efficient market research.

8.1.3.4 Research and Development Department

To obtain a clear picture of the overall situation, the researcher wished to find out whether the firms visited had a specific research and development department since this information would provide more details of the extent of problems involved in new product launching or even developing an existing product, although such an investigation is more related to the organisational structure of the firms, an area which is outwith the scope of our research. The researcher found that twenty-one of the firms, namely 70%, do not have a research and development department. The results of this investigation are shown in Table 11. Six of the public sector firms engaged in export activities but none in the private sector have such a department. The researcher wishes to point out that in his opinion, the attitude adopted by management towards research activities is the factor that matters most, not the existence of a separate department to perform the research function. Evidence to support this view was obtained by the researcher who found that some firms implement a research programme without having a separate research department. For example, in the vegetable oil and date processing industries, the marketing departments concerned perform this function in addition to their marketing duties but it must be pointed out here that there is a bias on the part of other departments against this function being carried out by an independent department, although this function is carried out more efficiently when there is a separate department. The survey results support this view since only five firms, 17%, out of thirty visited, have a separate research and design department. The hypothesis that firms engaged in export activities operate more vigorously than those not involved in exporting is again supported as the above discussion demonstrates. The importance

Table 11

Role of Research and Development to Status

<i>Status</i>	<i>All Firms</i>	<i>Percentage</i> %	<i>Firm's Status</i>			
			<i>Public Sector</i> <i>Export</i>	<i>Non-Export</i>	<i>Private Sector</i> <i>Export</i>	<i>Non-Export</i>
Firms have R & D Dept.	9	30	6	3	-	-
Firms have not R & D Dept.	21	70	-	11	4	6
Total	30	100	6	14	4	6

Table 12

Product Planning Responsibility in Sample Firms

<i>Title</i>	<i>No. of Firms</i>	<i>Percentage</i> %	<i>Firm's Status</i>			
			<i>Public Sector</i> <i>Export</i>	<i>Non-Export</i>	<i>Private Sector</i> <i>Export</i>	<i>Non-Export</i>
Marketing Manager	12	40	1	3	6	2
Production Manager	6	20	1	1	1	3
Outside Consultation	1	3	-	-	1	-
Not Applied	11	37	1	8	-	2
Total	30	100	3	12	8	7

of research to exporting firms is greater in an environment in which foreign trade is conducted since the competition is much more intensive than it is in the local market. Accordingly, the need to implement the marketing concept is more readily recognised and its usefulness in promoting trade is fully appreciated.

8.1.3.5 Responsibility of Product Planning

The marketing concept emphasises the need for coordination between all the elements of the marketing mix so that a firm will obtain a clear picture of the situation in the market and be able to assess expected demand, and formulate an appropriate strategy based on this assessment. Available resources can then be used in the most effective way so that the process of economic development is accelerated. The purpose of coordinating a firm's various functions is to ensure that existing production facilities will be used to achieve the firm's objectives, and this to a large extent requires a market rather than a production orientation. Where research and development are undertaken, product planning follows as a matter of course.

Table 12 presents details of the firms which undertake product planning. Eleven of the thirty firms stated that they do not implement product planning procedures. Most of those firms, not surprisingly, are in the public sector. The researcher believes that factors such as ignoring the marketing concept, poor management, and inadequate financial resources are the chief reasons for such a high proportion not undertaking product planning. Only one firm stated that consultation took place between the marketing department and other departments and when necessary, outside bodies were also consulted. This firm which is in the public sector, is engaged in export activities.

In the remaining eighteen firms, responsibility for product planning rests with either the marketing manager or the production manager. In such a situation, many opportunities are presented for collaboration with various departments and the coordination of their activities. Of those firms, nine are engaged in export activities for

reasons discussed earlier. In other words, firms engaged in export activities employ more advanced marketing techniques than firms operating only in local market.

Table 12 clearly shows that responsibility for product planning is assigned mostly to two types of executives within the organisational structure of the firms visited, twelve being marketing managers and the remainder production managers. It is a clear indication that some firms are strongly marketing rather than production-oriented, when so many marketing managers - in our case, twelve out of nineteen- as opposed to other executives, are more often responsible for product planning since they are recognised as being more closely related to the consumer and more familiar with market conditions. Again, this tendency is more marked in the case of public rather than private firms engaged in export activities.

It may be reasonable to conclude that firms adapting the marketing concept and a marketing rather than a production orientation will achieve a higher volume of sales than firms that do not, due to their ability to launch new products on the market, either genuine innovation or imitative products. But this conclusion is not always true. Exceptions occur that are related to income level, the comparative advantages a product possesses, and above all, the extent to which the launching of a new product is based on accurate information and appropriate research, including the study of consumer behaviour, which is not generally undertaken effectively by most of the firms visited.

Despite the importance of new products to industrial development, the above discussion reveals that success in this field is not likely to be achieved until management attitudes change and other factors constituting obstacles to the successful launching of new products are removed.

With reference to Table 12 above, we pointed out that in twelve firms responsibility for product planning was assigned to marketing managers, but to assess the degree of authority possessed in relation to the launching of particular products, executives were

asked to state where final responsibility lay for approving the launching of products.

The answers are recorded in Table 13.

In Iraq, there is a "Board" in each firm which is responsible for taking decisions which help in the administration and organisation of the firm's business. Thus it was only to be expected that these Boards would exercise power at the highest level. Eight firms, or 27%, stated that the firm's Board decides which products should be launched or dropped in local and foreign markets, and this applied particularly in the public

Table 13
Executives' Responsibility in Launching a New Product

<i>Designation of Person or Group</i>	<i>No. of Firms</i>	<i>Percentage %</i>	<i>All Firms</i>	
			<i>Public Firm</i>	<i>Private Firm</i>
General Manager	6	20	4	2
Board of Firms	8	27	6	2
Marketing Manager	2	7	-	2
General Manager with Others	4	13	3	1
Other Title	10	33	-	10
Total	30	100	13	17

sector. Ten firms, or 33% of those in the private sector stated that the owner is in charge, the owner - whether an individual or a family-bearing financial responsibility for handling all aspects of the firm's business. Six firms, 20%, of the total stated that the General Manager makes decisions relating to the firm's products. This is the second most frequent response especially in the case of public sector firms, the manager being responsible for every area of management where no Board exists since he is then regarded as the highest authority. In addition, four firms stated that the General

Manager makes decisions after consultation with other executives such as the production manager or the marketing manager. In only two firms does the marketing manager have sole responsibility for deciding which products should be launched. In each case he is probably the owner; accordingly, it is not surprising that both firms are in the private sector.

The above discussion may seem to suggest that Tables 12 and 13 provide contradictory information concerning the status of the marketing executives. But it must be remembered that the marketing executive of a firm is normally a member of the Board. Moreover, the General Manager is sometimes responsible for deciding the marketing strategy of his firm. The point the researcher wishes to stress is that in eighteen of the thirty firms, the persons responsible for marketing are involved in decisions relating to products. Although this sounds encouraging, in practice their influence and the effectiveness of their participation depend upon the firm's commercial policy, and the extent to which new products are introduced. In the researcher's opinion, the Boards will continue to make decisions concerning product lines as long as management is production rather than marketing oriented, and the principal objective is to bridge the gap between production and supply in an economy characterised by scarcity of resources.

The above discussion reveals that there is a potential role for marketing managers to play in the launching of new products or improving existing ones. It seems that the involvement of a firm's Board in the production process will be more effective if its decisions are shared by other departments. These decisions will be more successful if they are based on accurate information provided by the marketing department through its research efforts, thereby enabling top management to have a sounder grasp of the marketing problems involved, which would also be reinforced if the contribution made by other executives from the production or technical departments are properly coordinated. To that end, appropriate steps must be taken to ensure that the required degree of fruitful collaboration is achieved.

8.1.3.6 The Use of Product Development

In the following discussion, a comparison is drawn between the situation in the firms visited and the situation in the developed economies like the U.K. The executives of firms in developed economies believe that the quality of their products is the most important factor in obtaining orders for their goods. They feel that for long-term success, a product must suit market requirements, and that the successful launching of a product requires a careful combination of various elements of the marketing mix, such as pricing, sales promotion and other management efforts.²⁸ This attitude in other words, is based on a recognition of the fact that consumers awareness is high and firms must endeavour to maximise consumer satisfaction. While the value of advertising is recognised for long-term success, a product should be good enough to compete against its rivals. With reference to current government initiatives in these areas, led by the Department of Trade and Industry, it is reassuring to see that this aspect is highly rated by marketing managers. In developed markets, product performance, pricing, advertising and sales promotion are ranked respectively as the most important factors for obtaining business in the market place in a particular industry.²⁹ The situation in Iraq is much less advanced. The level of competition, product quality or the absence of problems are regarded as the most important factors for obtaining business in their industry. Further explanation revealed an even less hopeful picture. The researcher found that the competition factor mentioned by executives in the firms visited referred to foreign or private producers rather than to the high quality of the produce offered. In other words, local produce is not good enough to provide adequate competition. Therefore, there is a wide gap between the attitudes of management in the two economies. Therefore it was not surprising to find that 17 firms, 57% of the sample, reported that they had not undertaken any kind of consumer research during the last seven years when they were asked to think of a product that had been launched recently. This result is consistent with status accorded to marketing in the firms visited. In general, the lack of coordination between the different marketing

functions in the firms visited has contributed to the ineffectiveness of their present marketing system which in turn has resulted in the failure of their products. The relatively low level of competition, price control by the government, import restrictions, official protection and control of the economy, all lead to poor quality which is the most important factor contributing to the failure of products in an economy where scarcity prevails. Improving the product's image can enhance its reputation in the market and a number of advantages can be achieved if a firm reorganises the elements of its marketing strategy to provide its products with effective support. They can assume a strong position in the market place even against foreign products, thereby benefitting the country and the economy at the same time. From a management and economic point of view, the researcher believes that the failure of domestic products in Iraq stems from a lack of confidence on the part of consumers, complacency on the part of firms, unskilled or unprofessional management, half-hearted attempts to improve the situation and the consistently poor quality of the products on offer.

- 8.2 **The Economics of Marketing Research**
 - Introduction
- 8.2.1 **Economic Developing and Marketing Research**
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- 8.2.5 **The Use of Marketing Research**
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8.2 The Economics of Marketing Research

Introduction

The importance of market research as a marketing tool is closely related to the degree of competition prevailing in the domestic or foreign market. In both markets, firms urgently require appropriate information about market conditions and consumers' opinions and preferences so that they can take steps to avoid any risks due to uncertainty and inadequate information. Accurate information enables firms to formulate an appropriate marketing strategy.³⁰ Any failure suffered by a firm through unreliable marketing research may constitute a catastrophe because a particular product will not be sold, and this represents a waste of the firm's resources. Since the firm is unable to make any further improvements in a product that is already on the market, advertising policy and strategic planning may be amended to meet changing circumstances, but products present a different problem as marketing research can help to create a market but cannot replace creative marketing. For management, marketing is the means of discovering potential markets for the firm's product and identifying people's buying motivation, and an assessment of these elements enables a firm to adjust its strategy and marketing programmes in order to meet consumer needs and wants. In addition, an attempt should be made to recognise any changes in consumers' motives.

Therefore market research is an essential tool in the development and introduction of new products. It gives some indication of how well or badly a firm is performing compared with other firms in the same industry and may also enable risks to be reduced.

The aim of this sub-chapter is to examine the status of market research in the public and private sectors of the Iraqi food industry in order to determine its economic importance in relation to the growth of the firms visited. In view of the previously mentioned characteristics of developing countries, one might expect that in such

countries, this marketing tool would not be used at such an advance level as in developed nations, that there is no clear idea about how such a tool should be used is partly due to inadequate information about the market or consumers, and partly due to the nature of the production policy pursued since firms often have to follow the policy determined by an official body. We believe therefore that in our discussion we should concentrate on the following points which are relevant to our area of study: the facilities available for using such a tool; the quality of marketing research undertaken; and the current level of economic development. Whilst these factors affect the extent to which marketing research is carried out by firms likely to practice this function will prove fruitful, there are some other influences. This sub-chapter deals with supply-side market research, including a study of managerial resources and management attitudes towards marketing in general, and consumption-side market research, including a study of factors such as consumers' buying habits, the role of women and the role of religion and how these are affected by economic development.

Marketing techniques differ from one country to another. In most developing nations, marketing is the most neglected area of the economic system and executives face many complex problems in connection with marketing at home or abroad. Few people would dispute that many advantages can be derived from using modern techniques but the intensively competitive practices prevailing in the market place in Europe cannot be transferred to Iraq because they do not meet Iraq's special requirements. Marketing is seen as the task of finding and stimulating buyers for the firm's output and it also involves product development and distribution. It requires paying continuous attention to the changing needs and customers and, where necessary, making modifications to the product or service offered.³¹ By and large, market research is important in both developing and developed countries, and the amount attention paid to it by the latter reflects the importance of this tool.

For the purpose of this study, marketing research is defined as the function which adds a new dimension by going beyond the obtaining of information about consumer behaviour, product acceptance and distribution procedures to encompass larger questions concerning planning, evaluation and the exercise of control on an international scale.³² This definition reflects the continuous nature of marketing research. It appears that the conditions required for adopting the marketing concept exist in Iraq, namely, the pattern of production pursued by local industry, the increase in per capita income throughout the country and the general marketing environment all of which factors help to contribute towards the development of human mental and spiritual capabilities.³³ But whether or not such a concept is adopted by a firm largely depends on the executives responsible for managing the firm's business. Market research when used as a tool by senior management, makes possible judgements based on facets which have been scientifically established. This is equally true at other levels of management. ³⁴

8.2.1 Economic Development and Marketing Research

The definition of market research mentioned above can also be applied to firms involved in export activities. As noted before, some of the firms included in this survey conduct business in both the domestic and international markets. The following definition is therefore even more relevant to our objective which is to highlight the economic advantages obtained from employing this tool. Marketing research can be regarded as a set of techniques used for systematically collecting, recording, analysing, and interpreting data that can aid decision makers who are involved with the marketing of goods, services or ideas.³⁵ According to this definition, marketing research is a tool which is used to obtain data about existing markets, involving the application of a set of quantitative techniques to increase sales and profit, identify determining consumer needs, test products in the market place, obtain information

about competitors, and thereafter estimate potential sales. Though different, neither definition contradicts the other; in fact they are complementary and both are relevant to our study.

From Chapter 4, we concluded that the application of the marketing concept can make a positive contribution to the economic development process in the developing countries where scarcity is a major feature of the economic environment. Thus marketing research may be regarded as an integral part of any policy which aims at enhancing a country's economic growth. As marketing research has a universal application, it can be applied equally in both developing and developed countries. The marketing concept, therefore, has an important role to play in developing countries, and employing marketing research as a marketing tool would have a positive effect on their economies. Clearly, as the role of marketing is important in both advanced countries and developing countries, economists and central planners everywhere must devote their attention to improving the marketing system so that advanced marketing techniques may be employed to promote economic growth.

Marketing research can help firms even in developing economies to achieve objectives such as maximising profit by optimising existing opportunities through the effective utilisation of available resources which should provide an additional link in the process of economic development. In other words, successful marketing research should add further impetus to economic growth though this does not always happen. Marketing research can be of benefit of all types of economic system, but tends to be adopted to a lesser extent in developing rather than mature economies because of a lack of capital and skilled management. Hence, market research has had no role to play in the economic growth of Iraq. This fact will be highlighted later in our discussion of interviews with management executives. But it is necessary to differentiate between market research in, for instance, Western Europe and that in a developing country like Iraq. In the latter, the economy is still at the "Take-off" stage, and new concepts are not

yet readily accepted by executives in the marketing field. In most developing countries, as we mentioned in the previous Chapter, little reliable information is available about consumer behaviour, and buying motives or market conditions which determine the difference between demand and supply. Thus it is necessary for all participants in the market such as producers or distributors, to rely on personal evaluations and a mutual exchange of information by these participants. Such an ineffective approach results in a waste of resources in that particular products are not sold in the market and consumer requirements are not satisfied. Generally speaking, a firm's strategy is decided by a rule-of-thumb method, depending on events that occur in the market. Products may be introduced when there is little demand so that large stocks of goods have to be stored, thereby adding to the problems management has to face. In other words, a failure relating to such products is the result of not having adequate information about market conditions.

Moreover, when effective marketing research is undertaken, this helps to create confidence in the reliability of information obtained about markets and consumers, and can ultimately help firms throughout the country to decide product policy in a rational manner, thereby making the best use of the country's resources to achieve maximum economic benefit. All activities would be organised more systematically and there would be closer integration to link the production and distribution functions more economically and effectively. This approach would reduce the waste of available resources and the allocation of which would be organised more economically, a situation which could not be achieved if available information was inadequate.³⁶

The above discussion shows clearly that there is an urgent need for developing countries in particular to undertake marketing research to the benefit of their economy. This would enable them to improve their strategic planning, since marketeers believe that reliable information about a particular market is necessary to enable production to meet market requirements.

By producing according to market needs and wants, and maximising consumer satisfaction, the level of competition between firms would increase, and the economy would change from being a primitive one, as the pattern of the markets altered and gradually the economy as a whole would improve.³⁷

As the economy became more advanced in the course of time, this would lead to other favourable consequences such as improving the balance of payments, encouraging innovation, changing the pattern of production and so on. However, the market system and the process of production are so complex and the needs of consumers change so rapidly that an up-to-date approach is required in order to achieve the desired degree of growth in the economy. This result could be achieved through efficient marketing research. Therefore marketing research is crucial for developing countries, particularly in terms of information gathering to identify the weakness of a particular strategy, or policy in a particular sector of the economy.³⁸

Knowledge obtained through marketing research, is crucial for the economic planner in the developing countries. When such information is available, the planners in a centrally organised economy are more likely to be successful when potential demand and general market capacity are known. Consequently, effective planning and the efficient control of the use of resources are crucial to the successful implementation of the economic process. Moreover, detailed information is essential for economic planning so that production capacity can be organised according to market potential for a specific product.

In Iraq, as in most developing countries, the information and statistics available to central planners who decide strategy relating to the building of plant are inadequate. Naturally, in order to gain the support of their political leaders, the economic planners usually depend on imports statistics - which produce unreliable judgement - to make decisions concerning the transfer of foreign technology, to meet overall demand for particular products although such technology may have to be adapted to meet the needs

of the local market. Since those assessments are so unreliable, economic activities exceeding the required capacity are undertaken, and large scale operations which demand does not justify are introduced. These results stem from an overestimate of required capacity so that the market is flooded with unabsorbed products since there is surplus of output. This represents wastage which retards the economy, because available resources are used inefficiently. The situation is even worse when the economic planner has to depend on statistical information which is out of date, whereas the pattern of consumption may have increased to a considerable extent. With reference to statistics on imports, these should be kept under constant review, careful attention being paid to significant fluctuations. In this context, Al sharbini in his study of the Egyptian economy, stated that over a given period the trend was for government departments to curb the import of goods even when demand is high but supply is inadequate.³⁹ It is therefore extremely important to ensure that production decisions must be based on accurate information relating to imports.

Also, acute shortages of a particular product may result from an inaccurate evaluation of the actual level of wants and needs, and a reliance on inadequate information about the market potential. Firms producing more than their market capacity may produce more products than they can sell. Market saturation or shortages are both caused by an inefficient use of national resources and, when development projects are undertaken in such circumstances, a degree of uncertainty prevails. However, if scientific marketing research is employed, such problems can be removed or their effects can be reduced, thereby helping to ensure the success of a particular enterprise.

The above discussion has demonstrated the importance of marketing research and its contribution to the process of economic growth through the more efficient use of existing resources to meet market potential and provide a greater degree of consumer satisfaction. But further, marketing research has another role to play in developing

nations, namely in relation to exports. Most of these countries, especially those which have surpluses, particularly of food, urgently need foreign currency to help them to achieve their development aims or to improve their balance of payments. Marketing research can help these nations to develop or increase their exporting activities by evaluating external demand and assessing their market potential abroad. This is certainly possible when a country has a comparative advantage which enables it to improve the reputation of its products in foreign markets so that loyalty to such products may be developed. Moreover, when a developing country depends largely on its exports to maintain its economic growth, it is essential to study the market structure of these foreign economies. For the success of a particular country's foreign trade requires the use of more advanced marketing techniques and greater aggressiveness in relation to selling. Here again effective marketing research at international level is crucial. This is the case because local market and foreign markets are different in many respects so that the strategy employed in the local market cannot easily be transferred to foreign markets. Variables such as buying habits and social-economic differences have to be considered. In catering for the needs of foreign markets, special approaches and attitudes are required, which are quite different from those which are appropriate for meeting the needs of domestic markets.

One of the characteristics of developing countries is their dependence on imports of consumer or industrial products and exports mainly of agricultural raw material.⁴⁰ But to benefit more from their export activities, these countries should consider the foreign market more seriously in order to reduce their dependence on imports and to achieve the benefit of whatever comparative advantage they possess. What must be done is not merely to imitate products with which Western countries are already familiar, but to identify other potential opportunities by undertaking marketing research into possible diversification of exports which might contribute to an increase in the level of export sales.⁴¹ As we have seen in the previous Chapter, despite Iraq's

comparative advantages relating to dates it is not the leader in terms of date exports, partly due to a lack of marketing research. The DME should concentrate on the needs, buying habits, and buying motives of consumers in the foreign markets, in order to achieve greater success in these markets. Research devoted to estimating the size of the market in each country, and discovering how to make the required products available in these markets at a reduced cost, would be useful for the purpose of increasing a firm's market share in the future. In this way, both the foreign consumers and the exporting country benefit. So by adopting this policy, Iraq could prevent a further decline in her exports of consumer products to other countries. By and large, the ignorance of foreign markets which is a characteristic of most Iraqi exporters, constitutes an obstacle impeding any expansion in the level of exports. In the same way, a lack of awareness of consumer preferences, non-application of appropriate marketing tools and techniques, the level of competition, and lack of confidence by foreign importers are all causes of ineffectiveness in the field of marketing in Iraq.

Any similarity between foreign and domestic markets can be identified by accurately assessing the market potential for a particular product and a marketing policy can then be devised to meet consumer wants and maximise satisfaction.⁴² These matters can best be tackled by management, by means of appropriate marketing research which enables problems to be overcome and also indicates the specific marketing techniques to which attention should be devoted such as advertising media, distribution methods, or the measuring of market capacity so that product availability is ensured.⁴³

An effective marketing research programme can itself provide a means of improving the marketing system. When marketing tools are properly integrated, this makes possible the effective coordination of various functions such as distribution, production, inventory control, and planning the means by which required resources are obtained. Another contribution of marketing research to the process of economic

growth is the improvement of the distribution system. Products can be distributed according to the level of demand and this allows the flow of produce to be organised in appropriate quantities, thereby smoothly avoiding gluts or shortages in different regions which results in reducing costs and stabilising prices. In these circumstances, decisions taken by the management of a firm relating to any business activity will be based on sound economic principles.

The discussion presented in earlier Chapters indicated that marketing generally received little attention from central economic planners and that distribution was not treated seriously by most firms, largely through ignorance of marketing principles. Attention was concentrated on production rather than marketing, and emphasis on production factors such as labour, finance, and resource allocation rather than on distribution, a policy which had an adverse effect on the process of economic growth. Although the aim of the research is to improve the marketing system in general, the researcher wishes to emphasise that improvements to the distribution system are particularly important and that marketing research has a vital role to play in achieving such improvements. Finally, it is necessary to bear in mind that there are differences between economic data and marketing data, although both are essential to the process of economic development. Although these differences lie outwith the scope of our study, it is appropriate to point out that economic data are wider ranging than marketing data; the first type includes various social trends (i.e. buying habits, living styles), political trends (i.e. government attitude, laws, business regulations) and economic factors (i.e. prices, consumption rates, income, manpower), whereas the second, namely marketing data, is concerned with those areas (the potential market, purchase motivations, etc.), details of which enable better decisions to be reached, based on accurate and reliable information relating to which products should be offered in market.

8.2.2 Types of Research Activity

Under this heading, the researcher will not deal with the methods of data collection as these methods are described in the literature dealing with marketing research; nor will appreciation and evaluation of each of the marketing research methods be included. Information concerning consumer demand may be obtained either internally, from reports, the experience of the firm's managers, salesmen's reports, etc., or externally from other company researches, agencies and various other organisations.

This broad area is well outside the scope of our study, although we shall refer to a particular method when it is relevant to our discussion. Our concern here is whether or not the firms visited engage in marketing research activities and if not, the factors which prevent this function from being undertaken.

Human beings are not all alike; consequently they have different needs and wants depending on their different characteristics. Thus, gathering information about different groups, far from being easy, is a complex task. However, this is not an excuse for avoiding the activity as it is crucial for formulating and implementing a reasonable marketing policy, the first priority of which is to achieve success by maximising consumer satisfaction and meeting market requirements. As we mentioned in the previous section, marketing research is a continuous process of gathering consumer-related information and thereafter evaluating trends in a systematic way. But such information should be reliable and accurate so that decisions can be made which are not based purely on personal opinions.

As we have frequently pointed out, information concerning consumers' wants is scarce in developing countries and manufacturers have to make great efforts to obtain the necessary information regarding consumers and relevant market conditions, whereas in developed economies producers are constantly supplied with such information from a variety of sources, so that producers are in a better position to meet consumers' needs and wants since they have access to relevant information. A

producer's decisions relating to consumers and the market environment will thus be more accurate, and this reduces the level of uncertainty associated with his business operations, such as launching a new product or improving an existing one.

The researcher asked the executives in the firms visited to state whether or not they were involved in collecting information about consumers in the market. The answers provided in Table 14 indicate that 13, 43% of the 30 firms undertake this function whereas the remainder, 17, 57%, do not. The picture revealed is not encouraging and reflects the extent to which this business activity is neglected, a situation which, in the researcher's opinion, clearly indicates the absence of an appropriate commercial attitude on the part of these firms, especially those in the public sector, since 8 of the 13

Table 14
Firms Involved in Collecting Information About Consumers

Subject Sample	Number of Firms	Percentage %	Firm's Status		Span of Activity			Method Conversation	
			Public	Private	Export	Non-Export	Test		
Firms Collect Information	13	43	8	5	8	5	3	7	3
Firms Do Not Collect	17	57	13	4	1	16	3	10	4
Total	30	100	21	9	9	21	6	17	7

firms concerned are in the public. Most of the reasons that account for this situation were mentioned in the previous section, although other reasons emerged later in our discussions with the relevant executives.

A similar situation exists in other countries such as Jordan. Salem found that six out of ten companies answering the questionnaire submitted to them had carried out some kind of marketing research, but only two out of these six consulted consumers

while the other four contacted either middlemen or distributors to obtain the required information. Those who did not undertake any marketing research activity believed it was unnecessary since they were able to sell their produce easily.⁴⁴

In other developing countries such as Srilanka, only 14% of the manufacturers undertook marketing research. In Chile, 23% of the manufacturers had marketing research experience; 14% had carried out consumer surveys; 5% had undertaken dealer surveys; 2% had attempted sales forecasting and 2% had carried out research of an unspecified nature.⁴⁵ In Egypt throughout its industrial history, the marketing mix which forms the basis for planning marketing strategy is neglected by most firms.⁴⁶

In general face-to-face discussion is one of the three main methods normally used by those engaged in gathering information about consumers, the other two being studying company records and marketing tests and samples. The personal approach employed to obtain information about consumers is quite effective. Through the researcher's discussion with responsible officials, he found that wholesalers and retailers are sometimes asked to provide information, but such information may not be accurate if it is not based on documented sources and it may be unintentionally modified by the individual judgement of those who interpret the information they provide or receive. Wholesalers and retailers gather information in two ways, either through observation or by asking their customers direct questions. Again, the advantages or disadvantages of this method are outwith our field of study, but the researcher believes that a firm may gain a general idea about consumer needs and market trends when specific points of view are repeatedly reported by many of these sources. Moreover, direct discussion with consumers may be a particularly appropriate method in developing countries, and the most useful for both exporting and non-exporting firms as in such countries the techniques of marketing research are not well known. However, only seven of the ten firms which collect information about consumers do so by this means, namely direct conversation. The researcher believes that if the results obtained by this method are not accurately documented, the way is

left open for doubtful interpretations to emerge. The research findings also indicated that firms which sell directly to consumers are more likely to be involved in collecting information through discussions with consumers. Not surprisingly, we found that most firms in this category are in the private sector. This is probably because most public firms sell in large quantities to wholesalers or directly to retailers rather than to individual consumers. Success achieved in the market by the private sector as opposed to the public sector, is largely due to the fact that the farmer for example, can easily obtain information, and accordingly, can more accurately identify consumer needs. The public sector is less successful in gathering information, because certain procedural steps have to be taken which delay the provision of the information required.

From Table 14, it is reasonable to hypothesise that firms which engage in export activities use more vigorous methods and employ different techniques in their marketing compared with firms who are engaged only in local marketing activities. This hypothesis, although it should be the subject of further study is based on the research findings which showed that eight of the thirteen firms which collect information are involved in export activities, and these are drawn from both sectors. Their practice of collecting information in various ways is accounted for by their involvement in a wide range of activities. It may be assumed that firms involved in export activities are more likely to adopt the marketing techniques employed in the developed countries with which part of their trade is conducted.

The gathering of information internally by firms in the different sectors may display different characteristics dictated by the nature of Iraq's economic structure. Iraq is one of the developing countries, most of whose trading activities are controlled by the government. Consequently, information about general market conditions is difficult to collect and data are scarce or even on occasion, unavailable. Therefore examining the market in relation to consumers will not necessarily provide an accurate picture. Within such an environment, the management's freedom to obtain the required information is more limited than it is in an advanced economy, and the

validity of administrative and managerial decisions is heavily dependent on the reliability of the information received. Consequently, since data collection is not carried out in a systematic way, decisions are subject to risk and uncertainty which is only to be expected in developing countries, and this situation will continue as long as economists in these countries ignore the scientific basis on which efficient management should be founded. Therefore the data provided in government publications may not reflect an accurate picture of market conditions, so that enterprises are unsuccessful and products are launched which do not attract sufficient custom from consumers but create a glut of unsold merchandise.

Although information supplied by government departments in Iraq is available at low cost, it does not accurately reflect consumer needs and wants due to the fact that modern marketing research techniques are not employed. In general, all the firms participating in the survey emphasised their dependence on internal company records for information about consumers. Some executives stated that it is often the only available source of information they require. But the researcher believes that this information is not classified in such a way as to reflect the market trends for particular products since the records relate to total sales of a given product category. For example, with reference to dairy produce, the records made available to the researcher referred to total sales of cheese, providing no break-down relating to different types of cheese. Such totals give no indication of consumer preferences among the various cheeses available in the market. The shortage of some types of dairy produce and a glut of others in the local markets in Iraq support the researcher's opinion on this point. Thus, such records as are available have a limited scope as the information provided does not give details of sales by regions where people's purchasing power varies, it does not give reasons for sales of particular products and above all, it does not reflect the structure of the existing market or indicate changes in market trends. An analysis of all of these factors is crucial as a means of effecting improvement in the distribution system, and reducing costs, by ensuring that produce is available at the right time and in the right place, and directed towards the right consumer.

Generally speaking, consumer surveys are widely employed in developed economies as a means of collecting information, and it is essential that this method should be used by developing economies where data are scarce even at official level, since information is required particularly by economic planners so that they can assess the desired level of production and providing the necessary resources in an environment characterised by scarcity. In the researcher's experience, people are reluctant to provide true information concerning their purchasing power, their buying behaviour and their motives and this applies particularly to the middle classes who believe that such information will be used for increased tax legislation, and suspect that those who undertake surveys represent the authorities. This situation in developing countries is worse when an attempt is made to conduct a survey since the high level of illiteracy affects the type of sample that can be used. However, this limitation, once recognised, can be overcome by careful preparation of the survey method employed as that a representative sample can be surveyed.

Because of the above limitation, few firms have carried out this kind of research. From the interviews it was learned that only three of the thirty firms carried out such a survey, and two of them were in the public sector. The small proportion of these firms undertaking surveys does not detract from the importance of this method. What it does indicate is that many firms in Iraq are still unable to carry out surveys because the obstacles described earlier make it difficult for them to do so. To conclude, market research techniques may differ from country to country, depending on the prevailing level of economic development. In other words, research techniques which are appropriate in the U.K. may differ from those required in Iraq or in any economy where scarcity is a major factor. In this context, Cranch suggest that different forms of consumer behaviour or marketing research investigation are influenced by environmental conditions, but whatever approach is used, it must form the basis for future planning and facilitating the introduction of innovation into a developing country.⁴⁷ The slight degree of attention paid to the marketing research function in the

business environment in Iraq is similar to that in all other developing countries. The neglect of research and a reliance on intuition as the basis for decision making appear to be the rule rather than the exception throughout the developing world. Turkey is a prime example of a country where research in general, and consumer research in particular, is largely ignored in decision making.⁴⁸

8.2.3 Testing Products in the Market

Product testing may be regarded as a marketing tool applied directly to consumers. It is a major function of marketing research and could be defined as the process by which a firm makes a product available to the market in a limited geographical area in order to determine the product's commercial availability. Test marketing can also provide information about potential market share, the characteristics of consumers who purchase the product and of those who sample it but who do not buy it again, the frequency of purchase by different consumer groups and the ways in which the product is used by consumers.⁴⁹

This technique is widely used in order to learn the reaction of consumers and to assess the firm's performance and the extent of its product's success in the market. Thus, in view of the prevailing conditions and the marketing environment in developing countries, this method is an important means of determining product progress before launching and the profit prospects of the launching firms, as failure after launching represents a waste of the scarce resources which provided the product concerned. Successful products are those which meet consumer needs and wants in the local market and at the same time have potential for achieving international sales.⁵⁰

In this approach, many marketing activities interact and combine with each other to discover consumer reaction to a product, and for the firm, this represents a step forward in its marketing programme strategy. Implementing such a programme involves undertaking a variety of marketing activities in order to boost the volume of sales and to motivate consumers to buy the products on offer. These activities include

advertising, sales promotion, accurate pricing and efficient distribution in order to identify possible problems and to assess the importance of different product features, the level of acceptability associated with the product and the firm's performance rating. In this way, when a new product is launched, it is more likely to be successful.

Before the full commercialisation stage, the product may be tested in the market at the preceding stage. Test marketing is the experimental testing of a new product or marketing mix in a representative field setting. In the context of the marketing decision, this requires the collection of additional information to reduce the uncertainty associated with decision making.

As such, the cost of the test market should be less than the upper limit that represents the expected value of perfect information. Although marketing tests of an industrial product may differ from those of food products, by and large, such testing offers the following benefits: an opportunity to get an idea of the product's potential sales, the chance to present alternative marketing strategies and the possibility of obtaining valuable, but unanticipated information.⁵¹

Certain disadvantages are associated with test marketing, such as the different characteristics encountered in various markets,⁵² but the researcher believes that although this can have a marked effect in developed countries divided, it does not have the same effect in Iraq. The researcher's view, as a final consumer, is based on the characteristics of the Iraqi people. Social differences are not so deep-rooted in Iraq as they are in developed countries, and the Iraqi consumer is by comparison naive, simple and easy to convince. Moreover, this technique may increase the level of competition required to strengthen the economy and benefit consumers, and this is true even in advanced economies as the technique enables other manufacturers to learn about their rival's intentions and perhaps points the way to success. In a study carried out in Mexico and India of the performance by the two national public food marketing agencies in the market place suggested that consumers support each public marketing agency as offering good values and as being important to economic development irrespective of their income and social differences.⁵³

Again the above discussion demonstrates that this marketing technique is vital for Iraq and for other developing countries where similar conditions prevail. Failure of a particular product will affect the future of a firm and the economy as a whole, because of the scarce resources being wasted, yet the risks can be reduced by test marketing, which is therefore of crucial importance.⁵⁴ The following discussion reveals the attitude of the management of the firms visited with the food industry sector. Executives were asked whether their firms engaged in testing their products before launching them on the market. Table 15 represents the research findings. The researcher made it clear to the respondents that the question of test marketing also applied to the development of products already in the market. Nineteen, 63% of the thirty firms visited reported that they test marketed their products. Fourteen of them were in the public sector, including

Table 15
Extent of Test Marketing
Used in Sample Firms

Activity	No. of Firms	Percentage %	Span of Activity			
			Firm's Status Public	Private	Export	Non-Export
Conducting Test	19	63	14	5	11	8
Not Involved in Testing	11	37	4	7	4	7
Total	30	100	18	12	15	15

eleven who were engaged in export activities. This supports the view that public sector firms are generally involved in test operations to a greater extent than those in the private sector. And this also indicates that they employ more aggressive marketing techniques. By comparison, the performance of private sector firms in this area is unimpressive. This evaluation is enhanced when respondents in both sectors were asked to state whether their firms had withdrawn any products during the last six years. In the public sector, some products had been withdrawn from the market and the production line but this had not been done by any of the firms in the private sector. But we must not attach too much importance to this particular finding. Some public firms

(excluding exporting ones) have carried out test marketing in an informal way, without using clear-cut criteria. The researcher found that such testing is not carried out in the systematic fashion employed in advanced countries. Moreover these firms rely too much on the opinion of selected school pupils or the firm's own employees.

Moreover, supplying samples in some cases is regarded as a suitable method of test marketing. But this method is not based on clear-cut criteria since the samples supplied are given in the form of a gift. Such a method cannot be regarded as a genuine test. The fact that little attention is paid to this marketing tool may be accounted for by reasons indicated in various parts of this Chapter. Without repeating all these reasons, those of special importance will be briefly discussed here. Firstly, government legislation for the protection of industry relieved the management of some firms from the need to undertake any tests as their products face little competition from abroad or even from private sector firms. Some products are in short supply in the local market, so their scarcity made testing unnecessary. Secondly, firms in the private sector lack the financial resources required for adopting this technique, nor do they have personnel sufficiently well qualified to perform this task. Thirdly, because of transport difficulties, the remote areas cannot be included in this type of experiment so that by and large, such surveys, when undertaken in countries like Iraq, will not accurately reflect general attitudes and consequently, will be of little value.

During the researcher's discussion with company representatives, he learned about another test the firms use, namely, the in-firm test which is applied to a firm's staff or their wives. But results from this type of test cannot be regarded as a true guide or indicator for successfully launching a product, simply because the subjects of the test do not represent potential buyers and they are likely to be biased in favour of their firm so that they would not be acceptable in a research project. Moreover, these firms usually do not carry out re-tests to identify the motives of buyers in the market.

The status of marketing research organisations reflects the stage reached in the country's development in the field of commercial business. The importance of the facilities offered by these agencies has increased in the commercial sector as an

increasing number of marketing problems have emerged. The long-standing neglect of marketing has had an adverse effect on the growth of marketing research facilities in Iraq, which were in any case primitive and neglected by management in the business field. Again, when some executives stated that they have not undertaken marketing research, this is not surprising, because such firms stated that they had no market problems as their products were easily sold in the market.

We shall see in the next section dealing with advertising, that even advertising agencies in Iraq have been able to offer little help to firms in terms of research services. An alternative is provided by the independent agencies which specialise in the field of marketing research. In a few cases, firms have relied on agencies in foreign countries. The most popular one which all firms depends on for research purposes is the "National Centre for Managerial Development and Consultancy." It is a government department staffed by highly educated officials, who have graduated at foreign universities and are able to provide consultancy services and deal with matters in their special field when a problem is submitted to them. The researcher, however, believes that such personnel need more practical experience, although the department referred to was provided with all the facilities required and the officials have the theoretical knowledge which is necessary for undertaking effective and successful marketing research. Moreover, they have skills which may be different from those required in other fields of management,⁵⁵ and this enables their activities to be well organised and better integrated.

Of the thirty firms visited, twenty-five or 83% have not carried out any kind of marketing research. This situation arises because of, on the one hand economic conditions - where scarcity is common - and on the other, the attitude of management which helps to create such a situation. In theory, it is accepted by management that the marketing research role should assume much greater importance, especially to help decision making but in practice, support for such research is not forthcoming. The conclusion here is that most of the firms are production-oriented rather than marketing-oriented and consequently pay little attention to the marketing research function.

Generally speaking, test marketing is a useful procedure for checking a product's appeal before its distribution to ensure that it conforms to consumers' tests. This concept is very important for most developing countries including Iraq. In a developing country where the resources are scarce and firm's finance is limited, the effects of failure on the firm's structure or even on the economy can be quite marked.

The general finding is that most of the firms introduced their products without using test marketing, which in turn leads to many problems and eventual failure. As far as the Iraqi food industry is concerned in relation to this point, many reasons contribute to this negative attitude. The most important are: (1) In a situation of scarcity, especially in the food industry, firms were able to sell their products even if they were not suited to consumer tests. In such a society, firms do not innovate as there are no incentives or even pressure on them to do so. (2) Most of the products introduced are imitative rather than innovative. They are substitutes for products previously imported from abroad. By following this policy, firms avoid taking risks, and are spared extra expenditure as they avoid introducing new products to the market. (3) In the developed societies where education and discretionary income is at a higher level, innovations are more acceptable than in a society which follows a fixed tradition. To poor people, or those living at subsistence level, which is characteristic of most developing countries, innovation is not readily acceptable, as time is needed for people to abandon old habits and adopt new ones.

We now proceed to discuss the factors underlying the neglect of this function.

8.2.4 Factors Impeding Market Research

The amount of market research undertaken by a firm and the existence of a separate marketing research department can be taken to indicate the extent to which the importance of this function is recognised. The researcher discovered that of the thirty firms visited, only five had undertaken any kind of marketing research. Those firms

carried out market research in 1978, but food manufacturers were not interested in their findings.⁵⁶ Again, of the thirty firms, only nine had a market research department. The conclusion, after visiting food manufacturers during the course of this study, was that very little statistical information is available concerning the needs, wants and attitudes of Iraqi consumers.

In the complex environment of business, a systematic approach to the problem of management is important. One of the management functions is decision-making, and making a decision in connection with marketing may be difficult in the commercial field, because the decision is the result of a choice based on a person's conclusions about a particular situation. This represents the selection of a specific course of behaviour concerning what must or must not be done. The purpose of decision making is to direct human behaviour towards a future goal. If there were no alternatives, there would be no need for a decision. So making decisions relating to the satisfaction of human needs and wants is by no means an easy job. This is so even when conditions are clear-cut and constant but business is something which is never static, and in the competitive environment prevailing in both external and internal markets reliable information is required to allow the right decision to be made about the market. Accurate information is the key for the right decision being taken by business management.⁵⁷

Through marketing research, a sound assessment of consumer needs and wants can be made. Marketing research consists of the systematic design, collection, analysis, and reporting of data and making findings relevant to a specific marketing situation⁵⁸ which often involves a marketing decision, such as whether to introduce a new product, drop a distribution channel, or change a promotional appeal. However, marketing research is also used as a monitoring device to keep management aware of market place conditions and competitive pressure, thus serving as an early warning mechanism for anticipating problems and opportunities before they actually arise. To the extent that a firm practises the marketing concept, marketing research undertakes the role of

finding out what the consumer wants and evaluating how well the firm's current or proposed offerings can meet these desires. Thus within the marketing concept, marketing research assumes the role of a feedback mechanism for providing management guidance.⁵⁹

It may be helpful at this point to mention different attempts to define marketing research. Technically, marketing research is defined as an objective, formal process for systematically obtaining, analysing, and interpreting data for the purpose of providing useful information for making marketing decisions.⁶⁰ The above definitions reveal that marketing research is a decision-making aid. It can provide information on which marketing managers can base decisions, thereby improving their decision making. Hence it is a future-oriented function concerned with many variables such as political, economic, social and competitive factors which must be considered, even including corporate planning. By and large, all marketing management problems, decisions, and actions take place in three environments: an internal marketing environment, an internal organisation environment, and an external organisation environment. In this respect, marketing research is defined as the systematic, impartial, and complete design, execution, and reporting of investigations to help solve product, price, distribution, and promotion problems.⁶¹

The above discussion has revealed that the dilemma facing the marketing manager has two aspects. First, there is the need to make decisions, and secondly, the degree to which the future will provide a favourable environment for the course of action selected has to be considered. Controllable and uncontrollable variables are involved, if we consider marketing as "a function concerned with designing an efficient system which will direct an economy's flow of goods and services from producers to consumers and accomplish the objectives of the society". This means that marketing is concerned with development of the product and its distribution to the right consumer, at the right place and time, in which case marketing research is a continuous series of activities, aimed

at coping with the continuity of the commercial business environment. By and large, the crucial activities which enhance a firm's prospects in a market are consumer research, advertising research and consumer motivation.

In view of the backward position of marketing in Iraq, the finding that this function is not carried out properly will cause no surprise. Moreover, adopting an appropriate form of marketing research in the Iraqi local market requires more time. The research findings produce results which may be symptomatic of the situation in Iraq.

Respondents in the firms investigated were asked whether or not they carried out marketing research, and if the answer was positive, how much they had spent on this function in the last years. The answers are shown in Table 16. The criteria used in the research in relation to this question were based on whether firms followed a series of systematic steps, defining the objectives and setting out the conclusions of a particular research undertaking carried out by them.

Table 16

Extent of Marketing Research Implementation
in Sample Firms

Activity By Firm	No of Firms	% Percentage	Firms status			
			Public		Private	
			Export	Non Export	Export	Non Export
Marketing Research Performed	5	17	4	1	-	-
Marketing Research not Performed	25	83	5	10	4	6
Total	30	100	9	11	4	6

In planning a specific research project, it is necessary to anticipate the relevant activities and informational requirements in order to avoid inefficiency and misdirection. However, rather than being incorporated in a neatly packaged "connect the dots" set of directions, the activities involved are closely interrelated and therefore

difficult to structure in the desired manner. As a result of the need for an acceptable structure and, the complexity involved in devising such a structure, it is prudent to recognise that the plan for any given study will certainly be characterised by the specific circumstances that led to its formulation.⁶²

Indirect checks have been made by the researcher to find out if the necessary steps have been taken so that a firm's actions can in fact be regarded as constituting marketing research such steps, for example, as formulating the marketing problem, determining information requirements, identifying information sources, etc. In the researcher's opinion, only five firms, 17%, carried out marketing research in terms of the above-mentioned criteria. More than this number of firms claimed that they engaged in this function, because many of them conducted a superficial type of marketing research. The researcher believes that there are many reasons why firms make such claims. First of all, executives wish to give the impression that they are undertaking such research. Secondly, the Iraqi firm's experience is still in fact partly limited by the lack of people with the background and education required to pursue research of this kind, and partly by the primitive techniques and means available to them. All the five firms engaged in marketing research activities are from the public sector, four of them being involved in export activities.

The researcher found out that these firms employed educated people, whether or not they are relatives of the proprietor.

Even in those firms who used this marketing tool, no separate department for this purpose has been established, but planning and research procedures have been undertaken with a sum of money set aside for this purpose. The exact amount spent is not accurately recorded for administrative reasons, but it is clear that they are in fact carrying out this function in one way or another. Further investigation, applying appropriate criteria and research methods, is required to establish why other firms did not consider it necessary to carry out marketing research.

The firms engaged in marketing research activities were also asked to give details of the frequency with which this function was carried out and to name the department

responsible for its implementation. The answers are shown in Table 5. The research finding revealed that firms claiming that they conducted the type of activities listed in the questionnaire were not necessarily giving a true picture of the situation in their firms. A comparison with the answers given by the respondents to other questions indicates this clearly. The most obvious example is the contradiction between the research finding derived from this Table and the evidence supplied in Table 2. Respondents claimed that they engaged in market share consumer behaviour research, although such activities are not mentioned in the answers given in Table 2. With regard to product planning research, one firm claimed that they never engage in this function whereas it was claimed in Table 2 that they did so, which represents an obvious contradiction.

Irrespective of the accuracy of the claims made relating to this kind of research and the frequency with which it is carried out, advertising, product planning, distribution, new product development and packaging are respectively the research activities claimed to be carried out by the surveyed firms.

Although only four firms claimed that they undertook market share, and consumer behaviour research - a claim involving discrepancy with other answers - these activities are interrelated and the researcher is surprised that firms engaged in new product development, or even product planning did not undertake research on consumer behaviour or market share.

Identifying groups of consumers who will tend to respond in a similar fashion when presented with a particular combination of specific marketing inputs is known as market segmentation, i.e. the process of dividing a market into segments of people who have similar characteristics as consumers, and can therefore be appealed to using one set of marketing strategies.⁶³ Thus segmenting the market is regarded as a strategy designed to allocate marketing resources to defined segments and product positioning is a strategy designed to communicate product benefits to meet consumer needs and the characteristics of target groups. The food industry relies more on demographic than any other consumer variables in making market segmentation and product promotion

decisions.⁶⁴ The level of consumption of particular products may indicate changes in the demand for such products.

Segmenting the market attracts the full attention of all producing firms in developed countries in relation to both consumer and industrial products, but this function is not pursued in most developing countries, including Iraq. This may be because of the social structure of society in the developing countries. On the whole, these countries divide their populations into rich or poor, or into rural or urban residents, with no intermediate classifications, whereas in the advance countries their populations are divided according to many more complex criteria which at the moment are outwith our field of research.

Not surprisingly, when respondents were asked to define the group they produce for, they mentioned only two subsegments or markets. Table 17 shows the research findings. The differences between the two percentages recorded are very great. This is because most firms pay little attention to differentiating their market. This is a common practice in developing countries including Iraq, where the social structure differences are simplified into only two very extreme divisions. The researcher's interpretation of this information is that it is determined by the characteristics of the industry concerned. For example, five firms which produce for urban areas only engaged in the ice cream and dairy products industries, so that it is reasonable to assume that the policy pursued may be related to the nature of Iraq's climate. In

Table 17

**Importance of Market Segmentation
(Perceptions By Executives In Sample Firms).**

<i>Market Segment</i>	<i>No of Firms</i>	<i>% Percentage</i>
Cities Markets	25	83
Mixed Markets (Foreign And Local)	5	17
Total	30	100

summer, when the temperature is very high - about 50°C - the distribution process therefore being very difficult since such products are exposed to spoilage and deterioration. The problem may be exacerbated due to the lack of cold storage and refrigerated lorries for use in the distribution process. This problem is an obstacle we have referred to in Chapter 3.

Soft drink firms were not included among the above firms (namely ice cream and dairy product manufacturers). The researcher believes this to be associated with Iraq's social-culture. In summer, the rural inhabitants traditionally consumed yoghurt made by themselves from cow's milk instead of consuming soft drinks, as that problem is solved by using local resources. Inhabitants of rural areas have access to alternatives even for special occasions to entertain their guests and thus even firms without a distribution problem will be discouraged from penetrating these areas. Even in winter months the above products are rarely consumed by those who live in rural areas. Only five of the fifteen firms engaged in export activities produce specifically for foreign markets.

When most firms do not devote enough attention to the important marketing research function, the conclusion is that the need for systematic research is not widely appreciated and this weakness is expected to continue while Iraq is at its present state of economic development. The reasons pointed out in Chapter Four for the neglecting of the marketing function in developing countries also explain the slight attention devoted to marketing research in such countries. The problems may be summarised as being due to the attitudes of management and economic planners towards marketing in general and marketing research in particular, as a result of which little or no information is available concerning consumers' behaviour and their motives.

Moreover specific problems affecting marketing research in another neighbouring developing country, namely, Turkey, may also apply to Iraq. In addition to the problems previously mentioned, just as in Turkey, marketing research is regarded as being of a mathematical nature rather than as a qualitative and quantitative function.

There is a lack of relevant expertise in this area and research is only undertaken when a firm is marketing-oriented rather than production-oriented and there are also sampling and administration problems.⁶⁵

To obtain an overall picture of the status of this function in the firms visited and to identify the nature of the problems encountered, the researcher asked respondents whether or not they undertook marketing research and if not to specify reasons for not doing so. Before presenting the research findings, it is appropriate at this point to recall the fact reported in the above discussion, namely that only a few firms engaged in marketing research, though the internal and external obstacles encountered by each may vary. The survey findings of obstacles impeding marketing research are presented in Table 18, which shows the number of firms which have not performed this function.

The low level of competition is cited as an obstacle by firms in both sectors. Most of these firms, particularly those in the public sector, stated that they did not face serious competition. Fifteen, 60%, of the twenty-five firms concerned mentioned this factor, three of them being in the public sector. As the level of competition is low, little attention is paid to market conditions and the need to consider the welfare of

Table 18

Obstacles Impeding Marketing Research.
(Executives Perceptions)

Kind of Obstacle	Number of Firms	%	Firms		Span of Activity	
			public	Private	Export	Non Export
Product Characteristics (quality)	10	40	3	7	5	5
Lack of Expertise In Firms	18	72	7	11	12	6
Lack of Competition (ie No Need)	15	60	3	12	11	4
Lack of Research Organisations (With Expertise)	3	12	3	-	2	1
Out of Date Information	4	16	4	-	3	1

This number represents firms not doing Marketing research

consumers or to satisfy their needs and wants is ignored. In advanced economies, the marketing research function has been widely supported due to the highly competitive market conditions which have forced management to make every effort to identify consumer needs and wants through marketing research to ensure that the firm will survive. In Iraq on the other hand, local industries have been protected through legislation which reduces the influence of market conditions. A factor which inhibits undertaking marketing research in Iraq is that a seller's rather than a buyer's market for most goods is predominant. Since the market can easily absorb firms' output, there is therefore no marketing problem. The Iraqi food industry in particular is characterised by low levels of competition, the result being that some companies do not need to be particularly concerned about losing their customers (see Chapter 7). Those firms which do not carry out any sort of marketing research are completely production-oriented rather than consumer-oriented. Accordingly, to them, marketing is concerned only with arranging the distribution of their products to consumers. Consequently, little or no experience has been gained in relation to implementing the marketing research function and as a result, few people possess the expertise required to make effective use of this marketing tool.

The respondents' answers demonstrated this problem since eighteen, 72% of the twenty-five firms concerned stated that lack of expertise presents difficulties. This is obviously due to the fact that the research function is neglected and over a long period no marketing research has been carried out by these firms.

Government control of large sections of the economy means that management initiatives are subject to a certain degree of restriction. The policy of every firm has to be approved by the relevant Ministry and the centralisation of power means that decision-making tends to be carried out within the state bureaucratic system. In any case, management in Iraq is generally characterised by incompetence, largely due to a lack of education and training. This lack of skilled management also inhibits the

undertaking of market research. For effective research needs competent personnel but there is a distinct lack of managerial talent in the bureaucratic structure of most firms. Added to the factors previously mentioned, namely the negative attitude of economic planners towards marketing and the fact that the management of firms is production rather than marketing oriented, this situation provides a further excuse for those firms not to carry out the marketing research function. Ten firms, or 40% of the twenty-five which neglected this function stated that their attention is devoted exclusively to production and finance and that the marketing function is left to the wholesalers. The researcher found that this trend also applies to the transportation of products. Firms which left marketing to distributors also regarded transportation as being outwith their responsibility. The researcher believes that the reason for this behaviour is that production matters are considered to be far more important than marketing or dealing with the flow of products in the market. This point was mentioned in a previous Chapter when we discussed the physical distribution of agricultural produce. It seems clear that management believes that a tool such as marketing research can be ignored without affecting the firm's business.

Scarcity of information about consumers and about the market in general is one of the reasons given by some of these firms. This justification for not becoming involved in marketing research seems to be valid. Four, or 16%, of the twenty-five firms cited the absence of up-to-date data as constituting an obstacle. Only three, 12%, of the firms referred to the lack of marketing research agencies as an obstacle preventing them from carrying out this function. It is not surprising that the above two obstacles, namely, scarcity of information and organisational problems, were emphasised by firms involved in export activities as a result of their experience in dealing with foreign markets, but the researcher believes that such responses do not by themselves constitute the basic reasons. Rather, firms are trying to justify themselves to the researcher. This opinion is based on two facts. The first that most firms rely on

internal reports and records in order to estimate marketing capacity, a point we criticised at the beginning of this section, and the second is that little use is made of external agencies for the purpose of marketing research (see the Dates case study), although there are such agencies in Iraq, as we shall see in the next sub-chapter. Admittedly, such agencies do not possess the required skills for handling the marketing research function efficiently; nevertheless, firms could benefit by employing their services but they do not do so.

Again, a major reason for this is that the government does not concern itself with this problem and as Iraq operates a planned economy, few industries are in a position to act on their own. In general, state-managed economic systems play little attention to the marketing environment. Large-scale firms believe their products are consumer-oriented, but market research in Iraq is hampered by the fact that no particular government department specialises in this function.⁶⁶ Moreover, much of the marketing information available to firms consists of reports compiled by the Ministry of Industry which supplies little information with regard to the Iraqi consumer and what is provided is very often out of date.

There is a notable lack of information concerning market structure. According to the classical theory of the firm, markets are characterised by inter-relationships between producers and consumers and these constitute the external environment within which their behaviour is brought into appropriate operation.⁶⁷ Market structure therefore determines the behaviour of firms which in turn determines the quality of industrial performance. But sometimes it is difficult to identify the market so that structural distinctions become blurred and the reliability of future performance assessment is weakened.

There is another reason which the researcher believes to be important though it was not mentioned by respondents. This stems from the government's socialist ideology according to which marketing research is regarded as a function entailing high

expenditure which should therefore be reduced like any other marketing costs. The availability of capital also determines how firms are organised and the activities they pursue. Lack of finance, which is a problem encountered by most firms in Iraq, constitutes a limiting factor with regard to the introduction and development of market research. Again it is due to the government's attitude rather than to financial difficulties. Table 19 shows the level of expenditure on marketing research by leading firms in the food industry during the period 1982 to 1984.

Table 19

**Marketing Research Expenditure and
Total Sales of Selected Firms
1982-1984 (ID)**

<i>Kind of Industry</i>	<i>Year</i>	<i>Total Sales Value</i>	<i>Marketing Research Expenditure</i>	<i>Percentage of Total Sales</i>
Vegetable Oil Extracting	1982	65,600,000	5,534	0.00009
	1983	93,500,000	2,2716	0.00003
	1984	93,490,000	4,525	0.00005
Dairy Products	1982	22,881,000	274,000	0.011
	1983	27,027,000	10,000	0.0004
	1984	38,093,000	9,000	0.0003
Soft Drinks	1982	55,233,000	357,000	0.006
	1983	56,643,000	-	-
	1984	84,063,000	36,000	0.0004

Source:

Ministry of Industry. Annual Reports, 1982-1984.

There is no marked relationship between total sales value which involves million of ID, and marketing research where expenditure reaches only thousands of ID. It may be argued that the small amount devoted to such research is due to the situation in Iraq in recent years, but the researcher examined the records for the period 1976 to 1980 as

he had access to the Balance of Payments position and the results again were not encouraging even though the percentage spent on marketing research was double that indicated in the above table. The figures provided illustrate a problem which is typical of many firms. Funds allocated for research purposes tend to fluctuate from year to year and are very often diverted into other areas, as needs arise. As we shall see later, the same unfavourable situation applies to advertising expenditure. When firms are not performing well in the market, the first area in which expenditure tends to be reduced is marketing research.⁶⁸

The researcher considers that from the point of view of firms' respondents, these are the main reasons for not having enough information for marketing research purposes. Other reasons are occasionally mentioned such as consumers reluctance to assist in each survey. The researcher wishes to point out that such reasons have only a limited effect and therefore cannot be accepted as wholly genuine factors affecting the marketing research situation, therefore their impact can be overlooked.

In general, the above discussion shows that marketing research has received little consideration by the firms visited despite its importance to a country's economy as a means of identifying consumer needs, to maximise consumer satisfaction, and recognising market trends. In such a situation, management attitudes must be revised in a country like Iraq.

8.2.4.1 Supply-Side Marketing Research

Although some of the firms visited consider various types of marketing research to be useful, any that is undertaken is still primitive and of limited value rather than accurate and meaningful. The limited level of education which marketing personnel possess and their lack of experience means that the results obtained are not useful because the lack of information about the market and the needs of consumers results in poor communication between the various groups concerned with marketing.

Consequently, personal judgement has to be relied upon when making decisions. This can be ill-founded so that market conditions are not fully appreciated, resulting in supply shortages and unsatisfied consumer demand. It is not uncommon in the Iraqi food market to find that there is a surplus of one item and a shortage of another. In other words, the Iraqi producers do not match and adjust product availability to meet market needs. Products will continue to fail to meet consumer demand so long as there is inadequate information concerning market requirements.⁶⁹ In 1978, for example, a vegetable oil extracting firm undertook a survey in various regions to find out whether consumers would prefer vegetable oil to be packed in 1 kg. or 10 kg. tins. It was discovered that the demand for the larger quantity (with an average of 83% in favour) far exceeded the demand for the smaller quantity, particularly in more remote areas. The research itself is open to criticism but although the manufacturers did not realise this, they did not, in any case, make the 10 kg. tins available.⁷⁰ Findings of this kind support the view that in Iraq provision of certain products fail to meet consumer demand.

Earlier, it was recommended that the DME should itself undertake marketing research, since no facilities for performing this function exist in Iraq. This is particularly important given that market research can be extremely useful as a means of evaluating foreign demand for domestic products. Exports are now recognised as being a vital element contributing to economic growth.⁷¹ However, entry into foreign markets cannot be won until improvements have taken place in domestic markets. Before the Iraqi government can pursue an effective policy of diversification it needs to know in which areas expansion should be attempted so the lack of knowledge of world markets is thus the first problem to be solved as marketing decisions cannot be made intelligently without knowledge of the wider environment. Research into foreign markets is necessarily broader and more comprehensive than market research into domestic markets.⁷² Developing countries which seek to increase their rate of

economic growth by entering foreign markets, must consider the new types of customer, government policy, cultural differences, competitors, strategic alternatives and the action each of these alternatives will probably require.⁷³ Again, as stated with reference to dates, the initial requirement for expanding into a profitable foreign market is to discover the needs and buying preferences of foreign consumers, which in turn requires market research. The main economic function of marketing research is to obtain adequate information about consumer demand. Adequate market research increases the possibility of being able to meet consumer wants. Firms producing in response to accurate information about the market will apply their economic efforts more effectively⁷⁴ and avoid wasting resources on producing items which are unacceptable to consumers. Thus, greater rationalisation of economic activities help to optimise commercial benefits and reduce needless waste of economic resources.

That supply does not match demand is a common characteristic in the markets of developing countries. The fact that the Iraqi market is more a sellers' than a buyers' market is caused by supply shortages and hence excess demand, particularly with regard to food. In an economy like Iraq's where scarcity is a dominant feature, almost any product can be sold with little or no effort if there is a constant need for it. This is true of most primitive economies, where the principal products are well established and market patterns do not change.⁷⁵ Iraq is primarily an agrarian country but neglect of the agricultural sector has meant that some essential agricultural products are not provided and this in turn increases the tendency to import, thus adversely affecting the balance of payments. If effective marketing research were undertaken, it would become evident that the economic structure of Iraq needs to be changed, with greater emphasis being placed on developing the agricultural sector. This in turn would lead to changes in the allocation and utilisation of existing resources which could now be used to greater advantage. A plan would then need to be drawn up to tackle any deficiencies as part of a process of strategic economic development. The scope of a plan in Iraq is

usually determined by the limited amount of information available concerning local markets, but production on a larger scale, providing a capacity greater than that required to meet local demand, could be a means of achieving economic growth. The lack of information has thus not only segmented but also fragmented the domestic market.⁷⁶ It has led to an increase in the level of risk and uncertainty. So marketing research can increase economic efficiency by revealing a deficit or surplus in the market, thereby enabling a transfer of resources to be effected. In addition, most distribution systems in developing nations suffer from an unevenness in the flow of products to the final consumer.⁷⁷ Marketing research can increase the possibility of meeting local demand and because the aim of this function is to match demand with supply, it may also contribute to the development of the distribution system.

8.2.4.2 Consumption-Side Marketing Research

Only one executive mentioned that socio-economic variables may affect any attempt to undertake marketing research, and this point only emerged indirectly during his discussion with the researcher when he mentioned that the marketing of dates should have a religious aspect when such produce are marketed to Muslim countries. Some of these socio-economic variables, such as consumer characteristics, the role of women and the influence of religion will be discussed in this section.

Marketing research findings with regard to the behaviour and attitudes of Iraqi consumers have thus far been inadequate and inaccurate, since certain socio-economic and cultural elements have not been taken into account. A scientific method of marketing research would include all those variables which influence consumer demand. A vegetable oil extracting firm, for example, recently undertook a survey of consumer opinion with regard to its product. But its findings were clearly unreliable.

Table 20 shows that only 22,100 families were surveyed in six of Iraq's eighteen governorates, the total population of the governorates concerned being six million. Perhaps more importantly, the survey was conducted only in city centres, rural areas being entirely excluded. Although such survey, over time may highlight little crucial changes in consumer behaviour this study was not therefore representative of the community as a whole and this very often tends to be a feature of such studies.

Table 20
Vegetable Oil Extracting Firm: Proportion of Families Surveyed
In Various Governorates

<i>Governorate</i>	<i>Number of Families Surveyed</i>	<i>Total Population (Thousands)</i>
Baghdad	1900	3500
Al-Tameem	700	600
Kerbala	500	578
Diyala	500	500
Basrah	900	1000
Al-Anbar	500	398
Total:	22100	5576

Source: Vegetable Oil Extracting Firm. Study carried out in 1980. (In Arabic).

The factors affecting consumer buying behaviour, buying attitudes and demand, can broadly be categorised as economic, social-cultural and religions. These factors are not mutually exclusive since they overlap to some extent. Culture can be defined as the complex set of values, ideas, attitudes, and other meaningful symbols created by humans to shape behaviour and the artifacts of human behaviour all of which are transmitted from one generation to the next.⁷⁸ Again, and for the purposes of marketing research, concentrating on these aspects constitutes the simplest and most effective way of determining the characteristics of consumers. With reference to agricultural products, which represent the subject of the present study, a lack of storage

facilities in rural areas, coupled very often with a cash-flow problem, means that rural consumers prefer to shop on a daily basis and usually buy in small quantities. Accordingly, shopping becomes a social function and consumers, as regular customers, very often receive special treatment in terms of price and service advantages. Average per capita income is higher in urban areas where there is also a higher proportion of workers who are paid on a monthly basis. Consumers in urban areas, therefore, tend to buy in larger quantities and tend to make greater use of the facilities of larger stores. The effect of this economic factor on consumer demand is explained in more detail in chapter 7.

Shopping activities in Iraq are generally undertaken by women rather than men. In other words, it is the women members of the Iraqi family structure who take the initiative with regard to shopping. This is in spite of the fact that the Iraqi social structure is dominated by men, particularly among the older generation and the less well-educated rural population. Marketing research, therefore, should take into account whether or not the woman exerts most influence with regard to the purchasing function. Also, the eldest member of a family or of a community tends to be the one who speaks on behalf of everyone else. But very often, this opinion may not be shared by those he claims to represent.

An example of a cultural effect which may reduce the market for a particular food is the fact that nearly all Moroccans perceive fish as an unsuitable ingredient of infant foods⁷⁹ while in Iraq cultural practices and habits of long standing preclude the preparation of any fish dish with yogurt. Another example of cultural influences on buying habits concerns the most popular type of product display, that is the one which allows self selection of fruit and vegetables. Housewives believe that it is difficult to assess the quality of pre-packed fruit and vegetables, believing that over-ripe and soft produce are deliberately hidden in pre-packed containers. Generally, pre-packed produce are associated with soft goods and poor quality, unsuitable for good house keeping. This method is practiced by government outlets selling fruit and vegetables and this has partly contributed to their failure in the market.

Marketing research is often inaccurate because it does not take into account the fact that opinions can differ within a social unit. The point the researcher would like to make here is that the role of women is largely determined by religion beliefs, but any weakening of the role of women is based on a misunderstanding of what religion teaches. For example, in this context, we are concerned with women's participation in work. People prefer women not to work in certain areas, in particular when the nature of the job involves contact with men. People also avoid employing women on shift work. But such objections are not based on Islamic teachings. In fact Islam, when it was first introduced, encouraged women to work in every area of social life, so that one would find women fighters, army nurses, and poets. However, at the present time there is no objection of owmen being involved in certain types of work such as education or engineering but objections apply to women working as nurses.

8.2.4.3 Religious Influences:

Iraq is largely homogeneous in respect of religion, 90% of the population being Muslims, and the remaining 10% mainly christians. Muslim theory defines all that a man should believe and Islamic law prescribes all that he should do. It defines the role of the individual, the pattersn of life and the value appertaining to social conduct. Observance of the six articles of faith and five principles of Islam is widespread, thus instilling a similarity of belief and expectations. Religion has therefore had a major impact on attitudes towards economic matters and fatalistic beliefs have tended to restrict attempts to bring about changes in Iraqi society. Women may be restricted from going out alone without a veil, as this is against Islamic law. Every man has to ensure that food and shelter are provided for his family and this tends to mean that business operations are small and non-specialised, as the risks involved are then not so great. Similarly, consumption patterns are affected by religious requirements or taboos. Muslims are not permitted to eat the flesh of pigs or to drink alcohol. In the Southern region of Iraq, the extremists shiites do not eat canned beef because religious

leaders-Mollahs-tell them that the animals are not slaughtered according to Islamic requirements.

The religious leader plays an important role in organising people's lives, and he is highly respected by them and is obeyed without question by them. Historically, religious leaders in Iraq have had a significant part to play in transmitting basic values from one generation to another, especially in the remote rural areas in the Middle and especially the Southern part of the country. Those leaders in a very real sense hold their position within the group precisely because they so strongly embody the standards and values of the group.⁸⁰ However, there are indications that their effect has declined since 1968, in terms of numbers attending the Mosque or observing the religious festivals. More women are going out to work, and living in the city centres where people adopt more modern attitudes. This tendency is also related to the increasing level of education and improvements in the general quality of life. As a result of these changes, young Iraqis have begun to question the values of organised religion to a greater extent than previous generations. A marketing concept often considered for product promotion in the developed world that also has attractive potential in developing countries in relation to the promotion of new foods is the use of an "opinion leader", a concept which differs in importance from culture to culture.⁸¹

Muslims, during Ramadan, the "Holy Fasting" month consume more dates, and lentils. Some Christians do not eat meat during forty days of Lent. Seventh Day Adventists abstain from eating meat. Many Jews purchase Kosher foods on a regular basis. It is obvious from these few examples that certain subcultural beliefs and values actually restrict the market for a number of products. If a significant decline in the importance of religious institutions were to take place, the net effect would probably be that a more situational or personal set of values would be established. In other words, what is regarded as good at a particular time would be valued or considered appropriate. This modern view emphasises a new type of individuality and a release from prohibitions. The concern for pleasure is a natural result of the trend towards greater affluence, but until now this attitude has been constrained by the dominance of the religious ethic.⁸²

In the researcher's discussions with executives in the food industry, he learned that canned food sales in the South are lower than in other regions. The researcher relates this lower sales volume to the religious variable. As a consumer, the researcher believes that such consumers in general believe that such products are subject to the same process as alcohol undergoes and are prohibited for that reason. Apparently in all cultures it is understood that there is a relationship between food and general health. Each culture also integrates the concept of beauty into a value system, usually in a way that is uniquely its own. So information acquired on these dimensions, may in fact help to resolve the planning problems caused by multiple and conflicting goals of the public marketer.⁸³

In recent years, marketers and consumer researchers have been increasingly interested in the subject of working women especially married working women. They have recognised that working wives are a large and growing market segment whose needs differ from those of women who do not work outside the home. Although there are no up-to-date sources of information on this point, it is established that more than 35 percent of all Iraqi women are now employed outside the home. These married working women have become an important separate market segment. However, marketers in the Iraqi food industry still know relatively little about how the dual demands of job and family influence the behaviour of this group of consumers.

In general, life has become increasingly secularised. Thus the availability of products that make housekeeping easier and less time-consuming has become more widespread. Thus working women may shop only once a week, and less money is spent in supermarkets because these women eat at home less frequently.⁸⁴

As is only to be expected, therefore, religion is a major factor affecting consumer behaviour and attitudes, and it also constitutes a major obstacle impeding the introduction of economic and social change. This supports the third part of the hypothesis we introduced in chapter 7 together with other factors, namely, migration and the rising standard of living. This last factor, the economic one will be dealt with later.

Economic development in Iraq has brought with it social and cultural developments. Economic development began after 1958 with the exploitation of natural resources, but it was really after 1968 that Iraq began to change to a marked degree. Rapid modernisation brought with it increased contact with the West and with a different set of values which encouraged the emergence of new attitudes, particularly with reference to women. From the researcher's view point as a final consumer, the fact that frequently is a major feature of shopping behaviour is not surprising. Most consumers lack refrigeration facilities in their homes, as only about 35% of Iraqi households possess refrigerators, and very few have a car for shopping purposes. It should be further noted that although the number of private cars increased from 183,455 in 1980 to 419,340 in 1985, they are used for purposes other than shopping such as travelling to and from work. Consequently consumer's food purchases are relatively small, frequent and confined in most cases to the close vicinity of their homes by the majority of the inhabitant. This shopping pattern is typical of other developing countries. In Brazil, in Recife, for example, shopping four times a week in neighbourhood stores is customary and in La Paz, Bolivia, 90% of consumers shop at least once a day in food stores.⁸⁵

At this point, it is appropriate to assess the social repercussions of an increase in living standards on social structures, i.e., family and kinship, social class, social mobility, education, work and leisure. The improved material and social conditions of the family have meant that parents can afford to provide their children with better environmental stimuli in terms of housing, schooling, moral and intellectual guidance and supervision. Improved standards of living have also resulted in the development of more harmonious relationships between man and wife. Statistical evidence shows that in 1940, 82% of families were in the extended category whereas in 1980 this figure had fallen to 40%. The disintegration of extended families and the incidence of urban migration are attributable to industrialisation, modernisation and a general improvement in the standard of living.

Disintegration of the extended family means that more people, especially the young, demand their own home, with increased access to consumer goods and so on. The new

attitudes of the local family has resulted in greater educational facilities and more freedom for women, thus enhancing their status and increasing their influence in family matters. But we have to bear in mind that it is too much to expect a young wife in the cultural setting of an extended family to be able to introduce changes in caring for her immediate family, without the backing of an older women, who may wield great influence on the type of food to be used in the family.⁸⁶ This statement is not incompatible with the concept of the disintegration of the extended family, in fact, the position of the older women-parents-is enhanced as the young women become parents later. This statement should be considered seriously when planning for the future and a firm's promotion efforts should therefore be directed towards older women as the extended family structure is characteristic of most developing countries. With reference to advertising, bearing in mind the role of women relating decisions about food, it is necessary to assess the relative advantage of advertising campaigns directed mainly at wives or husbands. Advertising should be directed towards wives rather than husbands. This would not affect the status of women in such cultures, as information is crucial for the female rather than the male who is, however, likely to make most decisions, even when changes in the family diet are being introduced. Also, as ties of kinship weaken, there are fewer barriers against geographical and class mobility.⁸⁷ Increased incomes have enabled working class and peasant families to send their children to schools and colleges as a result of which some of these children have managed to gain professional positions. Thus education speeds up the process of class mobility, weakening the existing class structure and playing an important role in bringing about the socialist transformation of Iraqi society.

8.2.5 The Use of Marketing Research

In the following discussion, a comparison is drawn between the situation in the firms visited and the situation in developed economies like the UK. In a survey undertaken in the UK in 1983, it was found that 62% of the surveyed companies carried out the

marketing research function, whereas in Iraq only 17% of the firms visited undertook such research and it maybe as low as one in twenty. The reasons for not carrying out this function indicate how far developed and under-developed economies differ in terms of their level of development. The working environment in which firms operate in developing countries is far poorer than the environment which is characteristic of developed nations. From table 18, lack of expertise, lack of competition, and product characteristics constitute the most important barriers against conducting marketing research in Iraq. The British companies that do not conduct or commission marketing research reported that the main reason for not doing so was that already they knew everything they needed to know about the market, generally through long personal experience of the market. These companies in consequently rely on their own internal sources as the main or only source of information, due to the cost involved in using other types of research and these sources are considered to be sufficiently reliable to enable the companies concerned to conduct their business effectively.

In Iraq, although most firms rely on their own internal records and on government sources for their business information, differences in techniques they employ to classify that information varies greatly with reference to these two sources. The information provided by government sources is not sufficient to indicate the probable demand and market conditions, and further these sources are not accurate due to the administrative and nternal problems mentioned before. These two main sources of the problems associated with their business environment consequently affect firm's performance in the market, so that they are unable to organise a smooth flow of products to the market. In general, their general marketing system is unsatisfactory, despite the availability of the raw material required for the food industry, and the evidence that there is a positive casual relationship between business performance and the level of marketing research.⁸⁸ Due to lack of experience and appropriate expertise, the internal information obtained has not been properly organised to constitute a

reliable basis for decision making and consequently firms have failed in their marketing planning even in the short run, whereas the major secondary sources used in the UK, for example, employers associations, Government Statistics, trade directories, trade press and universities, all provide what the firm needs due to the advanced techniques employed to organise and present relevant information.

In the firms visited, there was little or no interest in obtaining the primary research data, although the educated consumer is aware when firms which are involved in marketing research and which makes some use of consumer surveys, qualitative research and experimentation. There is general agreement in the UK that agencies are capable of providing the expertise and specific skills that maybe lacking in house. In particular, externally conducted research is considered to be more efficient and effective as a means of researching overseas markets.⁸⁹ In the firms visited, the last primary research was conducted in 1978, using an unrepresentative sample of the population in a particular region, and only one piece of primary research into overseas markets was undertaken in 1979 in the dates industry (for a public sector firm) and its results were largely ignored. In general the advantages of using in house personnel or benefiting from the experience of outside specialists were not appreciated.

Such backwardness in coping with the business environment has affected the performance of these firms. Their balance sheets revealed that most of the firms visited incurred losses despite the support they received at official level. The researcher believes that more efficient management practices will result in improved performance and higher profits and this in turn will encourage wider use to be made of the other techniques that are available. In the firms visited in both sectors, only the "basic" records were used, there was no indication that other techniques were employed such as correlation, cross tabulation, and testing and regression. In general, there appeared to be little awareness of the techniques of cluster analysis, factor or scaling, all of which are commonly used in marketing research. In fact most of the executives in the

firms visited are not conversant with these techniques and therefore they are not used. The researcher believes that adopting various elements of the marketing concept such as marketing research even in an economy of scarcity may significantly improve the performance of firms even when they tend to rely to a great extent on internal sources of information. Moreover, the financial benefits that primary marketing research can provide are even greater.

Conclusion:

This sub-chapter has explained the means by which policies relating to product development are implemented. It was pointed out that completely new products are not introduced but largely modifications of existing products; so-called new products in the market in fact come under the heading of import substitutions. Therefore such products, which are regarded as new by the firms concerned, are not new in the eyes of the consumers. However, firms engaged in export activities represent the main source of the introduction of genuinely new products in the local market in Iraq due to their increasing involvement in foreign trade.

For most private firms, the high cost of introducing a new product is prohibitive and their limited financial resources prevent them from adopting the new technology required for this purpose. This particular problem does not exist in the public sector since the government can supply the necessary finance, but other reasons apply in that sector, including lack of information concerning consumer needs, market conditions, and the level of competition, all of which creates an atmosphere of uncertainty and risk associated with introducing a new product. The discussion also revealed that management attitudes towards research and development constituted the problem in the area of product development.

Marketing research is not simply an end in itself but a means of solving specific problems or anticipating future consumer needs. It provides opportunities for

increased cooperation between different parts of a firm and so can be used by management as a tool to increase departmental integration.

We have examined the status of marketing research as viewed by the management of firms in both the private and public sectors in order to assess its importance in the Iraqi food industry. The discussion emphasised the importance of marketing research in relation to economic development, why it was nevertheless not regarded as important by many Iraqi firms and the reasons for that attitude. Firms benefit from market research by maximising profits in the long run as a result of information gathering. We have argued in chapter 4 that the marketing role in the developing economies can have a positive effect, and that it should not be ignored. Indeed, the use of marketing research as a marketing tool can also affect the process of economic development, though its main concerns are to achieve success in commercial business, maximise profits, utilise available resources in the most efficient manner and maximise consumer satisfaction.

Through scientific research, the demand for domestic products can be accurately assessed. This is even more important with regard to exports which Iraq must expand in order to gain badly needed foreign exchange. Marketing research helps to reduce waste of scarce resources, a scarcity which is common in developing countries, by matching production level with market requirements, since economic planners can then assess the actual level of demand with a certain degree of accuracy. Also the economic planner can by determining the required demand and estimating fairly accurately the level of imports required where shortages exist, thereby enhance the process of economic growth by saving a considerable amount of foreign currency by avoiding unnecessary imports and a saving which can be diverted to the development of other sectors of the economy. Marketing research is capable of ensuring that labour and capital are employed effectively to produce the best results. It can also ensure that a greater variety of acceptable products is made available to consumers.

Marketing research also contributes to providing a better marketing system, by improving the efficiency of distribution channels. This is achieved by estimating demand in each market for every product so that for each one, a glut in one place and a shortage in another can be prevented.

Although we did not discuss all the possible research activities that can be readily found in the relevant literature, attention was directed to the primitive methods employed by those firms which claimed that they undertook marketing research activities. Their primitive tools used for carrying out research, their dependence on unskilled staff even drawn from other departments, and the length of time taken to complete the research are all indications that such research is not carried out in a professional manner, so that it is not likely to produce an adequate supply of useful information from a particular case study.

Although, there is a government department which is capable of undertaking marketing research, its staff needs practical experience. Changing management attitudes is not in itself enough to enable marketing research to be carried out efficiently, as few firms have attempted to exploit even the skills and expertise which an outside research agency can provide. Any market research which is undertaken tends to be both inadequate and inaccurate. It very often does not include surveys of rural expenditure and yet the rural community constitutes one third of Iraqs' total population. By and large, the fact that little attention has been paid to the role of marketing research by firms in the Iraqi food market industry, may be attributed to a number of reasons, but in particular, to the unfavourable attitude of management who concentrate mainly on production, the low level of competition, and the failure to identify consumer needs and wants in order to maximise consumer satisfaction.

Economic development in Iraq is bringing with it a slow change in social attitudes. The role of women is particularly relevant in this context since they are tending to become more involved in family decision making. Researchers should pay more

attention to this new trend. If firms wish to influence buying behaviour, they must begin by understanding all the socio-economic and cultural factors which affect buying attitudes, and which are constantly changing. Accordingly, they must undertake marketing research.

Culture's basic function is to satisfy the needs of the people, and it adapts to the environment in which it operates. Iraq's values have undergone some significant changes and the effect on consumer behaviour has been substantial. Changes in three elements of the social structure, namely family income, religion and education especially for those who migrate to urban areas, have initiated these value changes. People of all generations like to think of themselves as being free from any social constraints and impact of such changes on society should be considered by the marketer and the central economic planners when they are analysing consumer behaviour and determining future strategy.

8.3 The Economics of Advertising

Introduction

8.3.1 Advertising Techniques In Iraq.

8.3.2 Advertising Media.

A - Television.

B - Cinema.

C - Newspapers.

D - Magazines.

E - Neon Signs Posters, And Mobile Transport.

8.3.3 Advertising In Iraq: Attitude And Objectives.

8.3.3.1 Attitude to Advertising.

8.3.3.2 Sales Promotion.

8.3.4 The Advertising Objectives.

8.3.5 The Advertising Budget.

8.3.6 Advertising Problems.

8.3.7 The Economy of Advertising.

Conclusion.

8.3 The Economics of Advertising:

Introduction:

Advertising is the means by which manufacturers reach consumers. It is a channel of communication through which they seek to persuade consumers to buy their products. This function makes a vital contribution towards the introduction of mass production methods which reduce costs for the final consumers. For the purpose of our discussion, the researcher will not distinguish between advertising and sales promotion. Frequently these two terms are confused and appear to overlap. Sales promotion is sometimes used in a broad sense to refer to advertising, promotion and personal selling, and sometimes used in a narrow sense to refer to other selling activities that supplement advertising and personal selling such as exhibitions, displays, demonstrations, giving samples, price incentives and other non-current selling activities. It is sometimes difficult to distinguish between the two functions because firms classify their business activities in different ways.⁹⁰

Significant benefits can be obtained by the management of all firms in both the private and public sector through careful analysis of the appropriate factors and this study may constitute the first step in a series of researches into the role of advertising in Iraq in the food industry and also point to its importance in other sectors.

As we indicated in previous chapters, most of the people in Iraq and in other developing countries live outside the urban areas and it may prove difficult to reach this large proportion of the population, through advertising, the usefulness of which may therefore be limited. Since most of the population have achieved only a basic level of education or are even illiterate, the use of written language in advertising is quite restricted throughout the national economy. Consequently, to be effective, advertising may have to be presented by more appropriate methods such as using symbols.⁹¹ The local markets in most countries of the world have become to a certain extent national markets which in turn have been absorbed as part of international markets. To reach

the mass of the people, it is necessary to use the most economic method in terms of time and financial expenditure. In this context, advertising is the most appropriate tool.⁹²

The increasing intervention of government in Iraq over various aspects of the economy results in exercising control over production capacity. Further, attitudes towards advertising are of a negative nature because marketing is still considered in most developing countries to be a relatively unimportant element of the economic system, so that the consumer is provided with few services, and freedom of choice does not exist in the market. In an economy characterised by scarcity which is typical of developing countries, the amount of commercial advertising required is reduced as demand exceeds supply. Such is the situation in Iraq so that large scale advertising is considered to be unnecessary. Consequently, when there are shortages of products in the market and management cannot satisfy demand, any attempt to increase or stimulate demand would be impractical and pointless.

The term advertising has been defined in many ways but in the context of our study the most suitable definition of advertising is any paid form of non personal presentation and promotion of ideas, goods or services by an identified sponsor.⁹³

This definition includes all aspects relating to the product such as pricing, distribution, buying behavior, and consumer awareness. To obtain an accurate picture of the situation in Iraq, and to determine the attitude of businessmen in the food industry, a questionnaire was administered to executives to investigate this aspect of marketing in both the private and public sectors, which produced useful information relating to the element of the marketing mix. Details concerning advertising objectives and practices, total investment in advertising, and the extent to which it is considered to be necessary were derived from their responses and from the Annual Reports issued each year. The preliminary conclusion, as we shall see later, is that little attention is paid to advertising which is regarded as being of minor importance even at official level in the food industry, especially by those firms dealing only with local markets. The

main explanation of this phenomenon is that the Iraqi economy like that of most developing countries is of one characterised by scarcity.

The researcher again emphasises that he is dealing with advertising and sales promotion jointly as a method of communication, ignoring any distinction between the two functions, especially since most executives indicated that both advertising and sales promotion play a minor role in their marketing management. Accordingly, dealing with advertising and sales promotion together is in keeping with this management view point.

This subchapter will discuss from an economic standpoint, the type and volume of advertising employed in the food industry in Iraq. This is dealt with by examining how far firms are employing this marketing mix element in their marketing programmes. Also, the various problems that arise which account for the backward approach to advertising are explained, suggestions will be submitted as to how this element of the marketing mix can be made more effective in the market place if firms's attitudes change and marketing management accepts marketing as a concept and directs its policy towards meeting the needs of potential consumers.

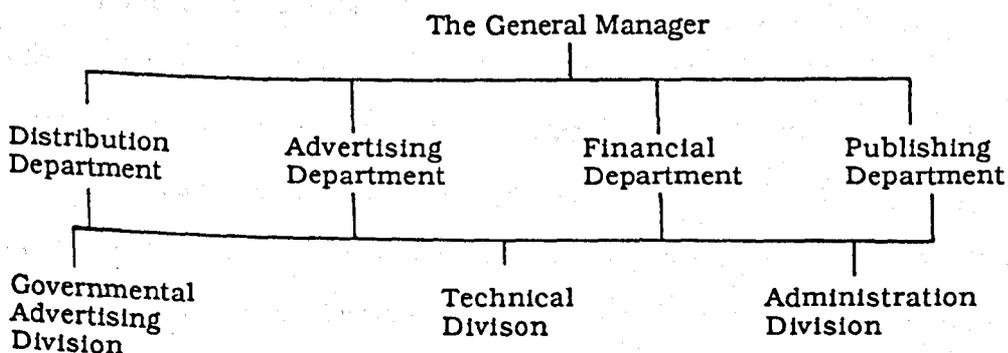
This chapter will deal with the following topics: 1 Advertising techniques in Iraq, 2 Attitudes towards advertising, 3 Advertising objectives, 4 Advertising budget, 5 Major problems relating to advertising are presented by governmental control of the media, lack of managerial expertise, and inadequate information about the market situation, and 6 The economics of advertising.

8.3.1 Advertising Techniques In Iraq:

The aim of advertising is to alter the behaviour and preferences of potential consumers. More specifically, it is a device to change their attitude so that a more favourable response towards the firm's product is elicited.⁹⁴

Until 1972, there were eight advertising agencies, including one controlled by the government, mainly there are, television, magazines, newspapers, peroidic publications, and other advertising media. In 1972 the Iraqi Government abolished the private sector agencies which represented another step in the government's intervention in business affaris, and by law all public firms were required to carry out their advertising through the state-owned agnecy.⁹⁵ According to this law, a government agency has a monopoly of all advertising in Iraq, and it is authorised to provide appropriate services in this area. But this seems to have made the situation worse instead of improving it as research facilities are in general no longer available. The chart of this state agency's organisation is shown in figure 4.

Figure 4: The National Agency For Advertising And Publishing



From this chart one can see that the internal and external divisions are presented by a group of officials responsible for advertising local products on the behalf of foreign clients and foreign exporters who advertize in the Iraqi local market. Similarly, the internal division acts only on behalf of clients the local market. Both divisions have access to the facilities or services of both the technical section and the financial department. This indicates the importance of the state agency which offers planning and creative advice and acts as an intermediary between the client and the available

media, and as such, prepares the copy and chooses the appropriate media for its clients. Its activities are concentrated on providing services required by the clients, but no marketing activities are provided. The above chart seems to show that no marketing research department exists in the organisational hierarchy of this state department. This is probably because it is not a profit making organisation. But this seems to have made the situation worse, instead of improving it, as on the whole, research facilities are not available, whereas in China, another example of a planned economy, an "Advertising Art Association" has been formed to improve the quality of advertising. False and exaggerated advertisement claims are not permitted. This recognition of the role of advertising opens a way for marketing to play a much more influential role in the distribution of food and agricultural products, especially processed foods.⁹⁶

8.3.2 Advertising Media:

The Iraqi market is not homogenous but from the marketing point of view, many common elements can be recognised. The Iraqi consumer is usually not sophisticated so the advertiser's approach must be simple and direct. The advertiser must begin in his campaign by deciding what his main aim is, that is, whether it is to introduce the product, to increase demand or to try and prevent a slump in sales and so on. For this he needs to be aware of the pattern of cultural life pursued to the type of person to whom he is appealing.

Many different media are available in Iraq which suggests that it should be possible to select the most appropriate media, to meet the requirements of the Iraqi economy. However, information relating to the degree of influence possessed by each medium is not available and this presents an obstacle impeding a study of advertising in Iraq. Nevertheless it is generally accepted that in order of importance, the most influential media in Iraq are Television, the Cinema, Newspapers and Magazines and finally outdoor neon signs and public transport advertisements.

A - Television:

The systems available in Iraq are Pal and Secam (namely French Systems) and there are two single channels, and four stations allocated in four governorates, one in the North, one in the Middle, and two in the South to provide reception for the whole country. The main station is in the Capital Baghdad, where the programmes for all stations originate, under the general supervision of the Ministry of Information. Educational programmes prepared in the station are also transmitted. The researcher estimates that about 800,000 of the Iraqi population own television sets. This is partly because of increased purchasing power by Iraqis after 1974, and partly because of the absence of restrictions on Tv ownership such as the obligation to pay for licences. There are no reliable data about television audience numbers which constitutes an element of risk for potential advertisers. This creates a marketing problem not only in Iraq, but also in most developing countries where there is a scarcity of reliable data for marketing purposes.

The researcher believes that television is the most convenient and effective method of advertising in Iraq. This opinion is based not on consideration of the quality of the programmes but on the fact that average viewing hours are higher in Iraq than in developed countries since there are fewer outdoor entertainment facilities, working hours are different from those in developed countries and the hot weather experienced during the long summer season encourages citizens to stay at home. Moreover, television is preferred to other media such as the cinema by religious families, especially in the holy cities.

For the above reasons, the authorities should promote the use of television as an advertising tool. At present, the time during which it is used for this purpose is limited. Accordingly more time should be allocated to advertising incorporated into daily programmes.

Although radio broadcasting operates from 6 am to 2 am the nextday, this medium has not been used in Iraq for advertising which is subject to government control. The authorities prefer radio not to be used for commercial advertising, but only for official purposes. Radio, therefore, is not used effectively for advertising as it is in other countries, and for that reason was not included in our classification of advertising media. With an appropriate level of technical and professional performance, the researcher believes that radio could have a considerable effect as an advertising medium since it reaches everyone irrespective of level of education. There is no distribution problem such as affects newspapers and magazines and attracting the people's attention presents no difficulty. Moreover, using radio in this way would contribute to the development in the economy and financial rewards would be made available to local stations from local and foreign firms which purchased advertising time.

B - Cinema:

There are seventy two cinemas in Iraq, located in the capital and the various provinces throughout Iraq. First class cinemas are located only in the capital and in a few main provinces. In the researcher's opinion, these cinemas are second in importance as an advertising tool, after Tv for the following reasons. Cinemas are almost all located in the urban areas and are regarded as the main source of entertainment after Tv, even by people who live in the outlying areas. When the latter visit their relatives in the cities as part of the hospitality they offer, or visit the city centres for shopping or conducting business, they go to the cinema. The cost of admission is very cheap, an adult paying only 50 pence while children are admitted free. They go there whenever they have time, for example at holiday time, or religious festivals. Occasionally, the Ministry of Information provides a mobile cinema service for remote areas, which can have some influence in the market place. Such a policy, if extended, could clearly help to implement the government's intention to reduce

illiteracy. Also the decision to provide free cinema facilities in public gardens and other places would allow advertising to be used for the benefit of producers and the revenue involved would permit such services to be increased, thereby helping consumers.

C - Newspapers

Newspapers constitute another advertising medium in Iraq, and their importance in the daily life of the Iraqi people enhances their significance as an advertising tool. Daily newspapers are published in the capital in Arabic, plus two in English. The main newspaper is "Althawra" which has a circulation of over 75,000. The total circulation of all newspaper is about 200,000 copies. Because the usual emphasis in these papers is on news and they are not commercially minded, the cost of the advertising in them is quite cheap. This may be related to the control exercised by the government over newspapers so that attention is focused mainly on political issues rather than on commercial matters. In general, very little space is devoted to commercial advertising.

For these reasons and the fact that in most provinces, the level of literacy is low, newspaper circulation is adversely affected and as a result, the amount of newspaper advertising is severely restricted. The researcher believes that an individuals' political views will affect the impact of newspaper advertisement. For example, an individual who holds a particular political view will buy the paper which represent the party he supports, thus advertisements in other papers will not be seen. This may force producers to choose the most popular newspapers. If they advertise in most newspapers then advertising costs will escalate as advertising rates are more or less standard for all newspapers. Moreover, reliable quantitative and qualitative information regarding newspaper readership is not readily available for the purpose of appraisal by prospective advertisers. Also, the distribution channel is long, slow and costly.

D - Magazines:

This medium is preferred by most people irrespective of their education level or their political views. Magazines are published by various societies and professional organisations and some magazines are produced especially for women. Accordingly, the effect of magazines on Iraqi society is greater than that of newspapers. But as magazines are published on a weekly basis, their effect is less than achieved by Tv for example. On the other hand, colourful advertising may have a marked effect even on illiterate people. Moreover, an individual may buy a magazine closely related to his type of work so that he feels he must buy it.

E - Neon Signs Posters, And Mobile Transport:

Out door posters and neon signs are used by both Iraqi and foreign firms. They are more effective than newspapers as a means of attracting people's attention. Above all, firms are encouraged to use these tools by the "National Agency For Advertising And Publishing", which offers the services required. These methods represent about 25% of all advertising. They are preferred by firms because they are cheaper, and they can be used any where, at any time. In addition, the large number of people who travel between various parts of Iraq, can have their attention attracted by such signs at various points during their journey. Moreover, neon signs do not require highly specialised facilities or sophisticated maintenance techniques.

Advertising on buses and trains, as for radio, is also underutilised, although in European countries the advantages of such advertising is fully recognised. This neglect may be due to the fact that people's standard of living is not considered to be high enough to warrant the implementation of these methods. However, the researcher believes that the buses timetables are so unreliable that people would have to read the advertisements while they wait for buses. The same is also true of a developed economies, hence development of bus shelters with advertisement built in.

During the researcher's discussion with the executives of the firms visited, they were asked to indicate in order of preference the media used by them for advertising. The

answers given are recorded in table 21 which shows that all the media mentioned above are employed. A high proportion of firms used magazines for advertising purposes. Twenty firms drawn from both sectors, ie 67%, advertise and all of them do so using magazines. Ten firms, 33%, used Tv, nine firms, 30%, used newspapers, fifteen firms, 50%, used the cinema, and ten firms, 33%, used posters and neon signs.

Table 21

Media Used In Advertising

Advertising Media	Number of Firms	%	Firms status		Span of Activity	
			Public	Private	Export	Non Export
Magazine	20	67	10	10	13	7
T.V	10	33	8	2	8	2
Newspaper	9	30	5	4	8	1
Cinema	15	50	10	5	12	3
Outdoor Advertising	7	23	5	2	6	1
Mobile Advertising	3	10	2	1	2	1

Columns In The Above Table Do Not Total 30 Because of Multiple Answer.

The above results revealed that the food industry preferred to advertise mostly in magazines, the cinema and Tv in that order, and the preference for those three media as opposed to other advertising media is quite marked. Also, the above figures reveal that firms engaged in export activities use advertising to a greater extent than others which clearly indicates the attitude of management towards advertising. It may be reasonable to conclude these firms are more aware of the value of advertising, because of their foreign market activities. Again, although the twenty that used the same medium, namely magazines were drawn from both sectors, the high percentage represented by those involved in export activities may be taken as indicating that the latter are more marketing oriented and consequently more aggressive in their marketing. The above table also shows clearly that magazines are the most popular medium used by firms engaged in advertising. The researcher believes that there are many reasons for this. First, as we mentioned earlier, magazines are published on a weekly basis and

advertising in them is cheaper due to the strong competition. Since not all magazines are owned or supervised directly by the authorities, they represent a source of revenue for their publishers. In addition, magazines are printed in colour and are therefore more attractive than newspapers. Secondly, they are easier to use than other media such as Tv, and newspapers for the various reasons mentioned earlier. For example, advertising on Tv does not achieve its full potential due to government restrictions and Radio is prohibited from presenting commercial advertising and these factors operate in favour of magazines. Thirdly, with reference to the cost of advertising, this proves expensive for firms engaged only in local activities, particularly in the private sector, so not surprisingly, exporting firms use television much more widely for commercial advertising, a practice which improves their image in the eyes of the public and makes their marketing approach more aggressive.

The share of the cinema comes second being used by 50% of the firms in the industry. Cinemas in Iraq are 98% privately owned, only three being owned by the government. However, both groups undertake advertising on behalf of firms including private businesses. This figures also supports the researcher's above mentioned belief that the cinema as a medium can have more effect on the public than television because the latter is used less for advertising than the cinema. This opinion is based on the fact that very few cinemas are owned or managed by the government, so there are no government restrictions and cinemas are used by a vast majority of the people for their entertainment.

Nine firms, 30% of the thirty surveyed, used newspapers as an advertising tool. The concentration at official level on the use of such media for political rather than commercial matters explains why this media is not used much by business firms. Also in the face of such restrictions, advertising in newspapers is very costly and is mostly undertaken by firms with high production capacity and those who are engaged in export activities. So firms generally regard the newspaper as the least important of the available advertising media. There is little difference between the use of newspapers

and outdoor media by firms, since seven firms, 23% of the thirty surveyed used the latter. The only comment that remains to be added by the researcher is that the choice of either of these two media depends upon management attitudes and the results they expect from the medium, also taking into account other elements such as the nature of the product, various costs factors, etc.

The above discussion reveals the choice of a particular medium depends upon many factors, after consideration of which a preferred medium is selected and the survey shows that magazines are most often chosen by the firms under investigation. Government efforts to reduce the level of illiteracy may encourage greater use of other printed media, and it is also possible that the radio will be used for commercial purposes. What is needed therefore is a change in official attitudes and the removal of the restrictions imposed on the use of radio stations for commercial advertising. The researcher believes that there would be an indirect benefit in that the public would pay more attention to the radio which would also be of advantage to the government. Unfortunately because of the need for technical facilities and changes in official attitudes, this is not likely to happen at the present time and such changes require time before they can be introduced. Above all, the best way to improve the situation is to undertake research into advertising, recognise its economic importance, and thereafter select the media that will provide the greatest measure of success in the long run. Instead of regarding advertising as a form of publicity carried out on an arbitrary basis, with no attention being paid to finding the best way to attract consumer's attention.⁹⁷

In general, the above discussion reveals that there is a direct relationship between the extent to which advertising through the available media is undertaken and the importance attached to advertising. It can also be concluded that this relationship is strongest where firms are engaged in export activities.

8.3.3 Advertising In Iraq: Attitude And Objectives:

8.3.3.1 Attitude To Advertising:

There are various methods of selling. Advertising is one method and the demand it creates means that it is an important part of the marketing function. Basic marketing concepts have a universal application in all types of situations. A readiness to change, to move with the times and to adjust attitudes, must coincide the application of these concepts. After market research has been conducted the advertising campaign must be modified in terms of the research findings. The modern approach to management is to merge advertising with other departments in order to reduce business costs for the benefit of the consumer.⁹⁸ In this sense, advertising is a means towards an end and not an end in itself. The acceptance of the need for this approach reflects the attitude of management towards accepting and applying this concept in practice. Advertising was found to be generally neglected in the firms visited. In particular, it plays a role of minor importance in the Iraqi food industry.

Communication in Iraq is severely limited. Local advertising is restricted by the fact that it is difficult to reach a large percentage of the population because they live in remote areas. This is a problem commonly encountered in to developing countries. Furthermore, the high level of illiteracy in these countries means that the impact of the written word in advertising is weak. It is therefore more effective to use trademarks as a means of advertising products in retail centres.⁹⁹ The use of such trademarks has become an important method of reaching a large section of the population.

The opportunity to choose between several available alternatives in the market place means that there is a high rate of failure for newly introduced products.¹⁰⁰ Where management is not aware of consumer preferences, any programme introduced which attempts to prevent losses of sales will have little effect. Advertising should be regarded as part of an effective policy of communication and as a means of promoting

sales not as a waste of a firm's resources. Again, lack of competition is a factor inhibiting the development of advertising. In many cases, there appears to be little incentive to improve sales as there are no marginal markets over which control is sought. Competition forces firms to improve communications with customers, in the hope of persuading them that their product is better than the one they may be using and even the best one on the market. Increasing government investment in marketing infrastructure results in a weakening of market competition because of Iraq's planned economy, where the means of production and distribution are determined by government policy, bureaucratic influence against advertising is strong. Officials tend to regard the advertising function as unnecessary and irrelevant to Iraq's needs.

The attitude of management towards advertising and the extent of its use is regarded in this study as an important criterion relating to this function in this study. It may be urged that businessmen who have a positive approach to advertising should support this element of the marketing mix in specific ways.¹⁰¹ In practice, this did not happen in the firms the researcher visited. Managers or businessmen generally either have positive attitudes towards advertising though they are also subject to certain constraints in using it, or they may fail to recognise its merits and express negative attitudes towards it.¹⁰²

In the firms surveyed, respondents were asked to evaluate the role advertising played in terms of the success of their products. Eighteen of the twenty respondents whose firms advertise their products believe that advertising has an important contribution to make to their product's success and the volume of sales, while only two claimed that advertising is of little or no importance. These two are firms in the private sector and they are not engaged in export activities. From the discussions held, the researcher came to the conclusion that most executives believed advertising is essential as part of the marketing mix even when the firm's special environment creates a negative attitude towards this function. The figures obtained indicate that

firms which undertake export activities attach greater importance to advertising than firms which do not. This is partly because foreign markets need extra effort and more advanced techniques are required which are more complex than those required in the local market. This explains why advertising is essential for any exporter who wishes to compete efficiently.

To determine how far firms undertook advertising, executives were asked whether or not they used advertising as a promotional tool in their business. Table 22 details the results. The answers provided were different from what one might have expected taking into account the points referred to above. Although twenty of the thirty firms undertake advertising, their attempts in this area and even their attitude towards this

Table 22.

Extent of Advertising Usage By Status of Firms.

Activity	Number of Firms	%	Firms Status		Span of Activity	
			Public	Private	Export	Non Export
Firms Performed Advertising	20	67	12	8	7	13
Firms Not Performed Advertising	10	33	8	2	6	4
Total	30	100	20	10	13	17

element of the marketing mix are quite limited and are in direct contrast with their responses to the previous question. The following findings indicate that advertising plays only a secondary role as a marketing tool and as an element in the promotional mix of the firms visited. The percentage of firms in the public sector which actually does advertise is not as high as those firms in the private sector although advertising is important element of their marketing mix. The facts relating to exporting firms which regarded advertising as important are not reflected in their behaviour. Only seven out of thirteen of the latter firms promoted their products through advertising, compared

with thirteen out of seventeen firms in the non exporting group. The researcher believes that neglect of advertising was due to fluctuations in the level of agricultural output which tend to cause officials not to advertise. Examining advertising budgets supports this view as these budgets change from year to year, the downward trend reflecting the poor attitude towards advertising adopted by firms in the public sector.

As the public firms are larger than private firms, one might expect their attitudes and behaviour to be more constant than those that characterise private firms. The research finding on this matter, however, is unexpected, since private firms have to some extent rated advertising as more important than firms in the public sector. Eight of the ten private firms in the sample advertised compared with twelve of the thirteen public sector firms. Further explanation relating to this point will be provided in our discussion of the advertising budget, but at present, the above discussion shows that attitudes towards advertising are not necessarily reflected in advertising behaviour, and that such a relationship as does exist between the two indicates that little attention is paid to advertising. That this situation exists in the firms visited may be explained by a number of reasons. The most important are: 1. In an economy characterised by scarcity, demand exceeds supply so that the market is a seller's market rather than a buyer's market. Even when supply exceeds demand, a manager may be unable to convince the executives in charge of the need for advertising. This tendency to neglect advertising may be deep-rooted in that marketing is regarded as a secondary problem, top management being production-oriented rather than marketing-oriented. 2. Management's attitudes towards advertising is that it is a means of providing publicity rather than a tool to be used to obtain commercial benefit; in other words, advertising is regarded as informative rather than as part of an aggressive sales policy, 3. Another attitude which was adopted even at senior official level is that advertising represents an unnecessary expense and therefore this type of overhead should be avoided. This attitude may also be caused by the factor that, 4. When they do use advertising, managers often spend too much on this function, and because of their inexperience

they do not use the appropriate techniques required to achieve success. As a result, a proper understanding of advertising and the marketing function in general is never achieved. Before concluding this sector, sales promotion will be mentioned here briefly.

8.3.3.2 Sales Promotion:

Sales promotion covers a wide range of communication techniques: brochures, leaflets, demonstrations and gifts are among the ones more commonly used by firms. Sales promotion involves marketing activities - other than advertising, publicity, or personal selling - that stimulate consumer purchases and dealer effectiveness.¹⁰³ These include shows, demonstrations, and various none recurrent selling efforts, which are not part of the normal promotion routine.¹⁰⁴

Although, as we mentioned at the beginning, our concern is not to differentiate advertising and sales promotion. We shall discuss the latter in so far as it is relevant to our discussion, namely as a communication tool, which like advertising is directed at consumers. With reference to our discussion of advertising, it is useful to assess the value of sales promotion in terms of the extent to which it is relied upon by management in the food industry. The survey findings reveal that a large proportion of the firms visited use this tool as part of their promotional mix. More precisely, as we sometimes found in our discussion of the economics of marketing research, some firms rely on sales promotion only, using samples, for example, as a form of advertising which represents one type of sales promotion. The survey revealed that twenty-five of the thirty firms used sales promotion, and as mentioned earlier, twenty of the firms used both advertising and sales promotion at particular times. In table 23, we present the findings starting with the elements that ranked at the bottom of the frequency scale.

Only three of the thirty firms do not engage in this type of sales promotion. They are in the private sector, and they do not use this tool simply because they do not realise

Table 23

Types of Sales Promotion Used By Status of Firms

Types of Sales Promotion	Number of Firms	Firms Status		Span of Activity	
		Public	Private	Export	Non Export
Free Samples	11	5	6	3	8
Posters	12	10	2	10	2
Calendar	10	7	3	9	1
Display	20	10	10	12	8
Leaflet	2	2	-	1	1
No promotion Used.	3	-	3	-	3

Columns In The Above Table Do Not Total 20 Because of Multiple Answers.

its usefulness. Leaflets constitute the least important method, coming last in order of preference. Only two firms in the public sector, one of which involved in export activities, used leaflets. But leaflets of their very nature, tend to be local rather than international. Only one firm engaged in export activities using this method to a slight extent and specifically for the purpose of providing information.

Displays and participation in local fairs are the methods most often employed and these are regarded as important tools in the context of the sales promotion. All twenty firms which carried out advertising used these methods. But only firms involved in export activities participated at both local and international levels. The government encourages all local firms, irrespective to the industry in which they operate to participate in either local or international fairs. This encouragement is provided because it is believed that such participation will demonstrate the level of Iraq's economic development, and enhance its image internationally. It may also encourage export activities as Iraq is regarded as one of the leading countries in the Middle East for the export of certain products such as dates, vegetables oil, cement and during the last ten years grains and cotton. Accordingly, participation in exhibitions and fairs is a common practice, achieving the highest degree of frequency of all the sales promotion methods. So most firms in the sample selected for this study, particularly

in the public sector, take part in local or foreign fairs. The twenty firms engaged in advertising activities all regarded participation in fairs to be of great importance. These firms have taken part in fairs held in the Arab countries and elsewhere throughout the world. The researcher found that private firms are reluctant to participate in foreign fairs because of the expense involved and because they concentrate on serving the local market and do not expect that they will produce for foreign markets. The participation of firms in fairs support the belief that trade fairs are becoming of great importance to developing countries as well as developed countries. At the present time both types of countries are making great efforts to participate in such international exhibitions in order to enhance their image and encourage trading between participating countries.

Ten firms use calendars for sales promotion purposes, treating them as a method of advertising. The researcher believes that the effect of this method is to supply information rather than to encourage increased sales volume. This is particularly true of the private sector where three of the ten firms used this method, and only one of them was not engaged in export activities. Nine firms in the public sector used this method but the researcher found in his discussions that the calendars were given only to employers or people of high status. In this context, this form of sales promotion is ineffective. With reference to posters, when twelve firms, mostly from the public sector, used this method of promotion. These posters, moreover, are usually distributed on private sector, used this method of promotion. These posters, moreover, are usually distributed on private occasions such as local fairs. Free samples are used to a very limited extent in this type of promotion, mainly by firms dealing in dairy produce, dates or sugar. Eleven out of twenty provided consumers with free samples. As mentioned earlier, samples are given basically as a present rather than as a means of increasing sales volume.

8.3.4 The Advertising Objectives

Defining advertising objectives is not easy, and it presents many problems. However, defining objectives is crucial as a means of formulating advertising strategy which is also a difficult task. The objectives must be capable of being achieved within the terms of the following definition of advertising. Advertising is the non-personal communication of information usually paid for and usually persuasive in nature about a products, services, or ideas by identified sponsors through the various media.¹⁰⁵ It is important when formulating an advertising strategy, to set certain objectives. The aim should be to distinguish clearly and deal effectively with any problems that might exist. The results can, of course, sometimes be misleading¹⁰⁶ since they may have been brought about by variables which have not been taken into consideration.

Top management is responsible for achieving profit-maximisation which requires in particular, the establishment of a system of controls and incentives which ensure internal and external conformity within the complex organisational structure. Advertising can be one of the means by which such objectives are achieved.¹⁰⁷ The nature of demand for the product must also be taken into consideration when an advertising strategy is formulated. This element operates in the same way as the influence of competition.¹⁰⁸ We should keep in mind that advertising is one element in the marketing mix, and its contribution to the achievement of company objectives must be considered together with other elements such as marketing research. Management must therefore formulate a coordinated plan in order to achieve the firm's general objectives.

In developing countries however, the aim of advertising is not purely to find new markets or to increase profit margins. The aims are to build primary demand, to inform consumers about the product's availability, to reach new segments of the population, to develop overseas markets and to increase market share through import-substitution. This involves questions such as: How much should be spent on

advertising? Which media should be used? In what form and with what content should it be presented and to whom?¹⁰⁹ There are also certain organisational requirements involved in achieving these objectives. It requires full coordination between departments, control over, and responsibility for actions undertaken. The advertiser must have a logical marketing plan. Only then can he improve quality and service, lower prices and promote competition and, in so doing, refute the proposition that advertising is costly and wasteful.¹¹⁰ Advertising strategy should be based on logical considerations, not on an arbitrary basis, as the strategy selected affects the future success or failure of a particular firm.

Generally two factors affect the implementation of the strategy selected. These two factors should be assessed carefully to allow a firm to produce the output required. The first is the level of competition in the market, and the second is the existing demand in the market.¹¹¹ In the food industry in Iraq, the demand for a product influences the formulation of an advertising strategy to achieve particular objectives. But in a developing country like Iraq, the strength of such an influence depends upon whether there is a scarcity or a surplus of the product or services required in the market. Accordingly, the advertising strategy to be adopted depends upon the product's availability in the market, but firms in Iraq are not interested in creating a surplus. In practice, developing countries usually cannot provide satisfaction of consumer needs and wants, especially since these continue to increase in an environment characterised by scarcity.¹¹² This is the situation in most developing countries with a socialist ideology where the inability to provide satisfaction is normal and firms are encouraged by the general environment to neglect the need to pursue a marketing-oriented approach. Consequently, the Iraqi consumer's needs and wants are not satisfied by business firms.

Under such circumstances (namely conditions of scarcity), competition is reduced and it is less important for firms to devise an advertising strategy. Basically, therefore,

the nature and characteristics of advertising are different from those in a competitive environment where a firm must adopt a more aggressive policy to compete against other business organisations in order to survive. In a study of the Egyptian economy, Attia stated that the management of most public sector firms preferred advertising to be informative rather than persuasive. The advertising goals identified by this researcher are to inform consumers about the products characteristics, tell them where, how and when he can use these products, provide information about the introduction of a product and supply information about the firm itself. In this context, advertising is not directed towards promoting the product or establishing a firms' commercial image in the market.¹¹³ In developed countries, information concerning which consumers are not concerned, such as general information about the firm, is omitted.

In Iraq, and particularly in the public setor which is subject to government control, there is less need to emphasise the importance of advertising since the level of competition is low in an environment characterised by scarcity, therefore advertising objectives are to a large extent affected by such conditions and are accordingly informative rather than persuasive.

To obtain full information about the advertising objectives of the firms in the survey, the researcher asked executives in each of the firms to state the firms' objective in the context of advertising. Table 24 shows the results of the survey, listing the objectives in order of importance. The most common response received was, as might be expected, in line with the points made above. As management is production-oriented, higher priority will be accorded to selling as an advertising objective. Eight firms, 40% of the twenty engaged in advertising, mentioned that increasing sales is a main feature of their advertising programme. This percentage indicates that most of the firms's advertising is of an informative rather than a persuasive nature, a result of management orientation, which is not in favour of advertising. Moreover, management do not believe that advertising influences the volume of sales.

Table 24

Advertising Objectives Perceived by Executives.

Objective	Number of Firms	%	Firms Status		Span of Activity	
			Public	Private	Export	Non Export
Increase Sales	8	40	4	4	3	5
To Announce New Products	6	30	5	1	4	2
Improve Product Image	5	25	4	1	5	-
Publicity (general)	1	5	-	1	-	1
Total	20	100	13	7	12	8

The announcement of a new product was the second most important advertising objective. This was reported by six, or 30% of the twenty firms which advertised. The difference between the first and second objectives is not very marked and there is clearly strong support by management for both objectives. In the researcher's opinion, the second objective is a sign of marketing-oriented management, whereas the first objective represents production-oriented management. The researcher wishes to point out that in his opinion, firms referring to the announcement of a new product as an objective were overstating the case for this aim. The researcher's opinion is based upon the fact that the announcement of new products is more likely to take place in developed economies rather than developing economies. In the former, there is a competitive environment and new products are likely to be expected and provided in such economies quite frequently, so that consumers must be kept informed about new products and their availability in the market. Such a situation is rare in developing economies where consumer demand for products and services is not satisfied nor is it regarded as unimportant that this should be done. Moreover, some of these firms had not undertaken an advertising campaign for at least six years, since their last new product was launched in 1978.

Improving their product image was reported by only five firms or 25% of the twenty firms. This is an important objective for firms which wish to improve the image of their product in both the local and foreign markets. Thus it is not surprising that those firms reported that this objective applied to both domestic and foreign markets activities. Improving the product image is essential for success, especially in foreign markets where competition is very high and consumer satisfaction plays a major role. But evidence relating to firms' activities in marketing research or advertising in terms of research projects and the budget allocated to these activities is by no means encouraging and firms, particularly those involved in exporting fall far short of achieving their objectives. Administrative constraints must be removed to allow commercial considerations to exercise control over a firms' environment. In the local market, the Iraqi consumers believe that most national products do not possess the high standard quality achieved by foreign products. This lack of confidence in local products prevails, although the quality of some local food products is as good as foreign products and the produce is equally suitable for the consumers' purposes. The researcher believes that this attitude results from firms being careless about the produce they sell in the market so that consumers are forced to turn to alternative products. Such problems can be overcome by improving product quality and effectively promoting the local produce. This would enhance the image of firms and benefit the economy by using resources more efficiently.

In Iraq, there are shortages of certain foodstuffs such as dairy produce, beverages and date syrup, although the primary materials are available. Thus the performance of economy as a whole falls far short of meeting the consumers' wants and needs. Loss of confidence in Iraqi food products is a major obstacle to success in advertising. The situation is aggravated by the lack of marketing research into consumer behaviour which means that some products are produced for which there is no demand. In such cases, advertising serves only as a means of imposing the product on the consumer. Even when there is a surplus of products for which there is high demand, such as dates and vegetables oil, the scale of advertising is still severely limited, as we shall see in the

next section, despite the fact that opportunities exist to exploit foreign demand and export abroad. It is in this area that Iraq's trading potential is greatest and advertising can serve a useful purpose. Carefully devised advertising activities can lead to a reallocation of domestic economic resources and thus stimulate growth. The resources of the "National Agency For Advertising", which is responsible for the handling and planning of creative work to promote Iraqi goods overseas should be increased for this purpose.

The above investigation has shown that most of the firms visited pay little attention to advertising. This attitude is deep-rooted in all developing economies, including Iraq. This situation has been caused by a number of reasons. Firstly, management believes that advertising makes no contribution to the volume of sales. Consequently advertising receives little consideration in their planning strategy, and little time or attention is devoted to this function. Such an attitude is due to the reasons mentioned above (such as the careless approach used by management) and also to the fact referred to in chapter three, namely that central management and economic planners concentrate on financial and production problems rather than on marketing. In other words, advertising is regarded simply as a means of informing consumers when, where, and how they can use the produce. Secondly, advertising is used by such management for publicity purposes, to create an image for their firms, or for political reasons to inform governmental officials that they are performing well in the market. Thirdly, as marketing is accorded little attention or importance within the firms' general activities, other elements of the marketing mix are also adversely affected and neglected, such as marketing research, advertising research, consumer behaviour and even, as we shall see later, packaging. Accordingly, advertising decisions are not based on scientific research. The neglect of advertising research as a marketing component will reduce the chance of success and make it difficult to achieve the firms' objectives, and such a situation will in the long run lead to a negative attitude being adopted by a firms' senior management. An investigation of the firms' Annual Reports supports

points made above, although in the case of public sector firms details of financial allocations are itemised much more clearly than is customary in the private sector. The investigation reveals that 34% of advertising expenditure is spent on magazines, 19% on Tv, 13% on newspapers, and 5% on cinema advertisements and the remainder is allocated to different media such as neon signs, billboards and soon. More than 50% of the advertising budget is allocated to printed media, a surprisingly high percentage, taking into account the high level of illiteracy. This is because, as we pointed earlier, not all of the printed media are owned by the government, thus advertising by this medium is favoured by firms' executives, and because it avoids the constraints imposed on other media such as radio or Tv are also factors leading to the use of magazines and newspapers.

The overall conclusion from the above discussion is that advertising in Iraq is not of a sufficiently competitive nature. It is primarily used as part of the overall economic plan. Its role is therefore essentially to influence demand and to provide information. It is not regarded as a means by which the government can increase the general standard of living.

8.3.5 The Advertising Budget:

The researcher found that the arbitrary approach used to determine the advertising and sales promotion policies of the firms visited in both sectors, is to calculate the amount spent on these marketing tools. Many variables such as rate of population growth, income trends and current economic conditions are not taken into account.¹¹⁴ Firms in the public sector submit their budget plans to the relevant Ministry which more often than not reduce the amount allocated. Firms must undertake appropriate research and arrive at most precise evaluations in order to make advertising more effective and management must allow it to operate to its full potential in terms of making effective use of their resources.¹¹⁵ They should determine their objectives and the total cost involved should be determined in relation to the requirements of the various tasks involved.

The approach known as "objective and task" is used to determine the amount to be spent on advertising. "Percentage of Sales" came third and only one firm in the public sector used this approach. Table 25, details the results. The research findings reveals that the rule of thumb or arbitrary approach is used by twelve firms, or 60% of the

Table 25

Factors Influencing Advertising Budgets By Firms

Factor Influencing	Number of Firms	%	Firms Status		Span of Activity	
			Public	Private	Export	Non Export
Rule of Thumb	12	60	9	3	4	8
Objective And Task	6	30	4	2	5	1
Percentage Of Sales	2	10	1	1	2	-
Others	-	-	-	-	-	-

twenty engaged in advertising to determine the amount they will spend on advertising. These firms fixed the amount to be spent on advertising on the basis of the previous years' allocation. This approach was not used by most of the firms in the private sector. Only three firms in the latter sector used this approach and one of them is engaged in exporting. These firms fixed the amount upwards or downwards according to the policy decided by the firms' Head Quarters. The problem lies in the need to determine the cost of achieving these objectives and deciding whether sales will be sufficiently profitable to justify the expenditure involved. To solve this problem, it is necessary to identify the functional relationship between advertising expenditure and the sales or communication functions. These relationships can be determined empirically by larger corporations. When benefits to a firm exceed costs, the advertising budget is sound.¹¹⁶ However, we shall see later in our discussion of advertising problems, no firm in either sector mentioned that the measurement of output constitutes a problem which prevents them from undertaking advertising. But the fluctuations from one year

to another create a situation in which these firms cannot make appropriate decisions on a scientific basis in any given year. It may be argued that even this approach will enable a reasonable estimate to be made. The researchers' opinion is that if this is true, the allocation would increase and greater accuracy might eventually be achieved. But as we shall see later, the amount rises and falls in an arbitrary fashion, consequently, this argument is not vital in respect of our sample. The conclusion is then that decisions reached by these firms are far from having a scientific basis. Four firms engaged in export activities used the role of thumb method to fix their advertising and sales promotion budget, while eight firms not engaged in export activities used this approach. These results show that exporting firms employ more advanced marketing techniques in their marketing than domestic firms.

Of the firms which engaged in advertising, six claimed that they decided the amount for advertising in terms of expected future sales and what would be accomplished in a given period of time. Differences between the public and private sectors concerning this approach are greater than those between exporting and non-exporting firms following the same approach. On the other hand, export firms in both sectors show more enthusiasm for the percentage of sales approach than those firms not engaged in export activities. Again, this finding is compatible with other findings which support the hypothesis that firms engaged in export activities are more aggressive and marketing-oriented than firms engaged in domestic marketing only. The researcher believes that the use of such techniques by exporting firms may be due to the fact that they employ more educated staff, and that they have a favourable attitude towards advertising, as the main amount is spent on publicity abroad rather than on the domestic market.

Although a third technique is used, which will be mentioned later, the above discussion reveals that the arbitrary approach or the role of thumb, are the two techniques most commonly used for allocating an advertising budget by non-exporting firms. It is also indicated that exporting firms are more likely than firms engaged only in the local market to base their methods of fixing an advertising budget on an analysis of needs and objectives.

Only two firms allocated the advertising budget as a percentage of total sales. Not surprisingly, these two firms are engaged in export activities, which supports the above stated opinion that such firms are more marketing-oriented than others.

Finally, by examining the accounts of the firms visited, the researcher found that only firms engaged in export activities keep separate accounts of the money devoted to advertising, and it is difficult to obtain such information from private firms or those in the public sector operating in the domestic market, which made it impossible to form an accurate comparison. Thus attention was directed to advertising expenditures as a means of assessing management attitudes. But examining the available data in some parts of the food industry which have an obvious organisational and management structure, such as the date industry, shows that they spend more on advertising than other sections such as vegetable oil extraction and others in the public sector. A comparison of advertising expenditure in the food industry and other industries reveals market differences which still prevail at the present time. In 1977, the percentages of advertising expenditure to the total sales in the food industry, agricultural produce industry, industrial produce, and the chemical industry are, 0.06%, 0.14%, and 0.121% and 0.1% respectively.¹¹⁷ These figures shows that advertising expenditure in the food industry is much lower than in other industries. A more favourable attitude exists in the agricultural products sector, where firms may seek to encourage farmers to use fertilisers, insecticides or other related useful facilities. The data available for various sections clearly illustrate the general trend. Table 26, details the advertising expenditure for a number of selected firms. The highest percentage, 0.03% of total sales, was for firms engaged in the dates industry, which undertake export activities. The lowest percentage was for firms whose business is in domestic markets. For example in the soft drinks industry, the percentage was 0.0002%, 0.0006%, 0.0004% in 1982, 1983, and 1984 respectively. By and large, the overall picture presented is not an optimistic one, on the contrary it is rather gloomy, and supports our view that there are marked variations from year to year. This does not reflect a commercial attitude or marketing-oriented attitude on the part of most of

Table 26

Advertising Expenditure Allocation For Some Firms From 1982 - 1984.
(ID)

Kind of Industry	Year	Amount Allocated	Total Sales Amount	Percentage of Total Sales
Vegetable Oil	1982	42,813	65,626,567	0.0007
	1983	33,368	93,501,192	0.0004
	1984	18,111	93,496,029	0.0002
Dates Products	1982	75,000	3,000,000	0.03
	1983	75,000	3,000,000	0.03
	1984	75,000	6,000,000	0.01
Soft Drinks	1982	12,904	55,233,377	0.00002
	1983	3,147	56,643,270	0.00006
	1984	30,573	84,063,788	0.004
Dairy Products	1982	15,000	22,881,766	0.0006
	1983	174,000	27,027,518	0.0064
	1984	19,100	38,093,205	0.00005

Source: Ministry of Trade, Annual Reports 1982 - 1984.

the firms visited. Although the above figures relate to the public sectors, the situation is worse in the private sector. The researcher found no separate advertising accounts on which to form a judgement. Even those firms which undertook export activities rely on the government to help them to dispose of their produce in foreign markets so that they paid little or no attention to advertising. Overall, there are wide variations in the amount of advertising undertaken by firms in the food industry.

Although it is difficult to make an accurate evaluation of the impact of advertising, a high proportion of businessmen in developed countries such as the UK believe that

advertising constitutes a useful support to the marketing effort. A study carried out in the UK, shows that consumer-oriented marketers are more likely to use the "percentage of sales" method, and the "objective and task" and "what can be afforded" methods - in that order - to set the advertising budget, ¹¹⁸ whereas our survey shows that the firms visited did not appreciate the value of these methods and statistics show that despite the high volume of sales, the amount allocated to advertising is negligible. Again table six shows that the percentage of sales allocated to advertising was very low, most firms allocating ID4 from each ID 10000 of sales, a quite inadequate proportion. In fact only two firms or 10% of the sample used this method, whereas more than 38% of the British firms in the study referred to above, use this method. Moreover, with reference to the method of matching advertising budgets to performance in the mentioned survey only three methods show a significant relationship, with profit margin achieved. The "what can be afforded" method had a negative relationship, whereas the "objective and task" and "experimentation and testing methods" in that order had strong positive relationships. The situation is different in Iraq. The "what can be afforded" methods is the method most often used by the firms visited as 60% of the sample employed this techniques. It is not surprising, therefore that as a result, the amount allocated to advertising was severely restricted and consequently, unproductive.

It is generally accepted in the business world that the more sophisticated methods of setting an advertising budget are likely to be associated with better performance.¹¹⁹ Therefore there is considerable scope for improvement in the methods used to set their advertising budget.

In the following section we shall examine the advertising problems encountered in the market place by the firms visited and the factors which impede the effective use of the advertising function so that a clear picture of the status of advertising in the food industry can be presented.

8.3.6 Advertising Problems:

The absence of commercial thinking by most Iraqi businessmen seriously limits the use of advertising. Their business strategy is concerned with how to produce rather than with how to sell their product. The lack of specialist agencies also inhibits the use of advertising. Specialists are as important to the advertising function, as they are to other marketing functions, they have to take into consideration the mentalities of the ethnic groups at which advertising is aimed. The lack of the necessary expertise and the shortage of qualified agencies results in limited services being made available to customers and such services as are available are high in cost and low in quality. So that he could assess and evaluate advertising problems, the researcher asked executives of the firms visited to state the major problems they encountered in connection with advertising. These are presented in order of importance in table 27. Firms that did not advertise are also included. Four of the thirty firm, 13% of those visited, stated that the cost involved is one reason for not advertising. But this reason is over stressed in the

Table 27

Advertising Problems (Executives Perceptions)

Problem	Number of Firms	%	Firms Status		Span of Activity	
			Public	Private	Export	Non Export
Lack of Advertising And Adequate Media	11	37	7	4	8	3
No problem In Advertising	8	27	2	6	-	8
Media Cost	4	13	-	4	-	4
Scattered Population And Illiteracy	4	13	1	3	1	3
Language	3	10	3	-	3	-
Total	30	100	13	17	12	18

Total Firms fixed as 30 because firms that did not advertise are included.

researcher's opinion. As we mentioned earlier, firms which advertise use all the available media, particularly firms engaged in export activities. Some of these media involve considerable expense, so it is not surprising that only exporting firms are able to use them. Accordingly, firms only engaged in local activities do not use these media because of the cost element. In other words, exporting firms are more aggressive and marketing-oriented. On the other hand, we pointed out earlier that not all the available media are expensive. Therefore, although executives believe that newspapers and Tv are the most expensive, firms have the opportunity to use less expensive media. Moreover, it must be stressed that since no advertising research expenditure is involved (see advertising agency) the above argument relating to such research has been overstated by firms.

The level of illiteracy and the fact that consumers are distributed over a wide area present a real problem in relation to advertising. The problem of illiteracy constitutes a serious handicap to the development of any country. It restricts the use of scientific technology, and makes it difficult to transmit a message which can be used repeatedly over a period of time. Although only four firms mentioned the above problem, the researcher believes that the wide distribution of the population, combined with the lack of an effective communication network (see chapters 4 and 7), reduces the effectiveness of advertising. However, since advertising techniques can be used by the appropriate government department, the effect of illiteracy on the use of technology in advertising can be overestimate (see chapter 5). Only 35% of the Iraqi population can be classified as literate and this must be a further reason why advertising campaigns are not pursued vigorously. There is an enormous communications problem which first has to be overcome.

Three executives mentioned that language presents difficulties in the advertising process. This is particularly true of firms involved in export activities. Even in the advertising agency this is a major problem as the necessary expertise and experience take a long time to acquire. Improvement in interpretation skills and collaboration

between the relevant educational organisations will reduce such difficulties in the long run.

Eight firms, 27% of the firms in the sample stated that they have no problems relating to advertising. Six of these firms are not engaged in the advertising process. The reason for the other two not advertising is the level of competition, a point we shall refer to again later. Again, those who do not advertise do not appreciate the value of advertising, they concentrate on the domestic market and they have few personnel who have much experience of the marketing function.

A large proportion of the executives mentioned that the lack of advertising facilities and of professional agencies or suitable media interferes with the advertising function. Eleven executives, 37%, of the sample make this point. Eight of these eleven firms are engaged in export activities.

Finally, of course, a further factor limiting the use of advertising is the lack of funds. Although this factor has been referred to indirectly in the present section, it affects private firms in particular because of their limited resources, especially those firms concentrating on only the domestic markets. Moreover, firms in the public sector, though not constrained by financial problems, regard advertising as an additional and perhaps unnecessary expense. But this need only be regarded as a short-term problem if long-term benefits are also taken into account, as they ought to be. With reference to the public sector firms, Ministries often reduce the amount allocated by a company to advertising but if the function has been more fully understood, researched and explained, then the cost involved would have been seen to be justified.

As we mentioned before, ten firms, 30% of the firms surveyed, do not undertake any kind of advertising. During prolonged discussion with executives, a number of reasons were given for neglecting this element of the marketing mix. The reasons given are shown in table 28. One of the expected answers is that conditions of scarcity prevail in most developing countries, including Iraq, where a sellers' rather than a buyers' market is the rule. Where demand exceeds supply, advertising is regarded as unnecessary as a

Table 28

Reasons For Not Using Advertising (Executives Perceptions)

Reason	Number of Firms	Percentage %	Firms Status		Span of Activity	
			Public	Private	Export	Non Export
Shortage of supplies	2	20	1	1	-	2
Competition level	4	40	3	1	-	4
Unproductive Expenses	2	20	1	1	-	2
Other (Socialism)	2	20	2	-	-	2
Total	10	100	7	3	-	10

means of promoting demand for products. The problem in advertising, as with marketing research, is the fact that there is a sellers' markets for most goods. There is no incentive to pursue product development in order to meet real consumer demand. This means that the quality of the product remains low¹²⁰ and while this situation persists, advertising cannot be fully effective. But in any case, an unfavourable attitude towards advertising prevails in most Iraqi businesses, whether there is excess demand or not and it is therefore management attitudes which constitute the main problem. But as we mentioned before, this does not apply to all food products. With reference to the effect of marketing on the process of economic development, the researcher believes that even in conditions of scarcity, it is important that management should recognise the value of advertising. Some executives wrongly believe that since they are part of the

social community, profit should not be achieved through competition. Although discussion of the politics of socialism is not our concern here, executives in the public sector adopt an attitude towards competition and profit which does not reflect the government's opinion concerning how the economy should operate. Such an attitude seriously stifles any initiative in the direction of innovation and restricts the consumer's choice in the market.

Three of the ten firms which do not advertise stated that they encounter no difficulties in selling their products. The researcher found that their production level did not match existing demand, therefore advertising would be a waste of time and resources for if it did achieve an increase in demand their production capacity would not have been able to satisfy that demand.

The low level of competition is regarded as the most important reason for not advertising a firm's products. This reason is only to be expected in an environment characterised by government intervention and control. Important restrictions remove any competition between domestic and foreign products and also between firms providing a product covered by official action of this kind.

As we mentioned earlier, such legislation relieves the management of some firms from the need to take steps to compete with others. Accordingly, public firms benefit most from this situation since the public sector makes the greatest contribution to Iraq's economy (see chapter Four). Consequently, it may be reasonable to assume that the lowest level of competition exists between public firms rather than private firms. On the other hand, there is competition between the private and public sectors, particularly when the former are involved in making products which are subject to import restrictions. Thus the researcher believes that management attitudes and behaviour towards advertising are based on the view that this function is unnecessary and is not linked to the absence of competition. The government's new tariff policy reduces firm's administrative obligations and encourages them not to compete with

each other in the market, and the researcher believes that this has contributed indirectly to the neglect of advertising by many firms in both sectors. Four firms, 40% of the ten in the sample surveyed, have not undertaken advertising because in some cases an oligopoly or monopoly situation exists.

Only two firms, 20% of the ten firms visited, mentioned that they did not advertise because they believed that advertising is unproductive. One of these two firms is in the public sector and is involved in export activities. It is one of those firms mentioned at the beginning of this discussion whose production level did not match the level of demand in the market. Within such conditions, advertising is wasteful, in fact it represents an unnecessary expense if a firm advertises when there is no need to do so. Again, advertising may create a new demand which in turn makes it possible to increase supply to meet that demand. The other firm in this category is privately owned and the response given simply reflected the management's attitude towards advertising. Finally, two firms both in the public sector, believe that public firms should not seek to make profit as the government supports a socialist ideology. Again, the government promotes an Arab form of socialism, based on Islam, but that religion does not prohibit making a profit, but this wrong interpretation is used as an excuse for lack of effort and an absence of administrative initiatives which would allow their firms' business to be conducted on a commercial basis.

8.3.7 The Economy of Advertising:

The literature on advertising and marketing is extensive, including reports, text books, journals, conference papers and speeches, all of which have been produced since the beginning of the century. Hundreds of books have been written on advertising between 1900 and the present time. But little has been written about the economics of marketing in general and advertising in particular. The first book on this topic was published in the 1920's. Another was published by Julian simons in the 1970's.¹²¹ Therefore, the

researcher's investigation were restricted by the scarcity of literature relevant to this subject during his discussion.

Generalisations concerning the economics of advertising and its implications are of a controversial nature, and no firm decisions have been reached nor are there strong theoretical grounds on which to base conclusions drawn from empirical tests in this area. Even in developed economies, advertising has its problems as it does in developing economies, although these problems are not of the same kind due to a variety of reasons such as cultural, social and economic factors. But advertising has become an integral part of modern economic systems and without it, a country's economy may encounter even greater problems. It appears therefore, that no generalisation can be made concerning the extent to which advertising increases demand and consequently each piece of advertising must be examined thoroughly in order to evaluate and appraise its economic effect.¹²²

The issue we are talking about, namely the economics of advertising, now leads us to deal with different aspects of advertising in developing and developed economies. There are social-economic factors each of which it is difficult to treat in isolation. Briefly, we have to consider the nature of advertising, is it misleading or informative, or is advertising a means of manipulating a person against his will? Is it relevant or irrelevant to the economy? In other words, is it beneficial or wasteful? Whatever views we have on these matters, we have to concentrate here on whatever relates to the economic value of advertising, and then attempt to generalise as to whether advertising is advantageous or wasteful in the developing economies. In other words, we must consider the effect of advertising on the society's economic well-being, and on the overall economic system. In fact, it is difficult to evaluate the effect of advertising on the demand for specific products or even on demand in general.¹²³

Most writers on advertising believe that advertising has an effect, but find that is extremely difficult to quantify that effect. This applies in advanced economies, as

producers are unable to measure exactly the effect of an advertising campaign on sales of their products despite their highly advanced methods of cost accounting. Since this is the case in developed countries, it is clearly likely to be the case in developing countries where the cost accounting system is probably more primitive, so advertising in such countries may be regarded as superfluous, and a waste of money since the producers cannot measure the effect of advertising on sales. Nevertheless, it is generally accepted that advertising can stimulate the level of consumption.

The above statement emphasises that the influence of advertising is not uniform. It varies according to the product advertised and the style of individuals advertisements. Advertising may not create demand in itself, but it can stimulate existing demand. Therefore, to exert the strongest influence, advertising cannot operate alone but must be combined with other functions of the marketing mix. For an advertisement to achieve the greatest impact, other factors should be favourable. These other environmental influences are the nature of society itself, human behaviour, buying habits, the level of technology, the stage of development within an economy, and the conditions created by official legislation.

Achieving consumer satisfaction and the recognition of wants and needs constitute the basis on which marketing mix effort can be made more effective. Accordingly, there is no possibility of advertising influencing demand unless consumer satisfaction is provided. The need to adopt the marketing concept presents a problem for firms in both developing and developed economies.

People encounter difficulties in achieving minimal living standards especially, when they are poor as they face important choices relating to consumption decisions. Therefore their choices can be affected by advertising. Accordingly, when products are advertised, it is essential that their true properties which may not be well know, should be publicised in such a way that differences between them and other products are made clear.¹²⁴ Two aspects have to be considered. On the one hand, even basic wants can be

met in a variety of ways, on the other hand, the priority of wants may itself be altered. "Psychological" wants, to use Galbraith's terminology, maybe substituted for physical ones.¹²⁵ All the above mentioned factors have a role to play in ensuring that advertising becomes more efficient, but there is no mathematical formula which guarantees that a given amount spent on defining that X of sum of advertising will produce a particular number of sales in the market. In other words, advertising may increase demand at different levels, depending upon the circumstances under which a particular firm operates.¹²⁶

Social and economic variables combine with advertising to create stimuli which affect the nature of consumer wants and the methods of satisfying them, and consumer wants are in part formulated as a reaction to these stimuli. In any case, irrespective of the stage of development an economy has reached, advertising provides consumers with time utility, place utility, possession utility and form utility, by informing them that goods are available, when they are wanted, or indicating where products may be obtained. It may enhance the goods in the minds of consumers by intimating a higher level of satisfaction, and/or by satisfying the human desire for new products. In our discussion, we learned that some of these functions of advertising apply in developing countries and it is appropriate to consider advertising with reference to our subject (namely food products) and the benefits or characteristics associated with each product such as easy-to-cook food for women at work.

Consumer satisfaction is obtained only when consumers believe that the product concerned provides such satisfaction and this is what the advertising message must help to bring about. Such a target will only be achieved when values and attitudes are created in relation to the level of satisfaction claimed by an advertisement. The usefulness of a product becomes a reality when consumer values and attitudes are changed, and advertising is the part of the marketing mix by means of which producers or distributors take the initiative in an attempt to persuade consumers to purchase

their produce by convincing them that the various utilities they require will be obtained when that product is bought. Thus, consumer satisfaction can be achieved through the efficient use of resources even in an economy of scarcity, a point we discussed in greater detail in chapter three.

Keynesian economists believe that advertising has a productive function to perform and that it is certainly not a wasteful tool.¹²⁷ For example, through effective advertising, it is possible to maximise employment. In this theory, when there is an environment of partial employment, saving must be offset through new investment to contribute to increasing the level of employment. Advertising can alleviate the level of unemployment in a number of ways. For example, people may be persuaded by advertising to increase their level of consumption. This may be achieved in the case of agricultural produce or canned food rather than other consumer products. Moreover the increasing level of consumption through the advertising could have a further result, namely ensuring that advertising messages reach those who live in remote areas through this may be difficult in most developing countries due to the lack of an effective communication network, and a major objective of advertising is to persuade large numbers of people to purchase products. By and large, this increases demand which will have an economic effect since production will increase and more jobs will be created. Other economic results may stem from the above causes. When more people are kept informed, this may stimulate the desire for further innovations which, when introduced, result in additional jobs being created and consequently extra incomes from which the country's economy benefits. According to Keynesian theory, unused resources in the economy represent a loss to the nation. Resources must therefore be fully employed since income can then be generated to help the economy, and since advertising encourages efficient use of resources, it should be regarded as a productive function.

The need for advertising in an environment where employment is not widely available has been explained. What is the status of advertising in conditions where full employment prevails? It was assumed, particularly where the level of employment is low, that advertising should be based on ethical considerations instead of being deceptive. Therefore, it might be and has been argued that in a full employment environment, when there is a scarcity of resources and demand exceeds supply, any resources that are being used unproductively should be reallocated in an attempt to balance supply and demand. Thus advertising which serves to stimulate demand should be dispensed with and the resources previously devoted to it should be redirected to increasing supply.¹²⁸ Accordingly if a firm in a developed country should no longer pursue an aggressive campaign in the market when the level of competition is high, its market share will suffer. The same situation exists in developing economies such as Iraq where there is competition between the private and public sectors. We learned from our study that the Iraqi date industry faces strong competition in the foreign markets although Iraq is regarded as one of the world's leaders in this product. This is partly due to the lack of the aggressive advertising by the "DME". Thus as part of their future strategy, firms must increase the level of advertising to avoid potential loss of the reputation they gained in the past through various marketing mixes, using advertising to ensure that they maintain the same level of demand and at least keep if not increase their market share. To maintain this target, marketing strategy, including advertising, must in future be carefully planned and, such planning should certainly be continued during periods of full employment as an investment against future economic scarcity.¹²⁹

In economic terms, when the level of production increases, the cost of each unit will be reduced as overall direct and indirect expenditure is distributed over a greater number of units. In this context, it can be argued that advertising results in a lowering of production costs, therefore it helps to stimulate the required level of demand. Again,

although the effect of advertising on production costs are difficult to quantify successfully advertising contributes towards the expansion of the volume of sales and consequently reduces overhead and production costs.¹³⁰ With reference to the effect of advertising on demand and costs of production, we should keep in mind the influence of other factors such as the quality of the produce, pricing, personal selling and product characteristics, all of which contribute towards creating the required demand. These factors influence demand for agricultural food products, to a greater extent than for other consumer products such as high fashion clothing or automobiles. Also the overhead costs of production may be reduced by spreading demand more evenly. For example if a firm dealing with a product for which there is a highly seasonal demand can extend demand for its product over a longer period of time, this will provide benefits by reducing warehouse cost and reducing the size of plant that is required to meet highly peaked demand. When the price of each produced unit is low and the consumer therefore pays less, the profit margin on each unit is correspondingly low, but the expected increase in demand will increase overall profits. Accordingly, a saving resulting from reduced production costs can be reinvested in the business. Irrespective of how such savings are re-directed, the economy will benefit, consumers will be better off and there will be an increase in the level of consumption all which encourages new investment. This is how resources should be employed efficiently, irrespective of whether or not these resources are in short supply and this applies in any economy whether developed or underdeveloped. In fact consumer satisfaction will be fully achieved only in an environment where the marketing concept is recognised and implemented.

Advertising in a competitive environment must be realistic and forceful to have a greater impact on the audience. Thus advertising must in such conditions encourage consumers in the market place to buy the products of the firm concerned. In this context advertising is a tool used to compete in the marketing field, possibly to break an

announce a new product, in which case it is informative, this being the type of advertising use in the most developing countries, irrespective to the level of competition. In Iraq, as we have already pointed out, the level of competition may be low between firms in the public sector but it does exist between public and private sectors firms. In this context advertising is not a barrier to an industry, on the contrary it can open the door for a new entrant, although when a particular industry or product establishes a high reputation, this creates a situation of monopoly in the market against products in a similar category. Over a period of time, effective advertising can build up considerable goodwill towards a firm and its business, whereas neglect of advertising can lead to a decline in the volume of business and a loss of good will.¹³¹ Thus advertising may promote business prosperity and development. In areas of business which are complicated, what matters is the quality, not the amount of advertising, and this is in keeping with the fact that there is no clear cut causal relationship between the amount of advertising and any resulting changes in demand. The quality of advertising is determined in relation to its objectives and the methods of achieving these objectives, by taking steps to expedite the consumer decision process. In other words, the purpose of advertising aimed at the target market is to gain product acceptance.¹³²

The quality of an advertisement determines how effective it will be. It is not enough to simply repeat the same type of advertisement. High quality advertising can lead to success in entering an established market for a particular brand and market share can then be increased through other elements of the marketing mix such as pricing, packaging, product quality or design modification, particularly with regard to consumer durables. Thus, the results achieved by advertising depend on the kind of industry and the prevailing economic conditions. Advertising is more necessary when there is a casual relationship between the demand for and the price of a product which holds a strong position in the market. Advertising impedes the type of quick-acting price competition that, for example, occurs in the cosmetics industry where brand or quality, not the price, is important. But when brand is not important to the consumer, then the commodity is price-sensitive and consequently advertising will be more effective. In general, firms that rely only on advertising, find it difficult to maintain

the required level of demand for their products, whereas advertising combined with other factors, such as price competition, can make their business more successful in the market. In fact advertising is most effective when it operates within the guide lines of existing norms and values.¹³³ In this context, achieving a balance between the different elements of the marketing mix is crucial for survival.

Certainly, when advertising affects elements of the economic environment, such as demand investment, consumption and so on, this has a general effect on the business cycle. With fluctuations in demand, advertising from many elements becomes increasingly important as a means of regaining and maintaining or even increasing market share. Thus the effect of advertising is highest when demand is greatest. When advertising encourages consumers to buy rather than to save, business life is re-invigorated and the economy improves even in times of recession. In a study based on an analysis of overall advertising expenditure, the results suggest that advertising does in fact tend to increase consumption at the expense of saving.¹³⁴ Although the amount of advertising required during a recession is greater than that required in a peak economic period, the problems involved could be overcome by means of innovation, product development, and a creative and imaginative approach. These aspects were discussed earlier when we dealt with the question of marketing research in the firms visited.

Innovation and product development are not only means of boosting the economy, they are also needed to enable advertising to build up an effective demand. In other words, advertising should provide the audience with a positive message. Such a message should convey the characteristics of the products advertised in such a way as to distinguish it from others. It should also be a method of communication between producers and consumers so that when producers use this marketing tool, they should identify the competitive advantages their products possess, which in turn results in improvements to their products. When competing products sell at almost the same price, the aggressive advertising campaigner seeks improvements to provide additional advantages. When demand increases as a result of increased advertising, this again encourages innovation and research. When a firm believes that the volume of demand has been increased through advertising, this will be regarded as an incentive to improve

the product since the extra expenditure involved will soon be recovered. Moreover, when there is a considerable increase in demand, a firm may be able to introduce economies of sale which in turn enable it to reduce the price of its products and become competitive. In other words, advertising can build up demand to such an extent that it encourages competition in the market place. This benefits consumers as they have a large range of products to choose from to suit their preferences and maximise their satisfaction, not only in terms of product availability but also in terms of quality, a factor which establishes the different reputations assigned to competing firms. The quality of a product differentiates it from others and can even withstand the impact of a competitor's advertising campaign.

The possession of competitive advantages enables producers to devise a strategy in order to meet public demand or attract a larger segment of consumers in order to maximise their profits. This advantage is not appreciated in developing countries where an advertising campaign cannot be addressed to the population as a whole. In fact, in such countries the latter's firms have no obvious advertising target, whereas efficient targeting of advertisements is practised in developing countries.

Conclusion

This sub-chapter (2) was concerned with examining the policy of the firms visited towards advertising, and identifying the factors underlying these policies. The researcher reviewed a range of advertising problems and analysed the obstacles which present a challenge in the Iraqi markets. He also discussed management attitudes and behaviour towards advertising in the firms visited.

In Iraq there is a state advertising agency responsible for preparing advertising messages. It is characterised by the inadequate level of its services and it is not very advanced technologically. This to some extent affects the impact of advertising messages in the market for the availability of advertising media is limited and this frustrates advertising efforts in the market place. There are official restrictions on the use of these media, which are not fully utilised economically or commercially, despite their potential benefit for both firms and the economy as a whole. This situation is exacerbated by management attitudes and behaviour towards advertising. Magazines are regarded as the most useful, the television and newspapers coming next, but the exploitation of radio services for commercial purposes is prohibited by the

government. The quality of television programmes in general is so poor that this particular medium is probably almost totally ineffective. Apart from magazines and the press (plus television if its standards can be improved), the cinema is a medium which is largely untapped, although it represents a potentially useful method of advertising which has a lot to offer as it is the most common means of entertainment for most Iraqi families after the television. Indeed it may be even more popular than television.

Over the last two decades, which have witnessed increasing government intervention in the economy as a whole and the market in particular, little attention has been paid to advertising, and it has had little effect. Those managers who do recognise advertising as important in terms of selling their product are not able to take full advantage of this function as advertising agencies offer little services and are characterised by a lack of specialist skills. This is true even of government agencies. The majority of the firms visited have little interest in advertising. Some firms do not advertise at all, and managers' attitudes towards this marketing element do not correlate with advertising practice. Most firms visited concentrated on sales promotion in their promotional mix and most of them took part in local or foreign fairs supported by government, the aim being to improve the image of Iraqi industry on the one hand and on the other to obtain commercial contracts for some products.

In all cases, firms set their advertising budget in an arbitrary way. The amount involved is small and tends to fluctuate widely from year to year. Few firms advertise to improve sales. Most of them only advertise when a new product is being launched. Firms which participate in exhibitions generally do so in an attempt to improve the image of the product.

Advertising is needed even in a planned economy. Its facilities bridge a gap between people and products and this has become a necessary aspect of modern life. To achieve continued success, modern manufacturing needs communication with the public and advertising undertakes this role. Methods of advertising in Iraq have so far been unable to provide the incentives and rewards which the present economy requires in order to function more efficiently. The "non-profit" motive is pervasive and needs to be revised. It is important to realise that neglecting advertising would not present a new saving for individual companies, or for the economy as a whole.

Increasing sales volume is the basic objective of advertising by most firms, and advertising is informative rather than persuasive. Not surprisingly, there is no budget specifically devoted to executing an advertising campaign by either private firms or firms in the public sector, apart from those involved in export activities. Consequently, the amount spent on this function is determined by a rule-of-thumb method.

Advertising plays a vital role in the economy. This fact is recognised in developed economies whereas it is largely ignored in developing economies. It has a positive and strong effect. The need for advertising stems from the imperfect competition prevailing in the market, as there is no need for this element of the marketing mix in a situation where competition exists, and thus advertising is used by firms to stimulate demand. But for advertising to be effective, demand must exist even if it is latent. Advertising is not the only function which has the power to stimulate demand but it can be combined with other socio-economic factors, all of which exert various environmental influences. Used thus, advertising can be more efficient as a means of stimulating purchases.

Advertising may be informative by telling the consumer when, where, and how, to find the products, and it can be creative when consumers believe that the advertised product will satisfy their needs and wants, and thereby persuade them to buy a particular product. This happens when the pattern of production is changed to suit consumers and maximise their satisfaction. Therefore, advertising is essential as a means of boosting the economy, whether the environment is one of high or low employment. In the former case, advertising may spark the economic machine by encouraging people to purchase by stimulating their desire. For advertising to exert an accumulative effect over a period of time, taking into account the fluctuations which may occur in a given economy, it is essential that, whether the economy under consideration is characterised by a high or low level of employment, advertising campaigns should be conducted on a continuous basis.

The general attitude adopted by economists is in favour of advertising, and this element of the marketing mix is regarded basically as a necessary part of the economic process. Since it performs an economic function for producer and also affects economic decisions made by consumers, it is an integral part of the economic system. This means that the importance of advertising should be assessed together with that of other social and economic factors. When the sales volume increases during or after an advertising campaign, advertising clearly has a positive impact which is reflected in the increasing in sales revenue recorded in a firm's annual report. The extent to which sales increase in a given year represents the economic value of advertising, although it is not an easy task to determine precisely the value of such advertising in quantitative terms and measuring the effect of advertising throughout the whole economy is naturally difficult. It is likely that the effect of advertising on the final annual report may not be capable of accurate assessment, but other appropriate factors may be taken into consideration for this purpose such as the role of new product development, the impact of distribution costs, or the effect caused by the business cycle and so on. The problem is that there is a marked lack of hard evidence relating to the impact of advertising on any economy. Thus, even in developing countries, detailed research is required in order to establish how consumer tastes are formed, and to enable a researcher to demonstrate exactly the effects of advertising on the economy.

Finally, respondents regarded this tool as an expenditure to be taken in the short run to provide an urgent solution to a particular marketing problem. For example, advertising by such firms in Iraq is used mainly to inform the consumer that a particular product is being introduced to the market, therefore making it impossible to gain any long-term benefit from advertising on account of its temporary nature. Therefore, management tends to publicise mainly for information purposes rather than promoting the commercial image of the firm. Firms in the sample which carry out promotional activities are not motivated by purely commercial reasons: social and

political purposes are involved. By and large, these firms wish to give a good impression both to the public and to the government officials with whom they do business. They do not advertise in accordance with seasonal occasions or to promote a particular product image. Their aim is to publicise their own performance and to emphasise their firm's importance to the national economy.

These are advertising characteristics which undermine its advantages and can have an adverse effect on a particular advertising campaign. But on the other hand, when the media are used to draw attention to social and cultural factors in Iraq a firm may be better off in the long run.

8.4 The Economics of Packaging

Introduction

8.4.1 Packaging in Iraq

8.4.2 Factors Affecting the Growth of Standardised Packaging

8.4.3 The Economy of Packaging

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Conclusion

Summary

8.4 The Economics of Packaging

Introduction

Packaging is that part of product planning and development related to the design of a product's container or wrapper, whose purpose is both to protect the item and enhance the value it presents to the consumer. In a vast number of consumer goods, packaging is critically important to the buyer's recognition of the product. This is true of certain food items.¹³⁵ The above definition sets out the group of activities associated with designing and producing the product container.

By using a particular design, a firm's management may increase profit potential. Basically packaging incorporates four functions - protection, economy, convenience, and promotion. Two of these functions (namely, economy and promotion) are more relevant to our discussion, although the other two functions contribute to the product's potential. With regard to economy, unfortunately most of the manufacturers in Iraq, as we shall see later, regard the package primarily as an expense item, without any redeeming marketing features. This emphasis on cost, rather than on other elements, has retarded the development of the package as a marketing tool and generally results in packaging that is shoddy, unattractive, and inconvenient to use. This is seen particularly in the vegetable oil industry in the public sector. The blister pack, for example, protects the product, and is also economical, but it is extremely difficult to open.

Promotion is another function that requires emphasis, and packaging in the marketing mix, together with labelling and branding, distinguishes a particular product from a competitor in the market place.¹³⁶ Here, the package has a positive value in enhancing the brand's appeal through the use of colour, illustrations and typography, as well as providing a description of the products features, recipes and service suggestions. A good package, of course, is one that performs all these functions together with the maximum effect always subject to the constraints imposed on each of

these aspects. In commercial business operations, the economics of packaging has developed and this is now fully recognised. For a firm, major considerations are how to attract its consumers at the lowest cost, and how to design a container that makes the product easier to use, and attention to these aspects has been found mostly in the food products market. A consumer may think in terms of using the package later for another purpose which means that packages perform a dual function for the customer in that they protect the produce and, thereafter can be used in other ways. a package can be designed so that it can act as an attractive dispenser in the home, on the dining table for food products, and in the bedroom or bathroom for toiletries and facial tissues. A package, therefore, may attract a consumer who is prepared to pay more, even where the increase in price exceeds the additional production cost involved just to obtain that particular package.

Packaging costs are a major marketing expenditure. The lack of attention to it is partially attributed to the tendency of classifying the package cost as a product cost, so that it is seldom isolated in the way that expenditure on advertising and promotion are.¹³⁷ Therefore, packaging has become an important means of avoiding wastage whilst easing transportation and increasing the period over which the product can be consumed. The function of packaging is a focal point for improvements in both supply and distribution channels. It performs the functions of protection and containment.

In the world's trade, competition became the heart of business success and this phenomenon applies in the consumer, and industrial manufacturing markets. This obviously applies in the developed economies, whereas competition has less effect in the developing economy's market place partly due to the dominance of a seller's market rather than a buyer's market, yet competition seems an inevitable phenomenon in the developing economies. This is inevitable in the latter's economies when consumers begin appreciating this marketing mix and are prepared to pay for it. Competition may take place between the private sector and the public sector. In Iraq for example, the

seller's market partly will convert to a buyer's market, because government intervention, particularly increased in later years, has created a healthy market environment which did not exist there before. Because of an unbalanced form of competition, this could possibly cause the eventual elimination of an efficient manufacturer with the combined establishment of a monopoly situation of a market for the less efficient producers.

The paradoxical understanding is that competition is at once a barrier and an opportunity of entering a market. On one side, success in marketing largely depends on the skill of a producer or a firm and their success in developing competitive advantages. On the other hand, the failure in marketing by the same token is the result of a competitor's superior performance.

This sub-chapter examines the economics of packaging, it considers what generally are the purposes of good packaging and with particular reference to Iraq, why it can be problematic. It seeks to put forward the argument that the marketing of agricultural products, particularly the perishables such as fruit, vegetables, and dates, would be more effective with better packaging. But with the previous discussion considering marketing as a secondary problem, or as a problem of distribution and short of discounts, little attention is paid to the importance of promotional activities in general of which packaging is one mix in the process of marketing. Therefore it is to be expected that packaging has little importance in Iraqi marketing practices. Thus the following analysis intends to discuss aspects of the few packaging activities in the food industry. The environmental effect will be given attention in the discussion. The following aspects of this marketing mix will be discussed: 1. Packaging in Iraq; 2. Factors impeding packaging usage; 3. The economy of packaging; 4. Packaging and marketing potential.

8.4.1 Packaging in Iraq

In general, the improvement in packaging methods enhances the attractiveness and hence the market ability of agricultural produce, thus a packaging programme is the production of a package which satisfies the needs of consumers, distributors, wholesalers and retailers and the product itself, and at the same time, meets technical and the legal requirements.

The packaging of goods in Iraq historically is not just a recent phenomenon. Its development has appeared obviously only since the beginning of industrialisation in Iraq in 1963. However, it is primitive, but the volume of packaging increased, and not in quality, as it became an important factor in business marketing practices. This low quality of packaging is a factor which many feel has contributed to the deterioration of some products' images, like dates and syrup (Dates Marketing Organisation, Annual Report, 1982). The government has increased its intervention in the different aspects of the economy. With such interference, the regulation of packaging for the consumer and the industrial products has taken two dimensions. Firstly, and obviously because of industrialisation, we have increases in the volume of products that must be packed, and secondly, we have the definition of the regulations and specification of the package characteristic or packaging process. The second factor becomes crucial due to the mixture of Iraqi trade with foreign trade. Accordingly, packaging is different in size and variety associated with industrial output and the increase of Iraqi foreign trade, a phenomenon mentioned in Chapter One. Nowadays, almost all the new industrial products are under packaging regulations. However, from our discussion from Chapter Seven, there is still a large category of goods sold without packaging. Farmers sell their agricultural food products without packaging and in bulk quantities and so to middlemen, the products reaches the market place. On their side, wholesalers have to divide bulk deliveries into smaller quantities, preparing them for retailers' requirements (in terms of size, weight, etc.). Even retailers may use their initiative to break them into larger and smaller sizes as a means of price manipulation and

benefits. What we have to say here is that the process of packaging agricultural products occur at the selling points and is usually done by hand. Other food products such as sugar, tea, salts, coffee, etc., have the tendency to be sold in packs of different sizes in the consumption areas. The packaging of agricultural produce goes further by taking into account another shape of packaging, namely, canning and freezing, particularly of fruit and vegetables in the expanding food processing industries. Also, and in the context of packaging other consumer products, there is the tendency to package ready-made garments such as shirts, curtains, and sheets in the clothing industries which are usually sold in the urban areas. In general, the percentage of packed output to the GNP is still very small taking into account that the situation differs between industries.

The application of adopting and practicing the marketing mix components reflects to a large extent, the economic conditions and level of development in the business environment. Until the present time, the official attitude to advertising and marketing research has not encouraged these practices in the business environment. In addition, packaging directly rather than other component mixes in a country, reflects the general economic conditions. When four million are living in rural areas, therefore, the vast majority of the population does not appreciate the effects of packaging, they only look at the products' prices. Although the increase of income level encourages people to pay for packaging, but with such conditions their buying is on the basis of hand to mouth habits. From a packaging policy point of view, therefore, the market is divided into a huge number of smaller segments and this makes the packaging process more difficult. To pack products in sizes that are convenient and suit a wide range of market segments will be more costly. Also for the consumers and the producers, packaging seems to them a cost that is not necessary. When packaging is left to be done at the selling point it reflects the fact that labour costs are less than that of capital. Wholesalers for example, in market places, do packing by human efforts by themselves, rather than produceres manually, whereas the latter may need mechanical efforts.

As we shall see later in this sub-chapter, packaging costs are regarded in Iraq as a complementary component for production rather than a promotional concept applied by most businesses in the developed economies. The survey does not allow us to obtain details of data on the packaging costs for different products because the management of the firms visited have not been encouraged to think in these terms. We are thus unable to assess the significance and importance of packing as a mix component in the marketing process. But the following discussion and the findings of this survey will highlight the practice in relation to the packaging problem.

The little attention given to marketing by the economic planners or by executives, reveals the little attention for packaging as practiced or planned to fulfil promotional purposes in the marketing strategy. In fact, packaging is a component of the production process. The following discussion may explain why such situation exists.

Relevant to our subject is the fact that agricultural products are not stable and (in conditions of scarcity) products are often not enough to meet demand. Therefore the product is already sold before packing and packing the products thereafter is just to collect the produce and protect at lower costs. As far as packaging done by wholesalers at the selling point, this is not a rational aspect for consumer buying behaviour. This aspect exists in most developing countries where scarcity conditions exist.

In the developing economies with scarcity and a seller's market rather than a buyer's market there are production shortages and hence the packaging process is not recognised as a component of the marketing mix. In other words, packaging is not designed for product promotion but for different purposes. Again this fact stems from the unfavourable attitudes towards marketing and consequently to the role of packaging. The lack of marketing research to assess buying behaviour, attitudes, wants and needs on one side with the high cost of packaging materials all these lead to a neglect of packaging as a promotional means and therefore restrict the producers' desire if it exists. But the situation in Iraq is to some extent different, although a

similarity does exist. The similarity which comes from the lack of appropriate marketing research also exists in the business domestic environment. In fact, evidence in the previous discussion is a witness for such a lack at official levels and in both public and private sectors. Thus the researcher believes that producers' reluctance to use this marketing mix as a tool of promotion as well as much as his lack of a commercial-minded attitude, is behind such neglect. The basis for such beliefs is the existence of a glut of packaging raw materials which makes packaging relatively cheap. This comparative advantage is seen through our discussion of the case studies, but less attention is given to develop these natural resources so that firms can use it on a commercial basis.

Again, laws and legislation may be another factor contributing to the neglect of the importance of packaging. This legislation usually specifies the related aspects and characteristics of the product, so the business management is unable to change or to deviate from these characteristics. For example, the packaging of dates is supervised on an official level and moreover, legislation asks producers to use particular packing techniques. This may be a factor in limiting the use of this marketing mix as a promotional tool for marketing. Moreover, unscrupulous producers may pack the bad and the good quality together which destroys the products image over a period of time. In many cases packaging is a promotional tool particularly in the food industry and other consumer products. The date industry is an example. Despite the long run establishment of this industry in Iraq, it is not highly competitive due to an environment of scarcity.

With reference to managerial attitudes on both official and firms level, such official intervention is actually designed for purposes other than promotional ones. The official argument for such intervention was justified in a manner which is unacceptable. Firstly, such interference is justified by saying that government supervision is to prevent the misuse of packaging on the producers side, as packaging is

regarded as a protection only for the product, but witnesses from the developing economies stressed that product protection is not necessarily for packaging alone. In fact other measures could be used which are outwith out study area. Secondly through State intervention, control will be achieved on supply and demand of the packaging raw materials. Although this may be true in a planned economy, or at the beginning of the development process in the developing nations, such justification is also unacceptable, taking into account the Iraqi environment. Iraq is a comparatively rich country so there are no shortages of packaging raw material such as paper, wood, mats, etc., for even if they have to be bought from abroad, Iraq is able to pay.

With reference to the economics of packaging in the weak type of economy prevailing in developing countries, the raw material for packaging may be available locally and a firm can use that comparative advantage and benefit the economy as well by encouraging the development of a local packaging industry. In Iraq many ideas exist for using materials derived from palms to create a potentially prosperous packaging industry. In Iraq the contribution made by packaging firms to the food industry in particular is inadequate. The researcher's opinion is that with good management, the packaging industry can be well organised to contribute effectively in this sector of the industry. This opinion is based on evidence that a supply of appropriate raw materials is available in Iraq. Palm trees, estimated at a total of about 22 million, represent an almost unlimited source of suitable raw materials. Bagasse from the sugar industry provides another source. Oil and petrochemical products are natural sources on which a flourishing plastics industry could be established. All these resources would definitely provide a means of reducing the cost of package production and would accelerate the growth of a packaging industry, developed through the use of local materials. An established industry such as the glass industry is largely ignored despite its potential usefulness and the benefits it might provide to develop and utilise these sources on a competitive basis. For other developing economies the shortage of these

materials may impose a restriction on the production level even with the existence of additional capacity. Therefore such reasons will exacerbate the problem of product shortages in the market and perpetuate the existence of seller's markets. Therefore, although the government intervention will regulate the supply and demand of packaging raw materials, it might be at the expense of production.

As the prices of raw materials are going up for all industries, such increases in packaging raw materials put impositions on the producers in developing economies. This causes little attention to be paid to packaging. For these nations, government intervention may help in reducing the material prices through subsidies and such action seems to be necessary to ensure the level of high quality material as the latter prevents products deteriorating. But again, the effect of such subsidies is low for a particular category of industry and consequently there is little effect of such subsidies on the larger scale industry and the economy.¹³⁸ Therefore, the low quality level of packaging used by the producers has a causal effect on marketing, consequently, the increasing costs of packaging will contribute to higher costs and prices. Although the producer may pass such increasing costs of packaging on to the consumers, the consumer will suffer, particularly the poor, as high packaging quality is not appreciated. Thus a reduction of packaging costs is the initiative which should be taken to keep prices down with no effect as far as the packaging cost is concerned. Our discussion in Chapter Six concerning the pricing mechanism in the market place showed that the primitive system contributed to the neglect of consumer satisfaction and concentration of profit achievement and in agricultural produce, for example, the low incidence of attention to packaging.. Again we recall the fact that the authority did not allow prices to be changed by firms for political and economical purposes, consequently producers were not authorised to increase the prices of their produce because of increasing packaging costs as, for example, the food industry. The only alternative for the producer is to manoeuvre through other mixes which in this context

adversely affects packaging costs or even the products quality. Through our discussion on the advertising and marketing research budgets evidence we suggested that the high profits by firms in the public sector are achieved, despite their low performance concerning consumers satisfactions, wants and needs. The tendency in these businesses is to reduce what is thought to be of secondary importance in the marketing mix, such as packaging, promotion, or research. These steps were taken by these firms and succeeded because of the environment of scarcity, and the prevalence of a seller's rather than a buyer's market. Such efforts in turn will cause a failure in the firm's performance in a competitive environment. Not surprisingly, this attitude continued because of the managements' production-orientated, rather than marketing-oriented attitude. In such an environment, in other words, business regarded packaging and other marketing mix components as unnecessary costs, which were not adopted as promotional tools to increase sales volume and profit.

In fact, such mixes were used as a subsidiary element for achieving higher profits irrespective of the sales volume or performance in the market.

In Chapter 3 through our discussion of the agricultural marketing problems, we mentioned that wastage due to shortages of packaging facilities in the Middle East countries is about 25-30% of the agricultural product. More than 20% of wastage in agricultural produce in Iraq is due to improper packaging and handling of the produce. In addition, part of the backward marketing of dates in foreign markets is due to the back packaging which badly affects the image and the country's export competitiveness. In fact, the inadequate packaging facilities are a witness to the backwardness of marketing agricultural produce in the domestic market. Poor packaging appears in two out of three of our case studies, namely, the marketing of dates and fruit and vegetables.

The above discussion reveals that these regulations concern packaging as protection for what is sold rather than selling what the pack protects. In other words,

this legislation by the authority of regulating packaging was to produce quality preserves. In this context, as we stated before, packaging is part of the production and selling policy and within this policy is the contribution of packaging to marketing, rather than regarding this part of the marketing mix as a promotional tool. By and large, planning and regulation of packaging officially and manufacturers attitudes, indicate that adopting packaging as a promotional tool hardly exists in the food industry in Iraq in general or in agricultural produce in particular. In the advanced economies, packaging is crucially compatible with other functions such as transportation and storage. In other words, management's attitude in these economies is to consider seriously the relationship between the cost of the three elements (namely, the packaging cost on one hand and the cost of transportation and storage on the other hand).

The idea of attracting consumers is new to the Iraqi food industry. Executives in the firms surveyed preferred to concentrate on providing produce at a reasonable price rather than considering attractive packaging. This behaviour is compatible with the general attitude of the public whose members do not pay much attention to packaging. However, educated people appreciate products presented attractively, using modern packaging techniques. In general, there is a new trend in Iraq towards appreciating the advantages of an appropriate package for food products, protecting them against spoilage, and people are prepared to pay for it. But the Iraqi manager does not appear to have recognised as yet the full economic implications of packaging. It is being introduced at a very slow rate. Analysis of the difference between packaging in developing and developed countries shows that the former pays excessive attention to the production process, arguing that differences arise purely because of economies of scale.

Another important factor to consider is that packaging for Western markets has become part of the total production process rather than an isolated operation, as tends

to be the case in Iraq. The package has to suit the machine rather than vice versa. Iraqi machinery, not surprisingly, tends to be obsolete and not geared to high speeds of operation. Collaboration between product and package manufacturers is therefore needed, but Iraq lags behind in this also.

The economies of bulk handling and transportation also receive inadequate attention by firms. Over a number of years, packaging engineers have grappled with the problem of protecting despatches against shock, vibration, moisture, extremes in temperature, pressure and so on. The difficulties attached to securing packaging and handling machinery at reasonable cost and within a reasonable time are great and unquestionably impede the development of economic and scientific packaging in Iraq. There is no important future for modern packaging in Iraq unless medium-speed filling, closing and handling machines become indigenously available at reasonable prices. In fact, demand may be increased by encouraging consumers to buy more by satisfying the latent demand or by at least keeping demand at the present level.

8.4.2 **Factors Affecting the Growth of Standardised Packaging**

The packaging industry has flourished in the developed economies and the attention focussed increased the use of packaging as a marketing tool for selling. The flourishing of this industry in the developed economy has its effect in the upsurge of the supermarkets and self-service facilities. Therefore this marketing tool as part of the marketing mix was regarded as a factor encouraging consumers to buy by bringing products to their attention. Such non-price features have been increased in these nations, encouraged by the increasing level of that nation's per capita income, and packaging in itself becomes a tool for such concept of quality.¹³⁹

In the advanced economy the trend for packaging effect was considerably increased, moreover, such marketing mix tools are used to differentiate a particular product from those of other producers. Thus, packaging was used to distinguish a manufacturer's

procude in the environment of competition. Moreover, health legislation in some countries contributed to the growth of packaging, and producers in these nations have responded positively to packaging as a promotional aspect in these environments.¹⁴⁰ Whereas in most developing countries, little attention is paid to this function, consequently little attention has been paid to packaging importance in Iraq by firms in their marketing strategy.

The low level of per capita income may be indirectly a reason contributing to the backwardness of packaging importance in the developing countries. The low level of a person's income encourages him to buy in small quantities, unwilling to pay the extra cost of packaging differentiation. Marketing infrastructure as part of the economic environment, has its effect on packaging as well as being a determinant of buying habits. People who live in an area with good transport facilities may be willing to buy in small quantities rather than those who live in remote areas where they must buy in larger quantities to avoid the additional cost of travelling to get their requirements of food. This is obvious in the behaviour of people living in the rural areas when they shop on a weekly basis. Also people at the end of each month, when they are running out of money, usually buy in small quantities. This is true for most of the Iraqi families when 75% of workers are government officials. Generally speaking, social and economic variables have their effect in buying power and habits, thus firms should adapt to these environments in developing countries to maximise consumer satisfaction, and for people's welfare and social responsibility.

The above problems (namely, low income and buying habits), were not mentioned by any of the firms visited. Factors considered to impede the use of packaging are shown in Table 29. Since this part of the industry is so neglected, the food industry firms are not sufficiently interested and pay no attention to this element of the marketing mix, so that their activities in the field of packaging or packaging design are limited. Of the firms visited, only six firms, 20%, out of thirty during the course of this study,

Table 29

Factors Impeding The Use of Packaging

Kind of Barrier	No of Firms	%	Firms Status		Span of Activities	
			Public	Private	Export	Non Export
Lack of Information (on packing)	6	20.0	4	2	4	2
Financial Sources (Lack of Finance)	2	0.07	-	2	-	2
Long Distribution Channels	5	17.0	3	2	4	1
Lack of skills of Packaging	1	0.03	1	-	1	-
Low level of Purchasing power And Buyers Demand.	-	-	-	-	-	-

indicated that they undertake any kind of research into packaging. Four of them are engaged in export activities, while two only engaged in domestic activities, stated that they were even aware of the concept. Thus the primary judgement is that information with regard to packaging is very limited. In the growing body of literature devoted to economic development in Iraq, attention is devoted exclusively to the problems of increasing production in the industrialised sector.¹⁴¹

All of the firms visited emphasised that the major obstacle facing them is lack of information about the consumer. Shopping habits often reinforce income constraints on packaging size. Daily shopping is the normal habit for the Iraqi family in urban areas, and incomes tend to be higher, families larger, and mobility unrestricted. In this case, the demand for smaller packages is greater than in the suburbs or the rural areas. Iraq marketers should take such environmental considerations into account and adjust their methods of production accordingly.

Another reason which existed in most private sector firms revealed that limited financial resources are the main obstacle in them differentiating their products through packaging. Two firms out of six stressed this statement. This fact, with other elements mentioned in other places such as risk, uncertainty, and the small size of the market, may encourage them to practice such attempts in their business to avoid the possibility of unsold products. But on the other side of the coin, consumers appreciated such developments in developing countries. In Iraq, the growth of women's employment, increasing leisure time, increasing of disposable and discretionary income, the trend to increase supermarkets through government intervention, and people's mobility in shopping in congested cities, represent an indication that the importance of packaging will be increased as people will appreciate the importance of packaging and be willing to pay for it. This gap between the new and the old is a matter of time, and the increasing level of education will reduce this gap and this will have its effect in improving the marketing system. Therefore, the effects of packaging as a

marketing technique will be increased in Iraq in particular and firms should be aware of the quality of services presented to the consumer to ensure its success.

Respondents gave other reasons why packaging is problematic. Five firms out of six stated that distribution channels are long and slow, involving many middlemen and poor methods of transport. In some cases, a lack of organisation and supervision of loading and unloading operations means that the despatch of goods is a lengthy process. Thus, most products require more durable forms of packaging than they would otherwise need, packaging which would increase costs to the producer and prices to the consumer, but only in the short term. Only one firm from the public sector which is involved in export activities admitted to lacking the skills necessary for package development. But this is probably because they did not fully appreciate the amount of information required regarding when packaging should be used, in what form, and to what purpose, i.e. to what socio-economic bracket it is appealing.¹⁴² Technical staff also tend to lack the necessary skills. Products are frequently returned to companies, the most common complaints being that they are underweight, tins are sometimes cracked and leak water which leads to rust and lids have been insecurely fastened. However, this is to some extent due to poor quality machinery.

The conclusion from the above discussion reveals that firms pay little attention to packaging and it is mostly poor quality. This phenomenon exists especially in vegetable oil firms, canning food, and dairy products, where carelessness and dullness are obviously seen. Containers did not tie adequately and workers treated tins carelessly, handling them toughly so contributing to the deterioration of the produce. The researcher found that such damage in these firms is about 20% of the total produce. Therefore this percentage is wasted due to improper packaging. One may easily imagine a container leaking in a store where detergent materials or even agricultural raw materials are stored under one roof. Moreover, improper packaging has considerably affected other export foods in the foreign market, such as dates.

The researcher believes that attention should be given to the improvement of the packaging industry in Iraq. This will contribute to a reduction in packaging costs particularly where packaging materials exist from natural resources such as date palms and petrochemical stuffs. Research in this field will enhance the image of food

in both local or foreign markets. The size of containers, their colours, and weight must be considered, to improve this aspect of the Iraqi food industry. This direction will enhance the adoption of marketing concepts and marketing orientation, where emphasis is badly needed.

8.4.3 The Economy of Packaging

Packaging may be defined as the general group of activities in product planning which involves designing and producing the container or wrapper of a product.¹⁴³ The traditional purpose of packaging according to this definition, is protection and economy. A third objective of packaging is convenience, including size and or/ease, and involves a greater consideration of the consumer.¹⁴⁴ Packaging has become a key concept in marketing today. This process implies decision-making according to the needs of each product. Protection from severe heat and humidity is important for the food industry in countries such as those in the Middle East. Other factors such as protection from damage, and hence a reduction in loss due to damage, and consumer convenience, can be exploited as part of an advertising campaign.

Most firms producing consumer goods recognise the economics of packaging. This is particularly true for food manufacturers, since agricultural products are characterised by their seasonality and perishability and so are likely to benefit greatly from this process. Packaging is nevertheless a neglected area within the production process in Iraq, as in most developing countries. In Iraq, for example, the function of packaging is linked more closely to production departments than to research and technical departments. Packaging is regarded as the end of the production process and as complementary to production, rather than consumption orientation. The economics of developing countries tend to be production-oriented. Most business organisations, both in the private and in the public sector have a high degree of centralisation. Thus there is little concern for the market and how it wants and needs affect the decisions of the organisation and there is a tendency to forget that demand exceeds supply. Therefore, the major obstacle to the use of packaging among market researchers in the emerging countries is the attitude towards marketing, namely, that it is a mechanistic process involving functions such as transportation, storage and exchange.¹⁴⁵ The fundamental requirement for success in the packaging field,

especially in the West, is the existence of competition, which has a huge influence on pricing. Where there are many suppliers of one type of goods or services, they will compete with regards to price (seeking to reduce costs) and customers service facilities. But this exists only in consumer-orientated markets. In most developing countries which are production-orientated, firms are very often large and well-established. Packaging therefore tends to be neglected. In advanced economies, packaging is an economic operation based on volume. Economies of scale are a prerequisite for success in any mass production, consumer goods industry. A small saving per unit becomes a substantial economy in terms of total output. For Iraqi producers, the net saving would appear to be too small, insufficient to warrant the extra capital expenditure and risks attached to packaging. A risk is involved because innovation requires testing facilities which are very rare in Iraq.

One who committed himself to define the economics and value of packaging for the food industry in general has no easy task as far as packaging is a component of the marketing mix which has an important effect in the role of marketing. In the following discussion, the researcher will confine himself to the economics of packaging from the manufacturer's point of view, considering product differentiation and market segmentation. Packaging from the point of view of the channel of distribution will also be discussed and finally packaging from the consumers' point of view, through product information, its convenience, and its value to the consumer. The researcher hopes that these main aspects will reflect the aim of this section, although certain aspects have had to be omitted.

8.4.3.1 **Manufacture and Packaging**

In the advanced economies in the manufacturing of both industrial and consumer products competition has become inevitable. Fierce competition between producers in the modern economy is high, due to their attempts to woo each consumer for their products. The market becomes a buyer's market rather than a seller's market, and in most cases, it is the government's aim through its intervention by legislation to improve and create a healthy marketing environment which removes unfair and unbalanced forms of competition which might result in the emergence of less efficient manufacturers as the result of a monopoly.

Like advertising, competition is not a barrier to marketing entry, although paradoxically, competition by itself may create a marketing barrier. The success of a commercial business in the market place depends largely on the adaptation of the marketing concept and consumer satisfaction, and the creation of competitive advantages. Thus by the same token, failure in marketing is due to a failure to recognise consumers' needs and wants and hence a failure to match competitors. Within such a competitive environment, producers are fighting to obtain a large share of the markets they operate in. In fact, obtaining the largest share of the market, and any initiative to maintain that level, or even to increase his profitable share, often represents a producer's main target.

The maintenance of, or increase in, market share represents the survival and growth to which most marketing firms are closely tied. Techniques which may be used by producers or manufacturers vary depending on the nature of the industry, but finally hinge on the survival of the business. Mostly there are three different techniques used by most manufacturers in the market place, as each represents a technique of competition to ensure the growth and the development of the business. These methods of competition in the market place will be discussed briefly. Firstly, the non-pricing competition techniques. This technique of competition consists in maintaining or increasing the market share by all means other than by price manipulation or indirect price concessions. This technique at the same time applies in any method for its application in the market place for increasing the volume of selling. In other words, the non-pricing competition technique comprises the adoption of different marketing components such as advertising, sales promotion, merchandising, packaging and personal selling.¹⁴⁶ In fact, the application of these components is compatible with the adoption of the marketing concept. These aspects are widely used in the advanced economies and our previous discussion of the first two sections in this chapter is evidence that these mixes are used in the U.K. markets and American texts provide other examples of the adoption of these methods in the U.S.A. Moreover, it is extensively used in the developed countries. Each manufacturer should be willing to use entrepreneurship as a means of differentiating his products and services from others, and continuing to search for methods and means of competing with others on a

differentiated basis. Despite the importance of this technique, evidence from our discussion shows that this technique is not appreciated by the majority of the firms visited in the food industry, due to the lower status of marketing in Iraq. Such a technique has its effects on product differentiation which results in product quality, judgement and perception by the consumer. However, the latter aspect will be explained in more detail after the discussion of the other two competition techniques, as the economics of packaging will be analysed.

The second technique in the context of competition is the application of price competition. Although the objective is known in advance (namely, to attain a market share related to the same category of industry), the point which must be stressed in this respect is the use of pricing as a strategy by the producers on a competitive basis. The focus of this policy is to attract and encourage consumers to buy or consume the product by reducing production costs. But in the advanced economies, in a competitive environment, this policy may be fruitless or insufficient for a product with low quality, as consumers appreciate high quality and are prepared to pay for it. Moreover, the reduction in the total revenue of a firm is another consequence of this approach to the firm concerned and probably changes little in the upward market share, due to the use of the same techniques by other producers or to the low quality of the product, which again does not encourage the consumer to shift towards it from another product. In a small business, or in new firms, this policy may not be convenient, as they are unable to cover the cost of running the business which may expose its future to danger or liquidation.

In the developing economies, and with the increased level of state interference and control in the economic environment of a country like Iraq, this policy is not convenient, due not just to the level of competition in the market only, but also to the fact that the authorities do not allow firms or producers to change their prices. Thus administrative and organisational barriers exist which make this policy unworkable.

In general, with reference to the above reasons, irrespective of the economy, this technique is inconvenient, and in advanced economies firms are willing to use other approaches when possible.

The third technique used by a producer in competition to ensure the growth of his business is that of indirect price competition. This technique applied by producers does not involve price reduction, but has the same effect or objective. The customer obtains the expertise of a producer or seller in a competitive situation. In this technique, a firm or a producer offers his services or experience, and this policy is presented as a training programme for dealers, merchandising services, and a free advertising campaign or allowance, etc. Although these benefits may be presented by other competitors, they will differ due to the latter's ability, thus small firms or new businesses may be unable to offer comparable indirect price benefits and consequently firms or producers able to offer these services are characterised by their competitive advantage and financial strength. This is obvious in the food industry when the producer of a different line of frozen foods offers direct delivery by combining orders to large customers into a single truck load, whereas this can not be applied by a single product firm or producer. Now we shall explain the role of packaging in product differentiation and its effects on product perception and product quality judgement.

The aim of innovation is to manufacture products with new characteristics, new images, more benefits, greater ease of use and client satisfaction. With these new dimensions, a product may be differentiated from others and this is an objective for a producer in his struggle to maintain business continuity in the competitive environment. The conclusion then is that launching a new product or development when the old already exists on the market, represents a marketing strategy for the future to meet competition or to alleviate pressure in the market place. Therefore, product differentiation represents a method of marketing strategy to protect a manufacturer to some extent from other competitors' action and an anticipated step to

achieve this objective is through packaging. But for a successful marketing policy it should perhaps be a product carrying what a consumer feels able to identify with.

Product differentiation is the creation and introduction of differential features, quality, style or image into a firm's products as a basis for commanding a premium price or inducing a strong preference for the firm's offering.¹⁴⁷ Thus product differentiation is both a cause and an effect of the segmentation of the market. On the one hand, manufacturers try to find preferred combinations of a product's attributes, real or fancied, in order to create new market segments and retain the loyalty of existing segments. They try to identify market segments based on location, physical or psychological characteristics which will serve as a basis for advertising, promoting, packaging, product differentiation¹⁴⁰, etc. But this is not always the case. In fact, in some cases one product is only differentiated from another product in the same category by packaging rather than by new characteristics. The more a product differs from other brands the greater its chance of selection. From a strategic view point, the greater the similarity between products, the less part reason plays in brand selection.¹⁴⁹

Packaging became an integral part of marketing, particularly for the new products through their design. Thus this marketing mix may play a vital role, showing consumers the product's identity. Packaging introduces a manufacturer's product, distinguishes it from the producer's different line products or other competitors' products by different packaging elements such as packaging design, colour of packaging, size of package and the graphic illustration of packaging. So the new products' characteristics and the packaging design distinguishes it from other ranges of products. Such differentiation makes different economic elements such as price, better services, a necessity even more important for consumer durable products rather than food products, differences in the nature of physical distribution, physical and psychological differences of the products.¹⁵⁰ In general the importance of packaging

in the product's differentiation is accompanied by psychological differentiation of the produce, which depends on using accurate elements of packaging.

Applying elements of packaging became obvious in the manufacturing of the food industry. Colour is largely used in the soft drink industry by the manufacturer to distinguish his products from other products. For example, the manufacturer of the "7 up" brand used the colour green. Coke used red with white stripes to distinguish the Coca Cola tin. Blue and white stripes are used by the Surf company in the detergent industry. In other consumer goods, the firm Kodak used the colour yellow in the film industry: in all these cases, colour is used to distinguish particular products from other similar ones in the same category. Colour exerts a psychological and physiological effect on consumer buying behaviour and on people's preferences and the volume of sales. Another aspect, as we shall see later, is the multiple use of the package for different purposes to utilise the pack, for instance, families in Iraq used an empty jar of tomato paste to keep other stuffs such as hot spices. Thus, the researcher believes that one way to increase the sales volume of canning food is to change the present pack style from tin to glass, which enables housewives to utilise the empty pack for other home uses, and at the same time, improve the image of the local produce as the package becomes more attractive.

Through our discussion we find that people in urban areas in Iraq shop daily, thus there is no need for big size packaging, whereas shoppers in the rural areas need the big size container as they practise their shopping on a weekly basis due to the difficulties of transportation and linkage with urban areas to save costs. Therefore, the size of the package by the same token represents a product differentiation opportunity. Also due to economic factors the vegetable oil extract firms are demonstrated to have a small-size package of 1 kg. weight and the demand is increasing at the end of each month as they prepare to receive their salaries. Therefore, small size packages differentiate the product from the large size (i.e. 10 kg.) in the same category.

In the context of product differentiation, as economic causes represent stimuli from a marketing point of view for buying small size package products, the stimuli may differ in their nature in developed economies or under different conditions. In an advanced economy, as educated consumers are widely present in the market by comparison with the developing countries, such stimuli (namely package size) like other stimuli for example, characteristic, price, standard of health, may be regarded by the consumer during their comparison or perceptual process, as the causes to determine the level of differentiation relative to other products in the same category. Again, such preferences or perceptual judgements differ from one society to another, shaped by consumers' attitudes, recognition, learning, personality and other social-cultural groups to which the consumer belongs. Generally, if these social and economic factors have their effect - for example, on a purchasing decision - a producer or a manufacturer should appreciate these effects and try to understand the implication for perception, and product quality judgement to produce differentiation stimuli before launching a new or developing old products and totally evaluate such elements of differentiating. In contrast, such consideration is far behind marketeers' or executives' perception of these elements in the firms visited, and the researcher believes that a long time is needed to understand and appreciate such mixed effects.

When the researcher asked executives for whom they produce, their answer was that they produce for domestic and foreign markets, a criterion used to distinguish a firm's span of activities that involves export activities from those engaged in the domestic market only. Not surprisingly, no one mentioned that they produce according to market segments. As packaging offers a producer the opportunity to differentiate his products from other competitors in the same category, it may be utilised by them to segment their market. Therefore, the implication of product quality on judgement will be enhanced through the following discussion of the relationship between packaging and market segmentation, which represents another triangle for market segmentation.

8.4.3.2 Market Segmentation and Packaging

The concept of segmentation is defined as the division of the total market for a product, service or idea into relatively homogeneous demand segments according to age, occupation, income and geographic location, or according to behavioural criteria such as brand loyalty, degree of usage and so forth.¹⁵¹

In general the basis of marketing segmentation is the concentration by the producer on the firm demand by developing such demand by adjusting the produce more precisely with other marketing efforts to meet and satisfy a broad extent of needs and wants for a wider category of consumers. From an economic point of view, the concept of segmentation is the recognition of different demands and scheduling the products to such demands, instead of regarding the needs and wants of different consumers as one demand. In the marketing literature, Kotler identifies three marketing strategies in his discussion concerning product policy and management.¹⁵² These three basic marketing strategies are: differentiated marketing, undifferentiated marketing, and the third strategy is concentrated marketing. However, our intention is not to detail these policies, but only to attempt a brief outline to the extent that enables us to judge which policy is appropriate to marketing segmentation and consequently to packaging.

The differentiating marketing policy is when a firm operates in all markets simultaneously, but designs different marketing strategies, or programmes for each market, whereas undifferentiated marketing is a policy when a firm treats a market as a unit taking into account what need people have in common rather than the differences between these needs. In other words, a producer does not recognise the differences of consumer demands that contribute to the demand curve. The firm within this policy or marketing programme designs the products to meet a large proportion of the potential demand or wider proportion of consumers' appeals. The objective of those two policies (namely, differentiated and undifferentiated marketing) by the producer is

to cover the entire market in different approaches. This is widely used by firms having a strong financial basis. But firms which are unable to adopt the all-embracing approach actually follow the third marketing policy (namely, concentrated marketing), which is based on the selection of one or more of a limited number of groups within a market in an attempt to impose more control that segments the market. Therefore, the above explanation may enable us to suggest that the differentiated and concentrated marketing policies are quite particularly similar to or synonymous with the concept of segmentation, in other words, marketing segmentation, and this is the point that the researcher would like to make.

In the firms visited, only those which were engaged in export activities to some extent adopt the differentiating marketing strategy, whereas firms involved in domestic marketing activities only and in both sectors are far behind in adopting the concept of marketing segmentation. There is other evidence that apart from exporting firms, little attention was paid to marketing in general and the marketing concept in particular, as the concentrating and differentiating marketing applied by firms adopted the marketing concept in their business.

Within the adoption of the marketing concept, the concept of marketing segmentation is practised indirectly through the scheduling of demand to meet different needs and wants, thus maximising consumer satisfaction by the recognition of their attitudes, motives, life style and tastes. In other words, market segmentation is the recognition of the different composition of the society and its people who have different attitudes, motives, life style and motivation.

These aspects are recognised in the literature on psychology and Maslow's hierarchy is evidence of such individual preferences which enhance the role of marketing in the social sciences. By and large, the idea of market segmentation technique is based on dividing the existing market in such a way as to ensure the

targeting of different groups of consumers, as each group has common attitudes, needs, perceptions, life styles, and tastes, by a producer or a firm in their marketing strategy.

As attitudes, preferences, and motivation differ from one individual to another, this must be considered in any segmentation policy; consequently many criteria are used to divide or segment the market. In the marketing literature, it was suggested that different criteria should be considered in segmenting a particular market. Differences in a product's characteristics, methods of distribution, level of communication, network development, buying motives, nature of demand, all of these influence these criteria. Kotler, basically suggested that these criteria are geographic, demographic, psychographic and buying behaviour.¹⁵³ Others suggested other criteria, such as brand loyalty, perceptual and product usage.¹⁵⁴ However, despite these different criteria mentioned by different writers, these variables are considered as existing in each category.

The adoption of the marketing concept implies any deliberate steps or action to maximise consumer satisfaction and in this sense, marketing segmentation is the policy for maximising market demand by adopting marketing concept initiatives for customers either individually or in groups. Again, recalling the main criteria in evaluating the practical value of the market segment from the marketers' point of view, that is, the accessibility, distinctiveness, size, when satisfied by a market segment, then all marketing efforts are directed to the market segment category economically and relevantly.

Packaging in this context becomes an important component in the marketing mix due to the role it plays with the manufacturer, consumer, and distributor. The sex of the consumer often affects the marketing approach. For example, in food products, the package informs the customer that the content is easy to cook, and mostly advertising is directed to housewives. In other consumer products for example, in cosmetics, the

new trend is to concentrate on men as well as women, and the packaging for such products generally strives to concentrate on male beauty.

As the sex of the consumer is of concern to the manufacturer, the age of each group becomes important and thus packaging should match this trend or attitude in the business environment. Therefore, age is another criterion in the market segment and consequently packaging offers an exceptionally clear-cut design to appeal to different age groups.

The purpose of an advertisement is usually to convey the most important ideas or points which will help to sell the product or the service. They highlight the interest and attention without which every advertisement will fail. For children, advertising began to tap the object in order to attract his interest so that eyes and ears are coordinated. The piece of advertising is logical and simple and a simple link between the means of seeking attention and converting it into interest.¹⁵⁵

The packaging of chocolates is designed so that even children find them easy to open. This provides a clear-cut illustration of how packaging can play an important role in merchandising. The product's ingredients may remain the same, but the product is given different psychological qualities, images and appeals through changing the packaging to intervene in a different market segment. By different design, the product wrapping attempts to appeal to different ages of consumers by using different graphic elements, thus introducing the products to children, the young, teenagers and adults. Similarly, the producer may segment the market by taking into account family composition and size. In other words, packaging size will differ in accordance with differences in family size, the large size for the larger family and the smaller size for the smaller size family. Furthermore, the above differentiation is applied to family size, as families consist of children, young people and adults, and a manufacturer within this market uses different sizes of packaging, ranging from the small to the giant pack. Within such packaging differentiation, different sizes will attract different

families at different income levels in the market. For example, the small size will attract the poor, whereas the larger is introduced to attract the higher income. In the U.K. for example, different sizes of packaging for potatoes are used in an attempt to appeal to the different segments in the domestic market.

Segmentation in industrial products becomes more complicated as other economic and social factors have their effect on marketing and these elements are regarded as important by the marketer in the developed economies in marketing and trade to the developing and industrialising countries. In fact, segmenting these markets is based on other elements, such as education or level of literacy, life style, and levels of income, all reflect the level of economic development in a particular country.

A consumer may prepare himself to pay a higher price for a product in a particular category because he expects a high quality and better utilisation from the product, but when prices are the same or there are little differences between prices, then consumers look to other factors which will differentiate a product from the rest. Perhaps the attractiveness of outside products may create an incentive for buying after pricing and quality consideration. Thus, packaging may be the basis for distinguishing a product. Those who have high social and economic status prefer the quality and the prestige, whereas those with lower social-economic status prefer the economy size. So, for the former segment, packaging should be compatible with the high quality content, and the design appeal to this upper class group should be with high quality material, acceptable colouring and explanatory notes, whereas packaging for the latter group or unaffluent society should feature simple quality, more colour and less explanatory material since packaging is not important to this social group.¹⁵⁶

As yet we have discussed a review providing an understanding of the role of packaging in market segmentation largely relying on various elements, such as packaging materials, size, colour, design and graphics. These various elements are used as a manoeuvre for a product incentive and may be relevant in the first place for quality

judgement in the perception process. Professors Baker and Daniel have already demonstrated for example, that the influence of packaging on product quality perception is positive. Their study shows that the perception of potato chips that are packed in polyvinyl bags is that they are regarded as having better quality than those packed in wax-coated bags.¹⁵⁷ Therefore, adopting this marketing mix as a component in reaching a segment of a market imposes a separate assessment and evaluation of its implication for product quality judgement and should be considered by the marketer or producer in reaching a segment concern.

The discussion in this section examined the role of packaging in realising a producer's interest in marketing segmentation, and before that, we examined the producer's interest in product differentiation in marketing from a packaging point of view. The conclusion is that most of these aspects were not recognised or regarded as a marketing tool by the majority of the firms visited, particularly those firms engaged in the domestic market. Before closing this section, it might be relevant to mention briefly the role of brand-naming with packaging, which represents an important aspect for the producer in his efforts to market his products through a consideration of consumer preferences.

The distances between the manufacturer and the final point of selling the product make it difficult on one hand, for the farmer to introduce himself to the buyers. On the other hand, consumers for their part have little idea who the manufacturer is. But up to this point, we understood that packaging represents the feature by which he introduces his product and differentiates it from others of the same category or variety. Branding the product introduces him to the consumer, informing them that he is the producer.

The "product brand" and the "umbrella brand" are the two branding methods of packaging that can be identified and used in the market. In the "product name" method, the firm's or the manufacturer's name and the brand name are usually one and the same, and the full name is put on the product. This is true in the literal sense, but again

the producer's name is not the consumers concern, in fact only the product is. This method of branding the package is applied by all firms visited in Iraq, and in both sectors. For the firms in the public sector this is due to official legislation and is convenient in informing the public that a particular firm is the producer, but for the firms in the private sector, the researcher believes that the influence of social and cultural factors is behind the use of this technique. It is prestigious to mention the producer's firm or even his family, partly because rich families are involved in business and this still has its effect in the society's culture. Only three firms in the private sector out of ten in the sample used the second method of branding.

The second kind of branding the packaging, namely the "umbrella brand" is mainly used nowadays, which makes it easy for the consumer to remember or recognise. Using a single name to cover a product or a group of products for one producer or firm is a method widely used in advanced economies. Thus, the brand of the package may not be identical to the producer's name and still continues due to various important factors. These factors depend on the environment in which the business is done such as a firm's or producer's marketing objectives, the nature of the product line, and the market conditions. The image which surrounds the brand governs the fairness of using the umbrella-brand, and this image consists of the public perception of the firm, the product or its brand and the subjective ideas of the firm or producer. Such aspects should be strengthened in the market as it is crucial to business success; moreover, when a strong image is developed, goodwill is implanted in the market and this represents a solid basis for a future take-off, all of which is an attempt to interpret the producer's interest. Thus, the other interests should be added, in other words, the producer's interest is product differentiation, market segmentation, and product branding. In general, the various tools of packaging which are regarded as instruments for the effective use of packaging for the above purposes are regarded as incentives in

product or packaging stimuli, whose range of effects may be affected by product quality judgement.

The next discussion will consider the relation of packaging methods to channels of distribution, which represents the second aspect of economic packaging that the researcher will address.

8.4.3.3 Channels of Distribution and Packaging

The importance of packaging and its consequent effect on economics emerged with the development of the supermarkets, particularly in the developed countries, but such effect in developing countries is not highly appreciated due to the widespread use of mini-markets rather than super-markets. To the extent that packaging may fulfil the manufacturers needs, also packaging is concerned with the distributors through their handling, loading, unloading, and storing the products. When the package is of high quality and well protected, this will give peace of mind to the owner, whilst the produce is in the warehouses. In other words, when the products are well packed, distributors will be able then to organise and arrange products they deal with, with higher efficiency. It will also be economically beneficial in terms of space utilisation since a distributor's concern is his ability to store and display the packed products as compactly as he can. For the distributor or middleman, the high turnover of produce and efficient floor space organisation, together are related to economics in terms of cost saving.

The latitude of space and optimum efforts of its utilisation given by the distributors, even retailers, a high priority in order to gain other economic benefits and values in number and size of the package. This concern is highly appreciated in the city centres where supermarkets attempts nowadays to deal with a large range of products so that they keep housewives or shoppers in general doing their shopping under the same roof rather than going to another place. In fact, supermarkets began to sell household

products in addition to foods to encourage consumers to buy a wider range. But all these efforts may be utilised efficiently through the use of spaces and store shelves. The need to maximise space utilisation by distributors for standardised outlets is crucial. Compactly packaging as much as possible will be achieved when packages are designed in the right shapes and sizes. This will ensure by shape and size a fixture utilisation. By and large the packaging convenience is not only for the consumer but also for the distributor when volume of sales and profit per a fixed space is high when package and fixture achieved this together. Efficient packaging and proper pallet design will reduce cost of distribution and finance as well.

Packaging durability is important for all kinds of manufactured products, consumers or industries. For foods, packaging has become important not only for the distributors but for the retailers equally. The spoilage of food containers may cause damage to other packages in the same pile. When improperly packed they may fall upside down and will cause inconvenience for the retailer or seller and thus he will develop an adverse perception of such packaging to its manufacturers. In other food products, containers may be heavy like those in margarine or oil, which, if they fall, may endanger the whole pile of other packages, moreover causing packages to be broken and made filthier or contaminated. To avoid any such consequences which represent losses from such insecure piles of products packaging nowadays is designed to prevent such inconvenience to the manufacturers. Packaging is also designed to be easily and compactly stacked.¹⁵⁸

The researcher finds that no care was paid to packaging in the firms visited, and the visits to the warehouses gave the impression that the above incidents commonly happen. For example, a stack of tins of margarine were filthy due to improper sealing and some of the produce reaching retailers' shops was dented, even broken, and one expected a package of 10 kg. to fall down or disintegrate. From a marketing and distribution point of view, the wooden boxed dates may increase the speed of handling

and time reduction for loading and unloading and (with mechanical handling equipment) offer savings in the dates industry, in general, both in developing countries and for developed countries, where labour costs are high. For distribution and retailing efficiency, manufacturers now design the package to facilitate handling, opening, movement, marketing, and finally, even to prevent theft. Moreover, to make the display of the products more attractive along with packaging, shelves are neatly fixed and fixtures holding the forward stock, all of which make shopping less boring and more interesting for consumers. All of which is to realise that the consumers latent wants are not satisfied with complacency. This represents a shift from the traditional method of selling and gives way to the new idea of self-service in almost every trade. In recent food trade, self-service products most frequently sell themselves. A consumer doing his shopping does not need the traditional shop assistant, freely choosing, collecting and with a basket or trolley, carrying his own goods. Therefore, the more attractive the packaging, the more likely that product is to sell itself. These aspects are still lacking in the domestic market in Iraq.

Packaging has become an integral part with the technology, in the supermarkets and other retail outlets, with self-service vending machines in public places. It has a vital role in getting the produce to selling points. In other words, the promotional appeal for selling by packaging has become the cornerstone of all self-service aspects. The promotional appeal of packaging gains its importance from the package colour, distribution outlets, shapes and the trade mark, all of which are manipulated properly to strengthen the promotional policy and ability in developing the maximum impression on the consumer.

The third aspect in the economics of packaging which this section is dealing with, is the promotional appeal of packaging to consumers, that is how packaging identifies with the interest of consumers. Aspects concerning packaging with consumers such as

its convenience, information, and packaging protection for the product to ensure safe consumption, will be discussed in the next section.

8.4.3.4 Consumers and Packaging

The consumer nowadays is well aware of the packages content and his belief in the information provided by the manufacturer is crucial to his buying the produce. Thus, most producers encourage the purchasing process by advertising what the consumer is concerned about, even though a large distance separates the consumer from the manufacturer. In fact, the information found on the package is the means of communication for the manufacturers to address the consumers. Thus, the latter will try to be sure about the information for himself since it is crucial in making his purchasing decisions. Moreover, government legislation was introduced concerning the availability of certain information on the package. Advanced countries' governments, since the beginning of the 20th Century, stress the information concerning the content, particularly in the food industries. According to these regulations, details of information about the content nature becomes compulsory. In the U.S.A. for example, the law of Federal Meat Inspection Act eventually led to the Federal Food and Drug Act of 1938.¹⁵⁹ The aims of such government restrictions is to protect consumers from substandard package content in order to maximise consumer satisfaction. In fact, the concept of consumerism was due to the lack of product information for consumers' use which may deter him in making his buying decisions.¹⁶⁰ Thus, the concept of consumerism is the essence of the marketing concept rather than its malfunction. The term 'consumerism' is a broad one, generally referring to activities having to do with consumer welfare, and involving consumers, legislative activities, agencies and businesses. Consumerism is an appeal for the producer to know what the consumer realities are. Sometimes a manufacturer, particularly in the developing nations, has made an efficient effort from his side to find

out, realise and appreciate consumer needs and life style to maximise his satisfaction. In such circumstances, consumers are unable to make a fair assessment due to the lack of information. In brief, consumerism is the counter act of consumer neglect by the producer. Thus the marketing concept and such shortcomings are not compatible. There is no need for the marketing concept if the consumerism concept is working, but consumerism should be the target for both concepts.

The accurate information about the containers which consumers are keen to hear is important in the commercial business. This aspect is part of the adoption of the marketing concept, if all consumers are informed and getting the message, it is the fulfilment of the marketing concept. But we have to understand that this will not be achieved in a vacuum and in practice this is not the case. In fact, this depends on the level of communication and network development. Therefore such achievement, to some extent, depends upon the level of the economic development. Within the advanced economy the communication network is advanced and one may expect that information is received by a high proportion of consumers and vice versa. The judgement then is that the economy as a whole reflects the importance of consumer positions.¹⁶¹ As the compulsory information required differs from one country to another, and because of the underestimation of such concepts in Iraqi law, we leave the matter open.

The emphasis of governments throughout the world by their legislation concerning the availability of compulsory information on the packages stems from the belief by officials that such important information gives great help to consumers in making their decisions and judgement towards product qualities and utilisation.

In the firms visited, only five firms, two of them in the private sector, spoke in favour of written information on the package, but all the five firms are involved in export activities and as such, action could be imposed on them by the foreign legislation. Also, with the general negative attitudes in the domestic market towards

information concerning the packaging and products, it seems that its effect on the local consumer behaviour is negligible.

As a final consumer, the researcher believes that in the future, due to the higher level of people's education, higher life expectancy and increased knowledge of nutrition, the information written on the package will play an increased role in the consumer's decision to buy. In a study carried out by Lenahan, he finds that twenty-six percent of the samples in the study see the label of the products, and sixteen percent understand the labelling, and nine percent claim to use the label at least once.¹⁶² The above results support the researcher's point of view that information has its effect on the decision to buy in the advanced nations.

Not only does the written information, needed by consumers on the package reflect the role of packaging, the role is important in the case of consumer convenience when the package is easy to dispose of, handle, store and particularly in the home, easy to open and close. These conveniences are important in food products, particularly when a package may be used many times, as with margarine, tomato paste and other foodstuffs. Such convenience is desperately needed by housewives, particularly the working women or those with big families. Convenience is achieved when packaged foods are light and sufficiently easy to be carried by hand. The buying of 4-10 pounds of rice is easier to carry and store at home with little space, than buying a sack of rice of 100 pounds weight, although the latter is more economic in terms of money saving. Other products, such as salt or toothpaste are manufactured in such sizes as to provide convenience in handling. The researcher believes that a place utilisation may not be as important as easy handling in developing countries where sizes of families are bigger than those in the developed countries. Also the style of living of the former is different from the latter (namely in house design), thus place utilisation is less crucial and this may encourage people to buy sacks of 100 pounds weight as they gain an economic benefit. This is obvious in the buying habit of Iraqi families as they frequently consist

of a large number of individuals particularly when buying the main staple foods such as sugar, rice, flour, potatoes and onions. The package dimensions also become important for housewives, when for example they complain about the tall cereal boxes many years ago for their inconvenience in storing them upright. Since then the package has been modified so that it fits the normal shelf. Many firms, for example, attribute the market success of their products to management's close attention to packaging. Heinz, H.J., Company ascribes much of its success in its product mix to competitive packaging. Each season the company evaluates consumers' needs, their changing tastes, and its product positioning and then evaluates the effectiveness of each of its packages in communicating the product message. 163

Opening or closing the package is another dimension that a manufacturer neatly uses. The easy removal of the package lid is another example of modification for consumer convenience. A manufacturer of canning food for example, may use a glass jar or tube filled with tomato paste. Also, in the soft drinks nowadays they use aluminium tins in marketing their products whereas, two decades ago, they concentrated only on glass bottles with lift-off caps, rather than being concerned with the convenience of packaging. Their new style of packaging is characterised as unbreakable, durable and safer even for children from any broken glass wounds and also because of its light weight. Innovation applied in changing the shape and the use of packages can make usage in the kitchen easier. By using the flip top canning, consumers had to use a lot of effort to open the tin conveniently. However, jars, bottles, or containers may be opened by screw-top and so their adoption has become widespread. This technique is widely used in other industries such as chemicals or cosmetics when a heavy container is similarly to be found in terms of a ring-pull covering device, or conversely an easy locking system when the package is not in use, all of which are efforts concerned ultimately with the consumer's convenience and making the product dispensation easier. Moreover, the package is widely decorated and

graphically illustrated to help explain how to use the contents. Other innovative techniques used aimed at easier use are adopted such as squeezing bottles, tear tops and pouring spouts.

In the developing countries, time is needed to adopt these techniques. Moreover, incomes have been increased, and consumers appreciate the advantages of packaging and are prepared to pay for it,¹⁶⁴ just as these techniques are widely used and encouraged by the substantial increases in consumer income, awareness and development in the industrialised societies. In those developed societies, as education level has increased, working women have increased rapidly, with increases in income which encourages them to pay and spend more on items with packages that eliminate time spent on cooking. On their side this encourages manufacturers to use their talent and enterprise by preserving other natural agricultural products such as cauliflowers, peppers and green beans or mixing them together in tinned form. Again, the concentration on the quality of the package as well as the quality of the contents are complementary to each other. We were thus enabled to judge that the domestic packaging industries in the firms visited are lagging far behind in this respect. In fact, proper packaging will reduce losses and prevent the ingress of foreign organisms which affect the products odour, flavour, contamination, and degradation. Moreover, the quality of the package will keep the product in a good condition for a longer period and prevent any possible chemical interaction between the contents and the package cover, e.g. from rust. Avoiding such undesirable consequences will improve a product's image, preserve quality and durability. Such precautions seem very effective against quality deterioration under severe weather conditions. With temperatures in Iraq reaching 50°C or more in a length summertime, food deterioration is a major risk if the quality of the package is low. Moreover, in the Southern region, humidity is very high, thus many granular or powdered products may be cake badly under such conditions. Therefore, packaging should prevent moisture penetration to prevent quality deterioration.

The research findings in Marketing of Dates Case Study show that quantities of dates exported in wooden boxes is the least popular export packaging whereas these boxes proved the most convenient containers for protecting the product from damage, from high humidity, high temperature, contamination and could also lead to improved quality control, particularly when a consignment has to be stored for a period of time before its distribution to the final consumers.

The researcher believes that to achieve some of the above objectives concerning food product deterioration, and correct packaging material, it is necessary to integrate with other efforts such as cold storage facilities and improved transportation services, consequently achieving integrated distribution with minimum losses.

In general, the above suggestions such as high quality packaging material, packaging dimensions, ideas such as ring-pull and flip-top lids will enhance the effect and improve the image of packaging, fulfil the consumer convenience needs, and improve the product quality, all of which represent the adoption of the marketing concept, a requirement highly needed to improve the images and dimensions of the Iraqi food industry in the domestic market and abroad. This image needs intensive effort by giving marketing more attention. The marketer should therefore regard packaging as a vital component of the marketing mix, and as an element of the product which is designed in a way that satisfies consumers needs, producers' objectives, and distributors ambitions. However, such stimuli must be combined with other efforts which help consumers in making their purchasing decisions.

Thus, the economics of packaging reflect its multiple role in the business environment, to consumers on one side and manufacturers and distributors on the other. On each side, packaging fulfils mutual interests through its various elements such as design, material and size which highlight the interest producers, distributors and consumers simultaneously with overall benefit to the national economy.

8.4.4 Packaging and Marketing Potential

Packaging has become an important function due to recent changes in distribution, it has become an important part of the marketing plan. It contributes to a reduction in selling efforts as the self-service system is becoming increasingly popular in Iraq. The design and packaging of products in Iraq today is not considered adequate for commercial markets. A new policy of packaging which gives Iraqi products considerable flexibility to compete, is needed in the long run and beliefs concerning the consumer-oriented nature of packaging research should be practised. Production, innovation and product development is essential in modern food markets. The marketing approach towards design of packaging has undergone substantial changes in the last decade. Good packaging should therefore be appropriate to the product, in terms of user's subjective expectations.¹⁶⁵

Managers should be prepared for the time when marketing executives recognise the full potential of product development. Their decisions should be based on scientific and accurate research. Packaging innovation is a means of avoiding declining sales, or attracting new customers and thus widening the market. Packaging can improve the image of the product and thus increase its appeal to the consumer. Also, more customers might be attracted if the package is designed in such a way that it can be re-used. For example, glass containers for date syrup and vegetable oil might also be used as preserving jars. The Iraqi consumer is more likely to think that he is getting value for money and therefore more likely to buy the product again. Packaging flour in smaller packs of 1-3 kgs which include chemical preservatives, might increase demand for this product. It is a simple innovation but one which would probably be very effective in terms of attracting new customers. Further, multiple product packaging is convenient for both the producer, retailer and consumer (especially those living in more remote areas). It can thus lead to new price policies, since handling costs are reduced throughout the distribution process.¹⁶⁶ Research is required to understand not

only the buying habits and attitudes of consumers, but also the nature of the market and demand for products. It is also required as a means of determining where there might be potential demand in the international as well as domestic economy.

Marketing innovation is influenced by technology and the physical sciences and by diverse social changes. Basic technological and social changes combine to generate new areas of innovative opportunity in marketing. Innovation occurs in the market in two areas, in product and services developments and in the facilitation of marketing processes.¹⁶⁷ The anthropologist, H.G. Barnett, defines innovation as "Any thought, behaviour, or thing that is new because it is qualitatively different from existing forms".¹⁶⁸ Sociologist, Everett M. Rogers, broadened the concept by defining it as "An idea perceived as new by the individual".¹⁶⁹ Profit-making and the satisfaction of consumers' wants and needs is a product of interaction between manufacturers and final consumers. Thus, the main factor determining product development is consumer demand. Continuous research into, and adjustment of, information regarding the latter is at the heart of product planning and a means of finding potential customers.¹⁷⁰ These functions may mean new uses for, or improvements in, existing products, or they may mean that new products are created.

Iraq, as stated earlier, is characterised by government control and low levels of competition with most industries based on import-substitution. It is not likely that innovation will take place under such circumstances. Competition has long been viewed as a force which leads to potential solution rather than frustration.¹⁷¹ The market tends to look to the government for guidance rather than to consumer preferences. Hence, only three of the thirty firms visited engaged in new product development. Also, the absence of specialisation and divided responsibilities within firms could be another factor inhibiting product development.¹⁷² But a firm's size does not, in practice, appear to be a problem, certainly not a bar to sensible packaging. As our survey shows, seven firms regarded changing the quality of their product as

innovation, i.e. improving their existing products, the last product being launched in 1979. Ten firms also regarded changing the product's container as new to the market, or as innovation, the last product was launched in 1978. Three other firms had not launched a product for more than fifteen years. Seventeen out of the thirty firms appeared to blindly follow existing innovation. Where changes in product and package had occurred, it seemed to be as a result of supply rather than consumption needs, a result of market strategy rather than market research.

Trade embargoes with certain Western countries which ended in the last twelve years, as a result of political differences, mean that Iraqi equipment is not highly developed and is characterised by low productivity. Technological change affects market structure. Major innovation often brings new firms to the fore and displaces laggards.¹⁷³ Large sums of money have been allocated to the manufacturing sector since 1973. Most contracts are signed and executed within the Communist Block, but most of these projects have not helped the process of economic growth as expected. As a result, Iraq has now begun to increasingly use Western talents and skills but without any change in its political system.¹⁷⁴ Therefore, poor quality is another handicap for the development of packaging in the food industry. In fact, six out of twenty-one firms having problems in launching new products stated that the poor quality is an obstacle to the launching of new products onto the market. This is particularly true in the case of dates. But low quality is itself a consequence of other factors. It can for example, as stated before, be attributed to lack of competition. It is generally the case that when demand for a product falls drastically, managers prefer to withdraw it from the market rather than to look into the cause of its decline.

Conclusions

Despite the huge investments by the Iraqi government in the food products sector, higher levels of production have not been attained, due to lack of managerial skills and experience. Managers aim for production but lack of information resources proves a major drawback. Iraqi firms and businesses have to recognise that packaging does not end with the pack. The right package may improve the product and the value of the product itself. Firms conducting marketing research should involve the concept of product research. New uses for existing products should be investigated. The product may have an alternative use. Iraqi firms need to analyse packaging as in any given market, consumer habits change and retailing becomes more modern. In other words, there should be more alertness in terms of innovation. Information that is out-of-date about consumers can adversely affect executive decisions in the future.

Positive steps should be taken to understand Iraqi consumer opinion. A whole range of things can be done from effective implementation of product development projects to placing more attractive labels on cans. Store owners have, for instance, indicated that Iraqi women prefer canned tomatoes with a red rather than black label and prefer oil to be in tall rather than squat jars, under the impression that they contain more.

The absence of supermarkets in the country means that domestic manufacturers of packed foods are slower in their thinking about package design according to consumer wants and needs. Supermarkets and "self-service" in Western countries play a crucial role in the marketing of food products. Supermarkets need containers that ease the retail and wholesale handling. The vital self-selling functions which the package then acquires are becoming fully recognised, but Iraqi firms are generally adapting slowly. Packaging is perhaps the most effective means of advertising a product as it reaches more people than any conventional type of advertising. The design of the package should be clearly related to the product inside and all visual surfaces should be used including date of expiry and so on. No matter how effective advertising might be, it will

not achieve its objectives unless the product is widely distributed and displayed properly. The aim of advertising is to attract a potential customer at the time and place at which the sale can be made.

The Iraqi food industry requires more attention given to all aspects of packaging. If new products are expected to be launched in the market, packaging components should be considered to obtain the ultimate benefit for consumers, producers, and distributors. Research is needed to evaluate how such aspects affect the Iraqi consumer as well as involving the possibilities for the introduction of new products. More government intervention and effort is needed to ensure the success of the package component such as information required, meeting safety regulations and nutrition standards, in order to improve product images in foreign markets and better communication with consumers overseas. It is vital for executives to understand that packaging and protecting products contributes to efficient distribution. Packaging is also complementary to other marketing functions such as advertising, branding, etc. Thus research is needed to help in the promotional image and degree of differentiation. This is vital for example, for the dates industry, which is facing fierce competition from other producing countries. In fact, most executives in the firms visited failed to perceive the importance of packaging as an element of the promotional mix.

The researcher believes that executives in the Iraqi food industry should be prepared to adopt practices relevant to their industry in the light of changing shopping habits and social attitudes in Iraq society, and the effects of Western technology and traditions. Such concepts should be taken into consideration in a changing society. Apart from the basic use of packaging for product protection, many other factors should be considered, such as ease of distribution, product promotion, shopping habits, increasing employment of women, the extended family, and the introduction of supermarkets. The problem of education and training people with the skills which will be demanded is a perpetual problem. The need for education in marketing exists for a

prosperous food industry. Only now is there the beginning of an effort to educate and train people in management in general, although this task will take years. This supports the fourth part of our hypothesis (c) which we introduced in Chapter 7, together with other factors, namely migration, income level and religion.

Summary

This Chapter aims to assess the extent to which the marketing concept is implemented in the firms surveyed in both the public and private sector of the agricultural food industry within their organisational structure, by investigating the use of certain marketing tools, which, in the researcher's opinion, constitute the most important functions a modern firm should practise.

The absence of marketing specialisation in most of the firms visited is clearly indicated. As a result, some of the marketing functions are practiced by executives with no experience of marketing. In addition, where no marketing department existed, the marketing function is practised by other departments. In 40% of the firms visited, the marketing function has been assigned to a marketing specialist. The serious shortage of marketing-oriented executives seems likely to continue for some time. Generally, the Iraqi firms visited still lag behind in organising marketing functions compared with firms in the developed countries. Thus, the need to rebuild their organisational structure, their image and their attitudes is crucial, since production orientation dominates the approach of most of the executives in the firms visited.

The link between industrialisation and marketing functions such as research is very weak. The situation has led to minimising the effect of any research and emphasis on the need for marketing orientation is needed in all educational organisations such as universities and governmental departments and is particularly necessary for central planners. More efforts should be exerted, especially by the government, through its appropriate organisations. Government intervention will not hinder marketing; on

the contrary, it will improve the marketing system generally if certain measures are taken which we shall mention in the next Chapter.

These changes will continue to be the main objectives which should be implemented in practice in the Iraqi food industry in particular and in firms in other sectors of the economy in general. This process will not be achieved overnight, but over a considerable period of time. It is not necessary to start from scratch and simply copy the methods employed in the developed countries, but to start from the current position, benefiting from their experience, adopting only what is suited to the Iraqi cultural structure.

The next Chapter provides a summary of the research findings and submits a number of recommendations.

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CHAPTER 9

CONCLUSION AND RECOMMENDATIONS

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9.1. Summary -- Problems in Perspective.

9.2. Marketing and the Planning Process In Iraq.

9.3. Recommendations.

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CHAPTER 9

CONCLUSION AND RECOMMENDATION

9.1. Summary--Problems In Perspective

Although marketing and distribution has long been viewed as parasitic by central economic planners, governments and private sector officials in developing countries including Iraq. But aspects of the system that enable those who can spot imperfection in the marketing system to profit from these imperfections. Also, if private sector officials gain, they may not always be considered as critics. Thus their attention has focused on production and finance rather than marketing. However, as Kriesberg emphatically stressed, production is the first stage in providing food, distribution is the second stage, therefore archaic marketing facilities and inadequacies in distribution contribute to food deficiencies in developing countries no less than antiquated function.

Public marketing, including agricultural food products and services is frequently undertaken in developing economies often with controversial results. In Iraq no analysts have examined public marketing concerning the food industry from the perspective of its impact upon those whom the system serves, i.e., the consumers. This thesis presents a study and analysis of agricultural food products. It emphasises the performance of public policy as a force in the market place from a research perspective. Moreover, the thesis examines factors affecting the marketing of food and the consumption of Iraqi food products, particularly in the local markets, and possibly foreign markets. Co-ordination of all links and efficiency of the food marketing system can be achieved through the adoption of the marketing concept at the farm level, continuing through to the food processing industry.

The information about the attitude and behaviour of the respondents in the food industry was obtained by asking them to indicate for each question asked, a chosen response; 'very important,' 'important,' or 'not important at all.' Each interview lasted

approximately 3 to 4 hours. Attitudinal orientations of the respondents were measured by means of scaled responses to a series of 54 questions (Appendix 9). The frequency for the importance of each answer was calculated and ranks were then assigned from the highest mean (very important) to the lowest mean (not important), and therefore responses were scored from 1, 2, 3, respectively, in order of importance. Thus, the research is exploratory in nature and the thesis objectives derived by hypotheses set for these purposes.

The researcher conducted interviews with twenty-five executives most of whom represented co-operatives in the Middle province of Iraq. These interviews shed light on the difficulties experienced by cooperatives in Iraq, allowed an assessment of their performance to be made in an attempt to find effective solutions to these problems, so that the cooperative movements might succeed. Considerable time and effort were expended on gathering this information, with the help of a questionnaire concerning the cooperative movement. (Appendix 8). The researcher's previous experience enabled him to arrange the executive's responses so that a clear picture of the situation was provided.

Cooperatives in Iraq are not exclusively of a single type, engaged solely in the marketing of one kind of product. On the contrary, they are engaged in a variety of activities. The major characteristics of these units are that they are government-created. Most of these units are organised on a small scale, based on the principle of limited liability, and they are registered with the Ministry of Agriculture and Agrarian Reform. Their market share varies from sector to sector. Only in the production of dates are there specialised cooperatives, whose members are the producers themselves. In the marketing of fruit and vegetables, grain, and dates, the market share of cooperatives is over 30%, 58% and 60% respectively. Inefficient management, differences in degrees of management skill, lack of interest from members, and insufficient credit support, are all causes of failure.

The researcher believes that for a successful food industry efforts should be started before the farm gate, continuing to the processing stages. Thus, chapter 1, gave a background to the structure of the Iraqi economy. Chapters 3 and 4 explain the problems of marketing in agriculture in Iraq, and the role and importance of marketing in the development process is highlighted respectively, all of which are matching with chapter 5, to start the investigation of the thesis hypothesis. In this chapter, two main hypotheses were stated (namely D, E), relating to the adverse effect of the application of land Reform Law on agriculture and, cooperatives with the impact of quality of management on the operation of cooperatives respectively. Migration of rural people and their income level are points which affect food industry supply and the subsequent scale of marketing is also investigated in this chapter, as these points represent (parts 2 and 3) of hypothesis (C). Then the researcher shifts to investigate the remaining hypotheses, namely (A, B and parts 1 and 4 of C), which relate to the implications of the marketing concept and its applicability to the Iraqi food industry and its objectives, covered in chapters 7 and 8, which together represent our field work and survey through direct personal interviews.

Time factor was a major limitation of the study, however the researcher tried to overcome this obstacle to present his work despite the adverse local circumstances. The design of the questionnaire was arranged in such a way as to ensure that respondents would cooperate fully without embarrassment or hesitation. The researcher's experience was to allow executives to express their answer wholehearted, therefore most of them preferred to answer the questions themselves and the researcher had to collect the responses later. On his side the researcher accepted these responses without any kind of interference, suggestions, or even influence to manipulate respondents answers. Discussion preceded the questions so that their ideas were more readily expressed. Not surprisingly when they frequently mentioned one element rather than many available in each question, although in the researcher's eyes other elements may

have equal importance. Again their views probably reflected political considerations which, in fact, enhance our hypothesis of passive attitudes towards marketing.

Productivity is often, though not invariably insufficient due to the low level of application of capital inputs generally. Apart from fertilisers and insecticides, which are little used, there is limited use of tractors or other agricultural techniques. The family labour force is often not well integrated. Instead of working together, women are customarily left the responsibility for food production, while men concentrate on cash crops. Therefore, the backbone of agricultural production has undoubtedly been the peasant producer or small-holders, rather than estates and plantations. The economic development of Iraq is partly the story of cash crop production for local consumption and for export by peasant farmers who responded eagerly to new opportunities to earn cash income.

Minimising costs of production and distribution must be the goals of the market system in order to reduce spatial price fluctuations and to handle any surplus emanating from expanding production. To be effective must also reach a large number of farmers. A market organisation, therefore, must make use of the available local skills and minimise use of the limited supply of administrative manpower. Failure to do so, however, well conceived will not serve the purpose, either of reducing over-all marketing margins or of providing an incentive price to boost agricultural production generally.

The basic economic problem of choice, and allocating the available resources in a relatively "optimum" way still exist in the centrally planned economy including Iraq, is not the result of the market forces, but ultimately of the central economic planning of some sort. The committee would make decisions of which kind of product to produce (choice of products), how much to produce, and how much to invest. On the other hand the existence of a large private sector means that a large part of the economy is not directly controlled by the planning authority. Therefore, doubts may be raised about

the efficiency of "indicative planning" and the possibility of influencing the private sector through consultation or exhortation.

Market imperfections create a need for a government role but there is also a need to be sensitive to market trends. In Iraq, for instance, recent development plans give government a key role in promoting new ventures, particularly in the fields of manufacturing, transportation and energy, but for the most part, have left lands, small enterprises untapped and unorganised. Therefore, the discussion of development planning in a country like Iraq would not be complete without reference to the concept of integrated rural development planning. Such type of planning involves a number of elements, such as the incorporation of a diagnosis and analysis of the area's development problems and prospects, in other words, a comprehensive plan cutting across several or all geographical areas within the country. This means the involvement not only of agricultural economists, but also of industrialists, soil scientists, agronomists, and even multinational agency effort.

The results of the survey suggested that people support and appreciate each public marketing effort due to socio-economic benefits, and equally important, to economic development. Public institutions are viewed by consumers as powerful competitors with the private sector, therefore, their impact on prices in the local market is still needed, to ensure that competition reduces the degree of exploitation by middlemen.

At the end of the last chapter certain points were emphasised and identified for further related studies. A future evaluation of the extent of success or failure of the wholesaling system would highlight the performance of the related government departments in marketing. More investigation of such performance may require the elimination of some and/or the re-organisation of other departments in the marketing system. Also, using an advanced accounting system is crucial. Such a system will help the government in pricing of agricultural products on a factual rather than an arbitrary basis. That is fair for farmers and consumers, and particularly ensure reasonable

incentives for farmers. The above suggestions emphasised the impartial role the government can play. This will also serve to encourage capital investment in under-utilised natural resources. Such a policy will exploit the indigenous labour more profitably, and when citizens can see their graded agricultural products sold in the supermarkets this may be regarded as a turning point in the Iraqi economy.

The researcher concentrated on the cooperatives in the Middle governorates of Iraq, but profits achieved by these organisations in the whole country may reflect the level of their failure or success. A possible hypothesis for further study is to investigate the benefits that might accrue from giving favourable treatment in the granting of loans by the (ACB) to those cooperatives that have achieved some success measured by objective criteria.

This study has been concerned with the role and the operational structure of marketing in Iraq as a developing nation, concentrating on agricultural products intended for both local and foreign markets, and pinpointing the main problems involved.

The production process clearly emerges as the main area in which improvements need to be made, while marketing obviously has a role to play in promoting economic growth in developing countries. The concepts of marketing and economic growth should therefore be dealt with together. Up to the present time, the marketing concept has remained largely neglected in Iraq and the system is consequently inadequate. Industry rather than agriculture has become the predominant sector of the economy, but it is vital that more attention should be paid to the problems involved in marketing food and some of the changes recommended might also apply to other developing countries.

Iraq is basically an agricultural country. However, despite considerable progress having been achieved in developing Iraqi agriculture, a great deal still remains to be done. With a few exceptions, the developing nations of Asia, the Middle East, Africa and

Latin America, began the first stage of their programme of modernisation by concentrating their efforts in two areas, the production of manufactured goods to replace consumer goods imports and the creation of a basic infrastructure. Agriculture and the modernisation of rural life were systematically neglected, resulting now in a dangerous decline in per capita food production in some major regions.² The annual growth of food production in Iraq has decreased during the past decade and at present, it is only slightly above the population growth rate. Agriculture in Iraq occupies a predominant position in the development of the Iraqi economy and because of its importance, the government has given priority to this sector in its development strategy. In Iraq, about 70% of the population depends on agriculture for their livelihood, but although the country has witnessed a considerable improvement in the agricultural sector since the introduction of the five year plans, it is not yet sufficient and remains below the desired level. For example, the data set out in Table 16, chapter 1, relating to wheat production, shows that rate of growth in agricultural production has fallen in recent years and the area devoted to this crop has decreased. The same pattern applies in other types of agricultural production. Moreover, a comparison between Iraq and other developing countries demonstrates the remarkably low production level in Iraqi agriculture (see Table 9, chapter 1). Under such circumstances, agriculture displays a number of distinctive characteristics. For example, only a small proportion of cultivable land is used and there is no fallow system so that yields are low, and agricultural costs are very high. Overall, therefore, the level of success in agriculture is low. Most developing countries including Iraq, are undergoing a major transformation in terms of food consumption, with a shift away from the traditional diet of coarse crops towards diets that include wheat and rice.³

Attempts have been made by successive governments to encourage the industrial sector, but less attention has been paid to the agricultural sector. In fact, greater priority has been given to the oil industry, since that sector is the principal means of

earning the foreign exchange required to support Iraq's economic development. This has led to a marked decline in agricultural production and to the migration of farmers to the cities, seeking higher earnings in other sectors of the economy. This policy has been recognised belatedly as being as harmful to the economy in general as the state of imbalance between the different sectors of the economy has manifested itself.

The production and consumption of agricultural products have many characteristics, one of the more obvious being that the supply of agricultural produce is variable and inelastic. On account of the seasonality of the produce and its perishability, farmers are unable to control the level of production, so that there is a variation in the quantity reaching the market and other consumption areas. Moreover, the ability of the farmers to respond to price changes is limited. When the prices are high, farmers are unable to obtain the expected benefits, because they cannot increase their supply immediately as the growing period for production is too long. When the situation is reversed, that is, when the prices are low, farmers are unable to manipulate the quantity of the agricultural produce in order to reduce the supply as they do not have facilities for storing the product. Farmers, from an economic point of view, are price takers; their behaviour is passive and they have to be content with their level of production and accept whatever price they can get.

Another characteristic is that the market receives agricultural products from a large number of farmers scattered here and there, cultivating their small land area and producing different agricultural produce. Such a situation is far from lending itself to achieving certain economies by means of large scale production or receiving the benefits derived from a controlled production process. In such a situation, organisations involved in distribution should pay particular attention to these special factors which affect agriculture and derive methods to improve their performance accordingly.

The fact that price elasticity and income elasticity keeps demand for food low, represents another characteristic of the production and consumption of agricultural products. Population requirements for particular foods are to some extent static, and the demand for food shows little change in response to increases in the people's income or increases in food prices.

These characteristic problems directly or indirectly affect both farmers and consumers. Indeed, they affect the production process as a whole. With an inelastic demand for food and variable inelasticity of supply, there is greater fluctuation in farmer's income than in any other sector. This fluctuation in their income is exacerbated by the large number of individual farmers, each producing on his own, and by the fact that possible changes in demand or supply cannot be estimated accurately.

Price fluctuations are not desired by the consumer either. In this respect, the activities of organisations engaged in distribution in their attempts to reduce price fluctuations in the market place, must also be regarded as contributing towards success in this area.

With regard to prices, the study shows that there is a low correlation between the official guaranteed prices fixed in advance and the level of production or the number of donums cultivated. At least this clearly applies to the three products in our case study, for a number of reasons. Due to the inefficiency of the marketing system, farmers found it difficult to earn a reasonable income and began looking for jobs in other sectors of the economy, since they were unwilling to stay in the agricultural industry. Accordingly, there was an increase in migration from the rural areas to the city centres. Wholesaling and retailing are the most sensitive sectors in the marketing channel, and, they are linked directly with consumer demand for service outputs. Improvements at the wholesale level would be particularly helpful as the start of the marketing system, but wholesalers in general cannot easily be persuaded to change their behaviour patterns.

Most Iraqi farmers do not have the means to buy all the inputs required for successful agricultural production. This results in inefficiency and low output. Machinery, fertilisers, chemicals, etc., should be made easily available to the farmer, at reasonable prices. But these conditions have not been met in Iraq. Production is limited, due to the employment of primitive agricultural techniques. There is little doubt, however, that agricultural cooperatives have had some success in terms of economic performances. Members are provided with the facilities and services required to enable them to achieve higher levels of production and an improved standard of living, but poor organisation of the provision of these facilities has had an adverse effect and proposed targets have not been achieved. There are not enough trained personnel to supervise the granting of loans and all forms of credit for agricultural purposes. The huge amount allocated by the government to agriculture in the previous five-year plan (1980-1985), could lead to improvements in agricultural output and, make food more readily available to the population as a whole, if it is administered properly.

It is of the utmost importance, when discussing the possibility of modernising the market in Iraq, to distinguish between problems at a local level and those at national level. As we have seen in chapter two, marketing problems may be divided into direct and indirect problems. The direct problems for example, the traditional methods of harvesting, and the large number of small and scattered farm holdings can affect the practice of marketing to a great extent. The indirect marketing problems such as grading, transporting and so on--what is called the marketing infrastructure--or even pre-harvesting sales practices requires discussion of the role of middlemen and organisational institutions. These practices are the result of farmer's financial weakness, and they represent serious problems at the national level in Iraq, following the considerable increase in agricultural production, especially in fruit and vegetables, so that these middlemen in Iraqi market have been able to increase their business and

their influence in the country. These weaknesses have resulted in a considerable strains. The present situation may be represented as an old tree with weak roots striving to cope with the strain exerted by its heavy branches. The weak trunk of this tree represents the various stages of marketing such as packaging, primitive harvesting, and the heavy branches are the overloaded market. These problems may be removed by improving the marketing system at national level.

Our proposal for improving the marketing system would require information about the role of middlemen and government measures, and the overall mechanism of the present marketing system in order to identify problems and thereafter to suggest possible solutions. To support our opinion this would require an investigation, both of the effects of middlemen and government institutions, which would help to explain the complex situation prevailing at the present time in the market. It is expected that suggestions for improvement arising from such research would be compatible with our present study, consequently making available further possible solutions on a realistic basis.

The Five-year Plan strategy should be based on improving the handling, storage and distribution of farm products. This programme includes the dissemination of market information, product standardisation, quality control and the sale of surpluses to domestic or foreign markets. Lack of adequate storage facilities is a major problem leading to the loss of probably a quarter of all agricultural production, which means that farmers are producing unprofitably. The inadequacy of the present marketing system is also reflected in regional differences in prices and product availability.

From the previous chapters we know that there are two serious weaknesses. The first, which is of the utmost importance, is the weakness of farmer's representation in the market throughout the country. In this situation, which is unfavourable to farmers, middlemen are active and benefit from the present wholesaling system. The second weakness is the physical structure of the city markets, their management, their size,

and even their location. It is easy to suggest improvements, but may be difficult to implement them. The present marketing system is anachronistic and inefficient, and must be replaced by a new one, but one should be realistic and recognise the risks and the possible harmful results which might follow the introduction of new methods to replace the present system. We have to recognise that about 80% of all agricultural produce is handled by middlemen and other agents, and they have the ability to do this due to their broad knowledge and personal experience developed over a long period of time. So there is no point in simply stopping the present system without being able to introduce a better one. The role of the middlemen in lending credit to farmers and retailers should not be underestimated. We should bear in mind that ending their participation without replacing it with some practical alternative would lead to the collapse of the present system. The researcher does not favour the practices employed by middlemen in the market, but wishes to draw attention to the problems at present affecting agriculture in Iraq. In fact, the effect produced by creditors in the agricultural industry was neglected though the Iraqi government has recently begun to pay attention to this sector in the economy. Nevertheless, it is still too soon to say what impact their intervention has had.

It is evident, therefore, from what we have seen, that the problem of modernising and rebuilding the new system is extremely complex and it is necessary to know more about the role of the Cooperative Agricultural Bank in Iraq and the performance of the State organisations. Therefore, to achieve these objectives a case study was undertaken to examine the State's role in the present marketing system in order to shed light on possible solutions.

Certainly, marketing that focuses on creating new needs and wants, which is very important in a developed, mass-consumption economy, is out of place in a poor developing country. But dynamic, modern marketing is more than a search for new needs and wants. It is, fundamentally, a system of concepts, tools, and skills that enable managers to match the capability of organisations to the needs of society. As such, marketing science can be directed toward the needs of the less-developed country.⁴

Employing specialised marketing functions has an effect on economic development. Farmers, by utilising their resources efficiently and using their entrepreneurial ability, will produce more than subsistence level results, and this will involve them in exchanging surpluses for other goods required in their daily life and made available by producers in other sectors. This simple example means that an exchange process is carried out between two people in different sectors, in this case, the industrial and agricultural sectors. This implies that efforts of two separate communities can be directed towards satisfying the needs and want of both groups. Those who specialise in food production will be in a position to buy consumer products, whereas those who specialise in industrial products can aim at buying food. The exchange process between the two sectors of the economy may be implemented through the efforts of middlemen. The above process is exemplified by a simplified illustration. When economies are advanced in their structure, and the countries involved operate complicated systems, with the distance between consumers and producers becoming greater, the commodities needed may also be more numerous and more complex. Production sources require to use middlemen to dispose of products to meet consumer needs, thus marketing becomes the process of moving goods, and ensuring that industry is able to maintain the necessary production level at low cost and attempting to keep demand at its current level or even higher, and balancing these requirements. Thus the importance of marketing increases.

The percentage of income spent on food in a particular country reflects the stage of advancement achieved by that country. In the developed countries, a smaller percentage of income is spent on food, which in the developing countries more than 50% of individual income is spent on food items.⁵

Changing the emphasis from the sale of products to the sale of an integrated offering of products and services may not be an easy task. The new role of marketing aims in fact at the ultimate achievement of the marketing concept of providing customer

satisfaction, within the constraints set by society. A new constraint is the extent to which supply is limited. Some scientists believe that the the root cause of the depletion of resources lies basically in the fact that there are too many people and not enough resources. Two problems can be attributed to the increase in population; one is pollution of the environment, and the other, which is relevant to the present research, is the depletion of the country's natural resources. While food shortages due to crop failure are not a recent phenomenon, the problem in 1974 was much more serious than before. The World Food Conference held in Rome in November 1974, indicated that there would be grave consequences if nothing was done to make food available to the world's 500 million hungry people.⁶

The traditional approach to the study of economic development in most developing countries was to examine only the productivity increases which agriculture and manufacturing contributed to economic growth. Other things being equal, through these increases in per capita output, marketing could provide an economy with increased capital investment, increased per capita income, and a higher standard of living but these opportunities have been neglected. This was a production-oriented attitude to economic development. The contribution of marketing and marketing institutions to economic development were neglected. The traditional production-oriented approach was applied to the Iraqi economy, and the extent to which marketing development has taken place is not encouraging.

In general, official enterprises within the agricultural marketing system in Iraq, as in most developing countries, suffer seriously from managerial and economic inefficiency which results in a low level of production on most fronts. Economic reforms alone cannot and will not improve the productivity of the system, so deep-rooted is the level of managerial efficiency. These problems should be taken into account in any official attempt to introduce a successful marketing system. What are

needed are wide-ranging institutional measures to improve productivity and to produce a rational economic system.

9.2 Marketing And The Planning Process In Iraq:

Because of the high level of revenue from oil, the present Iraqi government has not had to face many of the financial problems which limit the process of growth in other developing countries. But this does not automatically ensure that all development problems are thereby solved. Moreover, the sharp decline in oil prices over the last six years has had an adverse effect on the development process, making it difficult to implement certain projects. This has happened in most Middle East countries which depend mainly on oil revenue. Accordingly, funds must be allocated on a scientific basis so that scarce resources are used to the best advantage. This in turn requires a high level of technical and managerial expertise. A priority in planning is the identification of bottlenecks within the infrastructure. The Iraqi economic planners have not carried out this function however, but have left the task of allocating resources to the impact of market forces.

One of the main conclusions of this study is that the economic planner in Iraq have concentrated on the production process, while marketing tends to be regarded as a minor, rather than a complementary activity. The marketing process has thus become time-consuming and costly and, associated risks have increased. As the government increasingly intervenes in the marketing system, it should rely more on market research when preparing its economic plans. Where accurate information about the market is available, planning will be a more effective means of promoting the growth process as resources can then be allocated more efficiently. This is particularly vital in an economy where capital is in short supply. Thus the value of market research lies in its ability to influence the industrialisation process, enabling it to use the resources

available to the manufacturer in order to produce goods on which consumers can depend.⁷

Iraq, like many other countries in the Middle East, suffers from excessive bureaucracy and centralisation of government responsibility. This tendency is historically deep-rooted. Increased government control of the economy has meant more arbitrary bureaucracy, so that efforts made by the organisational hierarchy, concerning a particular problem are unco-ordinated and the problems of the different sectors of the economy, including the agricultural sector, are intensified. Through the creation of cooperative societies, the government has sought to increase its influence over the economic activities of farmers, thereby reducing the influence of individual entrepreneurs. But changes in agricultural policies have not been completely successful due, again, in part to the lack of skilled management but also due to a lack of commitment and certain infrastructural shortcomings. Wider government control in other areas has also led to a lack of initiative and freedom in executive management decision making and this, has inhibited the development of managerial expertise. Development plans are generally, therefore, drawn up by bodies which have little or no interest in marketing, or which are inadequately briefed because they have not foreseen any need to seek specialist advice. If decision-making is to remain centralised, then it is important that there should be greater flexibility and autonomy in relation to the execution of these decisions by managers, thus increasing both their responsibility and their prestige, which may result in organisational adequacy and diversification policies.

The general strategy underlying planning should be based on the idea of maximising social benefits. The development of skilled manpower and the raising of worker's aspirations are the basis of economic and social development because the relationship of man to society holds a prominent position in the policy of present Iraqi government. To gain the full benefit of manpower planning, the government needs to be

fully aware of the overall manpower situation in the economy. Therefore it must consider the quality of its education system, the level of skilled manpower available and the capacity of training centres. The number of training centres was 27 in 1986, with a total capacity of 12,198 persons, distributed between agriculture, the oil manufacturing industry, transport and communications and food processing. Only one training centre is officially recognised. The centre's administrative performance has been criticised mainly on the grounds of the low quality of its training facilities and the fact that it appears to concentrate on impressing its political leaders. In 1984 as few as 42 trainees received training in only seven successive sessions, reflecting the low profile for scientific training.

Education and manpower must be considered together. Education is the key to the development of occupational skills. Both are important in the development process. Efficient market research ensures that the information required to effect the optimal allocation of resources is made available. But until more attention is paid to the importance of marketing as part of the production process, development plans will not be fully effective because they will not be based on rational thinking or related to scientific facts.

9.3 Recommendations:

Some people believe that marketing has no role in developing countries where particularly resources are scarce because there is no need for demand creation, but the opposite is true. Where the resources are scarce, the role of marketing is to determine consumer needs and wants and to perform the functions required to maximise consumer satisfaction. As a means of promoting more efficient usage of goods and services, the marketing function can play a very important role in business and in society. While executives must monitor the market for consumer needs, they must also recognise the constraints of the supply situation. This constitutes the marketing concept.

Industry should think about selling services rather than products and integration between production and consumer satisfaction should be achieved. The new role of marketing between production and consumer satisfaction should be achieved. The new role of marketing in developing countries should take the form of an integrated package of ideas, products and services to achieve maximum satisfaction combined with the minimum consumption of products.

Executives should recognise that marketing is not simply a mechanistic but a process for improving the management of trade. Furthermore, this process is of great effect and use in developing economies of all sorts. IN addition it helps in maintaining comparative advantages for example that achieved in the export of dates in a fierce competitive environment, although resources are becoming scarce, income is increasing along with people's standard of living and particularly in the larger, urban centres consumer awareness is increasing.

If marketing as a business function is to survive as Kotler urges in "Take the age of scarcity", executives in business must accept the role as a means of promoting more efficient use of scarce resources for greater consumer satisfaction. Thus, more research is required to obtain information about consumer attitudes on national and international level in order to utilise existing resources more effectively and enable a strategy to be pursued to achieve economic development in the long run. Actually the new role of marketing is briefly to promote consumer satisfaction by producing better quality products from the resources available.

The importance of marketing to developing country like Iraq lies in the area of communication or persuasion. Marketers have long been noted for their skill in stimulating or even creating demands for products. There are many products or items whose use should be encouraged in a country like Iraq. Iraqis in the south of the country, for a religious reasons, do not eat preserved imported meat as the animals have not been slaughtered using the method required by Islamic teaching even with

stamp of approval. So they are not accustomed to consume such meat in any significant quantity. A programme to persuade these Iraqis to consume it would be highly beneficial to their health. Marketers with skill in the advertising and promotion area clearly have a contribution to make in a programme of this kind.

The important role of marketing in the developing countries is to direct societal resources into organisations concerned with the creation and delivery of products that best serve people's needs. The conditions of scarcity in developing countries make it imperative that products designed for the markets of developed countries are automatically copies of models produced elsewhere. Basic marketing concepts can and should be applied to design products appropriate to these countries' needs, and to educate the tastes and preferences of the people. Thus, marketing in the dynamic sense can relate resources to available opportunities and satisfy needs on the consumer's terms.

Improving the present marketing system will not start from scratch, but from reorganisation of the existing bodies. The measures required need time to achieve the desired objectives, and financial support in the form of backing from the government whose intervention is a prerequisite for success. It would be useful make a start by increasing the role of cooperative organisations, giving them more responsibility and assigning to them specific tasks. It is obviously important to examine the present marketing system and provide the essential information which is at present inadequate, particularly information about the level of production and consumption of agricultural produce at national level. Such information is crucial for future planning relating of for example, cold storage facilities for perishable products which only the government is capable of providing as the private sector and cooperative are not in a position to do so chiefly for financial reasons. Information concerning expected shortages of foodstuffs would allow the government to take the measures required to avoid such shortages for the benefit of both the food industry and the nation.

An increase in agricultural productivity does not present a problem due to the government's ability to support such a step. Other marketing infrastructure improvements are required however. There is an urgent need to improve and expand the railway system, the water ways, maritime transportation facilities, communications, and in particular, the dissemination of market information, in order to keep all participants in the marketing channel adequately and accurately informed about market conditions. There is evidence to show that even at official level, the importance of an effective marketing infrastructure has been largely neglected. Accordingly, government services should be aimed at improving the marketing system in general to help people throughout the country. In order to allocate economic resources more efficiently to make the economy more competitive and to achieve the desired social goals, the government must provide appropriate guidance to both the private and public sectors.

The cooperative movement in Iraq is being used as a political instrument to promote Iraqi socialism and nationalism. The two basic aims of changes introduced in the marketing system are to decrease the volume of trade handled by the private sector and to increase government control over trade. To achieve these objectives, the government has established the General Union of Cooperative Peasants. But if the cooperative movement in Iraq is to succeed in both economic and political terms, more attention should be paid to the nature and level of market needs and competition, for example dates for export.

It would be advantageous if the cooperatives could improve the farmer's situation by providing them with the necessary credit, in order to free them from the vicious circle of poverty and the unhelpful practices of the middlemen and so abolish their condition of near serfdom. Farmer's lack of cash and the absence of alternative sources of credit put them at the mercy and under the influence of middlemen, even forcing them to engage in pre harvesting selling. Easy access by farmers to the benefits an official

credit system as soon as possible, even on a small scale should be widely introduced, otherwise, the present situation is likely to continue. More effective organisation of their activities is required in such areas as, packaging, grading, and the education of their members, and widespread supervision of the application of agricultural expertise in their activities. Above all, they must be helped to market their produce through improved methods of distribution. Therefore, the major obstacle is the educational one. What is required is information about what to produce, market demand, what marketing actually means, and how to improve it. All these are necessary before practical measures for improving the traditional system can be implemented.

The desired reorganisation maybe effected by conducting a study to determine suitable assembly points for packaging or grading and the allocation of appropriate cold storage facilities in major producing and consuming areas for perishable products. Although these must be provided by the State, ideally they should be owned by cooperative farmers. When such facilities are owned by marketing cooperatives, the results will encourage other farmers and firms involved in the agricultural industry to use these facilities to maximise the benefits derived from economies of scale. Having secured the advantages of this type of organisation, the cooperatives involved in marketing will be able to consider the possibility of organising the transportation of their produce by themselves, competing with private agencies and relieving their members of the high cost of transportation, thereby reducing the price for the ultimate consumer. By and large, this will lead to smoothing out the supply curve to the benefit of both farmers and consumers.

A vertical marketing system channel is needed. This should be designed to coordinate and integrate managerial, technological and promotional functions to provide more efficient direction of the flow of products form the farm gate to the factory or other points of ultimate consumption. Although the business environment in developing countries is different from that which exists in developed countries due to

differences in the level of economic development, the former could benefit from the latter's experience and adjust their marketing systems according to the prevailing environment by introducing a modified form of the vertical marketing system employed in developed countries. In the developing countries the food marketing system depends upon a variety of different factors. These factors should be subject to change where necessary, to enable the marketing and distribution of food to become more effective in order to ensure greater prosperity or even ultimate survival. These proposed measures will require patience, the wholehearted support of members, managerial skills, and the technical skills, which Iraq lacks. Nonetheless, our recommendations constitute an essential first step for improving the total marketing system. Further steps, linked with the above proposals for modernising the whole system need further study.

It has been clearly revealed through this study that production suffers due to the fact that firms lack skilled and competent management. They should be better trained in modern methods but this also applies to those engaged in research, product development and advertising. Each of these functions requires specific skills, although they are all clearly interrelated and should be developed accordingly. An important first step which the government could take would be to supervise the quality and quantity of food for processing, to ensure that the required standards are maintained. Modern production processes however, must also include attention to packaging and if Iraq is to improve her export performance, there must be closer cooperation between growers, packers, exporters and buyers. A "Grower and Packers Association" could be established which could meet periodically to discuss questions relating to all aspects of their business.

It has to be stressed that the food industry in particular suffers from a lack of skilled management, in terms of both experience and education. The government should use its universities to promote modern management programmes including

marketing. Marketing is understood only in the most restricted sense, ie how much can be produced rather than how much can be sold. With the predominance of this production-oriented attitude, consumer needs are not given priority. Such an attitude results in a waste of the country's resources, and so this reform must be made if Iraq is to increase its rate of economic growth. The government could provide more reliable information concerning income distribution, population distribution, the economic growth rate and so on. Improved feedback systems make more effective planning possible.

Management must be so integrated and coordinated that it is capable of handling awkward situations and taking decisions. Management of this type is required to achieve vertical coordination and integration within the marketing system so that it will succeed in achieving national goals. The elimination of uncertainty is crucial and this can only be done if there is adequate information to allow a systematic physical flow of material which will contribute to the efficient implementation of the overall managerial function. The government's role here is to provide the necessary financial resources. Therefore, the coordination of all complementary functions is required and, the main consideration of the economic planners and executives in both private and public sectors must be to ensure a well organised flow of physical and financial resources. Without adequate financial support, all efforts will fail.

Information about the market is very important for a successful marketing system. Without such knowledge farmers or even cooperatives will not be able to grasp the underlying supply and demand forces which operate. This is clearly seen in the fluctuation of some agricultural products which glut the market one year, while there is an acute shortage in another. The poverty of the farmers forces them to rely increasingly on private sources of credit, a situation that puts farmers without the influence of the market forces, and the pattern of production is determined by the pressure from creditors not in response to the market mechanism. Such fluctuations

have affected the county and the agricultural industry as a whole as we noted in previous chapters which pointed out that the food industry relies heavily on local agricultural produce. So the cooperatives should take the initiative to operate in the market, as we have seen that their previous attempts to influence the level of prices have been futile, in terms of to achieving economic development.

Incentives in the form of adequate price support are needed if agricultural production is to be improved quantitatively and qualitatively so that the food industry becomes more efficient and, the level of price instability is reduced. Price stability may not in itself constitute the basic for a sound market although unstable prices may act as a significant disincentive. Moreover, agricultural prices should be related to quality and differential grading, so that particular products are suited to different kinds of packaging. Payment of a uniform price, irrespective of quality, will disappoint those farmers who take care of the produce and lead to a decline in the level of quality control. The government could play a crucial role in solving the problem of fluctuations in farmer's income by considering the basic cost of the agricultural production process against international world prices. For example, in the dates industry, government initiatives take the form of providing subsidies, and seeking new consumption outlets. The latter may be found by encouraging an increased level of domestic production through policies, or introducing date consumption into the school meals system, or distributing dates to military organisations. At international level, the government could remove trade barriers and make available the commercial services of Iraqi Embassies. In addition, the government could follow the practices pursued in advanced countries, for example the "Food From Britain" campaign with the sole aim of promoting the country's own agricultural produce. By such means, Iraqi agricultural produce could begin to compete more successfully with other produce on offer in foreign markets.

When farmers are given incentives to produce more, there must be outlets to absorb the increased production. Thus the strategy recommended for improving agricultural production and the marketing system is the "pull and push" type of strategy. When farmers increase their productivity, an increase in the demand - the pull - should be achieved simultaneously if the full economic benefit of this strategy is to be obtained. The necessary coordination between production (food supply) and marketing (food distribution) should be achieved through appropriate management procedures and interorganisational coordination.

The researcher believes that a proper study should be undertaken to establish the exact margin of profit, based on the cost of commodities, using a proper cost accounting system, a method which would help the central planners to determine the margin of profit, to motivate middlement activities, reduce black market activities and improve conditions for the consumer. When a basis for such studies has been established, the pricing policy should be revised and amended every five years-for example, at the beginning of each new five year plan-giving due consideration to changes in technology, production levels, variation in demand, and any other relevant socio-economic factors.

The Iraqi agricultural food industry should be regarded as one requiring the technologies by means of which the economic and social development of the Iraqi people may be achieved. This concept requires changes in the role this industry plays in the Iraqi environment. The need to accelerate such changes is obvious now that the Iraqi consumer has begun to appreciate a high standard of preserved food, and cheap wholesome food products.

The availability of agricultural produce as raw material for the food industry must be ensured through an efficient marketing and distribution system. Cooperatives could be used to achieve such integration because the more successful agriculture is as a result of sound planning, the more successful the food industry will become. This objective could be achieved through coordinating agricultural policy and practices with the needs

of this industry. The industry is dependent on the supply of the variety of agricultural products required for processing, thus the seasonality of the provision of fruit and vegetables, for example, should be incorporated in the industry's schedules to meet its requirements. Through scheduling and planning the continuity of work and utilisation of capacity could be ensured.

To simplify wholesale and retail methods of handling products, the government could also encourage the introduction of food trade systems which have proved popular and successful in the West, including "self service" facilities and providing supplies of frozen foods. The multiplicity of middlemen operating at different stages in the market, is another cause of the inadequacy of the marketing system. Their existence leads to lower prices for the farmer and higher costs for the consumer. Public policy should concentrate on reducing the gap between producers and consumers by providing an adequate infrastructure which would drastically reduce the need for, and the number of middlemen. But the government, having realised that government policy has had little impact on the marketing structure, seeks instead to reorganise the function of wholesalers, middlemen and, to some extent, retailers. It has done this by establishing organisations such as the DME and GEMG to provide information probably possessed by middlemen. Iraqi political leaders have sought to improve the marketing system by allocating resources and distributing income through a single channel, ie the state organisations. Officials believe that the free enterprise system might result in a form of foreign domination. Accordingly the marketing function is to be controlled by the government so that the influence of middlemen in the trading system is reduced.

If the marketing concept had been fully applied to the food-processing industry in Iraq, this would have had a marked effect on the economy as a whole. Thus the food industry should be considered as a mechanism for maximising long term profits. In this context, economic planners can create a favourable environment to encourage the public sector management the implementation of marketing-orientation policies.

Increased levels of competition will promote awareness of the marketing concept and innovation will be the response to the need for an accelerated rate of change. the government can encourage competition directly not only by discouraging the of firms, but also by relaxing import controls. At present, the Iraqi market is characterised by a low level of competition as a result of strict measures aimed at protecting domestic products. Import-substitution industries experience no difficulty in selling their products but the economic resources employed could be used to greater economic advantage. The effect of low competition on the marketing function is clear. Where there is excess demand, manufacturers have little incentive to improve the quality of their products and customer services and marketing research, packaging and advertising are regarded as being a waste of resources although they can be effective in terms of obtaining economic benefits. Iraqi industries in general and the food industry in particular, suffer from a lack of communication with consumers and a lack of information regarding their attitudes and preferences. Firms could avoid producing unsuccessful products by undertaking more penetrating research on the possibility of adjusting product's physical characteristics and by undertaking product development based on local market conditions as introducing a new product in some cases was an outcome of a personal decision rather than a planned policy decision, and launching effective promotion campaigns.

The marketing function must be given high priority in the process of planning the firm's future activities. To this end, more attention should be paid to marketing research which should form the basis for any future business activity and for establishing any new industry. The researcher believes that if sufficient attention is paid to this type of research, more effective utilisation of resources will result, and awareness of consumer needs and wants will increase as well the level of internal competition between firms in each, and between firms in the private and public sectors.

In Iraq a state owned agency is responsible for advertising. The research findings reveal that this type of agency may be regarded as an intermediary or link between a firm that wishes to advertise and the media. Yet even this agency lacks the required skills and the specialised manpower to carry out its duties effectively. Moreover, management attitudes towards advertising are of a passive nature. What is needed here in the first place is to establish advertising agencies with executives capable of dealing with every aspect of advertising. The attitude of the management of firms must be modified so that they believe in advertising. Such changes would help to develop a modern approach to advertising and the use of appropriate techniques. Also when sufficient experience is gained, it may be used at international level for advertisement in any markets where produce is sold. A final point concerning advertising is that management should advertise in the most appropriate media instead of choosing in a haphazard fashion or simply making arbitrary decisions which result in the wasteful allocation of financial resources. For example, in the sense that it is not strictly for the promotion of products or aiming for establishing a commercial image for the firm, but it is rather devoted for achieving wider goals such as political and social purposes (see chapter 8). A more rational method of selecting advertising media would improve the image of products in the market and benefit the firm in the long run. Management should consider advertising as a long term investment.

The exploitation of natural resources and transforming them into usable products is a problem which must be overcome. The government should concentrate on applying the appropriate technology and science, scientific management techniques to improve the function of planning in enterprise, providing a better marketing infrastructure, introducing a better system for handling agricultural raw materials in order to reduce wastage, developing packaging and quality control, and making available research and training facilities to match the needs of industry. By doing so, firm's marketing decisions are geared to fulfil the given targets. Thus, the possibility of utilising the installed production capacities and output could be developed in Iraq if considerable efforts were applied.

A redefinition or re-orientation of the Iraqi food industry is essential. Processed food should be available to all Iraqis. The present study has revealed that about 70% of the Iraqi population live in rural areas and are engaged in agriculture, whereas the food

industry is mainly urban oriented. Thus, the new approach should be that the whole population should have access to such products rather than using the Western style practice of providing products which are considered by a minority of the population. More attention must be paid to ensure consumer's preferences. However, some firms have begun to realise the importance of the marketing concept, so there are prospects that this business policies will eventually be adopted in Iraq.

In conclusion, we would suggest that developing countries including Iraq, can benefit from adopting and implementing a marketing-oriented policy in the agricultural sector. If sufficient effort was exerted by all parties concerned, the economy would succeed. Obtaining accurate information by means of an effective feed back system, identifying and anticipating the needs of the economy by careful market analysis, planning the production and investment programme, and controlling the movement of agricultural products before the farm gate to consumption points in the most economic manner would all contribute to the most efficient utilisation of the resources available in the national economy so that the greatest benefits are achieved. Again, the experience and knowledge that have proved useful in developed economies could be adopted to suit the needs of developing economies. Since the attractive flavour of Iraq's domestic agricultural products sustains a continuous demand for them from neighbouring countries, the potential for the sale of processed food is high.

There is potential for Iraq once more to become an exporter of certain agricultural products such as grain and fruit and vegetables, and in particular, dates because of their comparative advantage. Further study is required so that the role of agriculture in Iraq's foreign trade can be evaluated. The relevant official departments could achieve such objectives by encouraging students to examine such matters when they are studying abroad. Attention could be paid to market imperfections such as price fluctuations, the gains and losses associated with price stabilisation of primary products and lack of progress in foreign trade, all of which are complementary to this study.

9.4 Suggestions For Further Study:

A - It is evident from what we have discussed and the proposals we have made that the problems associated with modernising and recognising the present system are

extremely complex, and this complexity stems from the organisation of the markets themselves. The desired changes will inevitably take place. Improving the marketing system should be started before the farm gate in planning what to produce continuing through to the consumption areas. The farmers need to make a profit to feed their families and contribute to cooperative efforts. This means a knowledge of costs of inputs for products output and prices of products. The way in which different activities crops (enterprises) combine to make use of "scarce resources" that are need in common by the different activities, eg land labour, ploughs, cultivating equipment. Each farm or decision taking unit should be considered a profit centre which make more or less according to the choice of activities, all of which will ultimately depend on the markets and competition. Our proposals for improving the marketing system have left discussion of the wholesaling system as a subject for further study. Such a study would require the discussion and assessment of the performance of governmental departments involved in marketing and distribution by means of a selected case study of a number of agricultural products. Such a study would provide suggestions for improving the overall marketing system and these would complement the suggestions presented in the present study.

B - A particular measure of the failure of cooperative movements in Iraq, may be obtained by investigating their total debts over a period of time. Such an assumption is based on one of the cooperative objectives stated by executives in the present study, namely making profit. The difference between money borrowed and total repayments would allow an assessment to be made of their success or failure. This suggestion would require a scrutiny of loans made by the Agricultural Cooperative Bank, whose performance may would also have to be assessed.

C - The role of the government in the marketing system as presented in the current study is a matter of its effectiveness and control of the quality and quantity of a product. It also provides the essential marketing infrastructures such as entrepreneurship regulating food prices and a role in the competition environment. The government's approach to the food price control problem is a rather pragmatic one. Its price controls are not based on accurate studies of marketing costs, as the base cost still depends on out-of-date data, therefore the present decisions concerning prices are primitive. Thus, the need which stems form this study is the need for a price formation

policy on essential consumer goods and particularly food products. A study of this kind which is left to others to undertake, would highlight defects in the official policy pursued at present.

D - The government programmes introduced to bring farmers from other Arab countries failed to improve agricultural performance in general. The researcher believes that the preparation for implementing such a policy had no scientific basis. In fact, the farmers who were brought in became consumers rather than producers. Such a policy, including bringing refugees from other poor countries could only succeed if modern inputs were provided to allow the desired benefits to be achieved more rapidly.

E - During the last ten years, the government attempted to introduce the supermarket experiment throughout the country. But for such an attempt further study is required, taking into consideration the prevailing social values and structure of society within the community. As a result of migration to the city centres, the original urban population will be increased by the influx of those from rural areas. The latter will in time change their behaviour as they become accustomed to the new types of merchandise available in the urban social environment. The majority of the city populations have Tv sets and Radios, women go out to work, and there are changes in buying behaviour and economic-social values, all of which factors tend to make supermarkets suitable outlets for marketing agricultural food products. The extent to which they have been successful in this sphere could form the subject of further study.

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APPENDICES

APPENDIX 1

The Ideology of the Baath Party

The ideals of the Socialist Arab Baath Party have always been linked with the concept of a national and cultural Arab identity, rejecting hidebound traditions and envisaging a radical concept of the party as being fundamental to its struggle for economic freedom. It therefore sought alliance with liberation movements and progressive systems.

For the Party's point of view, socialist planning provides the practical means by which all human and material resources are scientifically appraised and effectively employed in order to achieve economic and social development. It seeks to achieve the best conditions for the Arab individual, whereby he is liberated from all forms of exploitation and domination. Furthermore, it seeks to provide the coordination of development projects among the regions of the Arab homeland, while keeping within the framework of the Party's nationalistic objectives.

According to this ideology, therefore, planning is of central importance to the development of Iraq's economy in accordance with local, national and pan-Arab needs, both at present and in the future. It is regarded as fundamental to socialist reconstruction.

The political report of the 8th Congress of the Arab Baath Socialist Party defined the three main considerations underlying the revolution's development strategy:

- (a) A scientific study of the problems inherent within the economic structure,
- (b) The full liberation of the economy and its resources from all types of foreign domination,
- (c) The building of a strong economy in order to achieve a large and continuous increase in the national income.

These measures would raise the general standard of living and reduce the disparity in incomes between various social groups and between rural and urban areas.

During the 1970's, two comprehensive development plans were drawn up within the framework of a national Arab perspective. These resulted in comprehensive and speedy development, confirming the role of planning as a tool for directing economic and social activity.

The government summarises the most important guide lines for socialist reconstruction as follows:

- (1) The pursuit of socialist planning and the provision of cadres endowed with an ideological faith in both aims and means.
- (2) The transfer to public ownership of all major sectors of production (large-scale land holdings, foreign trade).
- (3) The socialist transformation of the countryside, with collective farming as the framework of land utilisation.

The decisive battle for Iraq's economic independence which would consolidate her political independence, was therefore to focus on the struggle to wrest her oil wealth from the domination of imperialist monopolies. The political and economic preparations necessary for successful nationalisation, conformed to the principles and objectives of the revolution's strategy, thus ensuring that its progress would be successful.

The nationalisation of oil was one of the strategic objectives of the government which coined the slogan "Arab Oil for the Nation's Benefit" throughout the Arab homeland. The nationalisation decisions was the real beginning of a new international economic order, opening the way for radical changes in the balance of power in the world to the advantage of popular liberation movements. In the light of

these considerations, the government undertook to develop productive forces, by increasing the productivity of labour and utilising the potential of modern technology in order to achieve rapid and balanced development.

Iraq's short-term aim, as part of the new national development plan for 1982-1986, is to achieve a balance in the development of the various sectors. In the long term, as part of a plan covering the period until 2000, it aims at a joint Arab economic effort based on the unity of its national and cultural heritage and the similarity of its economic and political interests.

In sum, the present government achieved economic independence firstly, by consolidating sovereignty over its primary sources of wealth, namely oil; secondly, by organising foreign trade so as to ensure diversification regarding the import of basic commodities or the export of primary products. Import and export requirements must not be allowed to curb the national determination to achieve economic independence. To this end, it is necessary to curb consumption, which may interfere with the norms that have been fixed to strengthen economic independence. Finally, but of equal importance, a sound borrowing policy is necessary. Credit from foreign countries must be restricted to meeting the essential requirements of the National Development Plan. The amount and the terms of foreign credit must not be such as to limit either economic independence or the ability to deal freely with countries within the framework of Iraq's national interests.

Appendix 2

Agricultural Loans in 1983 according to their kinds, (ID Million)

Branch	Cooperative Loans		Private Sector Loans		Institutions loans		Total	
	No of Trans	Amount of loans	No of Trans	Amount of Loans	No of Trans	Amount of loans	No of Trans	Total Amount
Duhok	11	0.358	104	0.368	-		115	0.726
Zakho	6	0.78	51	0.163	-		57	0.241
Sarsank	1	0.003	5	0.022	-		6	0.025
Mosul	2	0.48	89	0.831	-		91	0.879
Talafar	-	-	77	0.361	-		77	0.361
Singar	-	-	150	0.612	-		150	0.612
Shirkat	1	0.060	15	0.155	-		16	0.215
Akra	-	-	45	0.108	-		45	0.108
Arbil	2	0.004	144	0.617	-		146	0.621
Shaklawā	-	-	29	0.116	-		29	0.116
Makhmoor	-	-	67	0.123	-		67	0.123
Sulaymania	10	0.038	120	0.302	-		130	0.340
Jamjamal	2	0.004	26	0.080	-		28	0.084
Halabga	7	0.218	41	0.122	-		48	0.340
Kirkuk	7	0.162	86	0.330	1	0.040	94	0.532
Haweja	30	0.439	58	0.174	-		88	0.613
Haditha	33	0.485	1	0.003	-		34	0.488
Ramadi	16	1.193	72	0.257	-		88	1.450
Tikreet	9	0.121	42	0.217	-		51	0.338
Tooz	-	-	9	0.040	-		9	0.040

<u>Branch</u>								
Balad	11	0.345	37	0.136	-	-	48	0.481
Khalis	16	0.252	149	0.497	-	-	165	0.749
Deyala	6	0.023	255	0.863	1	0.010	262	0.896
Khanaqeen	8	0.043	28	0.132	-	-	36	0.175
Mandili	-	-	10	0.034	-	-	10	0.034
Baghdad	181	1.242	-	-	2	0.110	183	1.352
Mahmodia	358	0.774	-	-	-	-	358	0.774
Hilla	173	0.553	-	-	-	-	173	0.553
Hashimia	44	0.216	-	-	1	0.030	45	0.246
Musayab	-	-	130	0.376	-	-	130	0.376
Kerbala	-	-	51	0.102	2	0.030	53	0.132
Hindia	1	0.004	18	0.084	-	-	19	0.088
Najaf	18	0.148	263	0.558	-	-	281	0.706
Abusukhair	39	0.437	98	0.163	-	-	137	0.600
Shamia	77	0.477	164	0.312	-	-	241	0.789
Diwania	101	1.281	160	0.716	-	-	261	1.997
Thiqar	3	0.009	30	0.135	-	-	33	0.144
Rifae	1	0.008	20	0.059	-	-	21	0.067
Azizia	1	0.015	105	0.437	-	-	106	0.452
Numania	10	0.319	23	0.174	-	-	33	0.493
Kut	-	-	37	0.172	-	-	37	0.172
<u>Branch</u>								
Suwara	-	0	280	0.693	-	-	280	0.693
Imara	11	0.026	27	0.415	-	-	38	0.441
Samawa	3	0.024	30	0.103	-	-	33	0.127
Kurna	-	-	1	0.009	-	-	1	0.009
Basrah	3	1.095	48	0.141	-	-	51	1.236
Total	450	7.915	4147	15.218	7	0.221	4604	23.354

Source: Ministry of Agriculture & Agrarian Reform, 1983.

Appendix 3

**Quantity of Fruits at National Level
1979-1984 (000/Tons)**

Variety	YEAR					
	1979	1980	1981	1982	1983	1984
Lemons	5.2	5.3	1.6	5.2	8.7	13.0
Oranges	27.8	28.3	15.3	18.0	34.7	53.3
Apples	18.2	19.0	11.5	13.7	21.3	30.0
Peaches	2.5	2.4	4.1	5.9	13.8	6.0
Apricots	4.9	5.4	3.2	4.1	3.6	4.0
Pomegranates	25.3	20.5	25.1	23.0	44.0	44.0
Figs	1.4	1.3	1.4	2.0	3.6	0.9
Grapes	58.5	30.8	32.5	20.9	46.2	50.8

Source: Ministry of Agriculture & Agrarian Reform, 1985.

Appendix 4

**Quantity of Vegetables at National Level
1979-1984 (000/Tons)**

Variety	YEAR					
	1979	1980	1981	1982	1983	1984
Tomatoes	273.6	161.7	181.7	134.9	223.0	257.2
Okra	26.2	16.2	12.6	19.0	16.0	15.6
Eggplant	48.7	46.0	30.7	27.7	49.3	52.0
Kosha	18.8	17.0	18.6	15.7	21.3	19.0
Mixed Beans	44.8	37.5	36.0	33.7	26.0	24.4
Pepper	9.2	11.6	7.8	9.3	12.0	18.0
Onion - Mixed	83.0	73.7	56.7	48.3	55.5	128.0
Garlic	3.0	2.4	-	0.8	0.7	3.0
Spinach	3.0	2.8	2.0	2.4	6.0	3.4
Cauliflower	11.5	9.0	8.2	11.5	15.0	112.2
Carrot	10.4	11.2	8.3	7.0	11.2	18.2
Potatoes	45.4	46.8	64.0	36.8	24.6	27.4
Cucumber	107.6	89.7	84.1	74.2	98.8	85.6
Water Melon (Mix)	313.0	189.2	418.8	308.8	257.8	324.8

Source: Ministry of Agriculture & Agrarian Reform, 1985.

APPENDIX 5

Quantity and Value of Dates Export by Various Countries, 1975-1985 (000ID/Tons)

	1975		1976		1977		1978	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Egypt & Morocco	11.9	391.4	21.1	666.3	5.7	260.4	2.6	132.0
Egypt & Sudan	1.7	105.9	1.6	37.5	1.5	76.8	1.5	75.0
Ethiopia	11.7	365.2	4.2	140.0	12.0	536.0	7.4	375.0
Yemen	8.5	250.4	7.7	219.8	3.5	134.7	4.0	187.0
Yemen	4.2	1475.5	7.7	261.2	5.8	254.3	3.8	221.0
Yemen	3.5	146.0	6.6	41.2	0.1	13.2	0.9	101.8
Yemen	1.7	66.5	3.6	128.8	1.2	16.0	1.8	132.5
Yemen	5.0	147.8	4.4	127.0	0.8	77.7	0.5	63.7
Yemen	11.8	400.5	7.0	245.3	3.6	171.7	2.2	114.5
Yemen	36.2	1662.2	31.4	1260.4	19.8	1188.8	37.0	234.3
Yemen	8.7	264.8	9.6	229.0	4.0	169.2	5.1	217.0
Yemen	2.6	77.4	0.6	16.0	0.4	19.0	-	-
Yemen	1.2	64.7	0.1	16.0	0.1	21.0	0.1	21.4
Yemen	-	-	0.5	6.3	-	-	0.1	23.3
Yemen	-	-	-	-	0.3	1.4	2.4	125.6
Yemen	2.3	92.4	3.9	147.0	4.5	212.0	3.0	167.6
Yemen	-	-	-	-	-	-	3.0	155.0
Yemen	0.5	521.6	8.0	1016.0	5.9	826.0	6.7	1115.0
Yemen	3.6	310.0	3.5	254.7	3.4	390.4	3.3	495.8
Yemen	0.1	1.5	-	-	-	-	0.01	2.1
Yemen	-	-	0.1	12.0	-	-	-	-
Yemen	0.2	13.6	0.3	18.5	0.1	20.0	-	-
Yemen	0.1	7.4	1.4	50.0	-	-	0.4	22.2
Yemen	-	-	0.6	22.4	-	-	-	-
Yemen	-	-	-	-	1.4	63.0	-	-
Yemen	0.2	13.7	-	-	2.00	90.0	-	-
Yemen	0.6	71.7	0.1	0.8	0.2	10.9	0.01	3.5
Yemen	2.1	290.0	0.4	37.6	1.1	139.2	0.5	60.6
Yemen	0.3	36.3	2.4	300.0	3.0	447.0	3.0	493.2
Yemen	6.0	594.4	0.2	12.9	0.3	46.4	0.01	19.8
Yemen	0.1	15.7	4.8	332.5	3.4	580.2	6.9	1338.0
Yemen	0.2	27.6	0.1	10.4	1.1	25.8	0.01	30.9
Yemen	-	-	0.3	23.0	0.5	71.3	0.4	63.8
Yemen	0.2	21.7	-	-	0.2	25.3	0.8	106.7
Yemen	0.4	56.0	0.2	21.3	0.2	28.0	0.2	33.2
Yemen	0.7	55.8	0.6	81.8	0.6	87.4	0.8	137.8
Yemen	0.6	74.3	0.5	47.7	0.6	83.0	0.2	30.0
Yemen	30.0	1905.0	0.8	104.6	1.3	188.0	1.4	197.0
Yemen	70.0	2135.0	30.0	1700.3	19.2	1123.0	30.0	2213.0
Yemen	2.2	233.0	118.0	3571.4	70.0	2132.0	98.0	3364.0
Yemen	0.7	87.2	2.5	244.2	2.0	313.4	3.6	609.3
Yemen	-	-	0.8	72.8	-	-	-	-
Yemen	-	-	-	-	-	-	-	-
Yemen	-	-	-	-	-	-	-	-

	1979		1984		1985	
	Quantity	Value	Quantity	Value	Quantity	Value
Algeria & Morocco	2	180.4	-	-	0.2	29.8
Egypt & Sudan	1	54.8	-	-	0.1	33.7
Kenya	1	97.8	-	-	1.8	207.4
Yemen	4	223.3	-	-	1.0	118.0
Yemen	2.8	170.0	-	-	-	-
Yemen	0.7	102.3	-	-	-	-
Jordan	0.3	36.0	0.01	19.0	1.0	168.3
Other Countries	0.4	40.0	0.05	25.0	101.0	202.9
Saudi Arabia	0.3	16.2	0.6	85.0	0.7	117.0
India	34.7	2244.0	2.0	291.0	6.1	805.0
India	1.5	74.4	1.2	31.0	-	-
Pakistan	-	-	-	-	-	-
Japan	0.1	19.0	3.0	85.7	5.0	666.0
Cyprus	-	-	-	-	-	-
Bangladesh	3	164.7	-	-	-	-
Singapore	2	157.0	1.0	111.3	1.5	200.0
Indonesia	4	209.0	-	-	-	-
United States	4.9	976.3	-	-	0.2	43.0
Canada	2	353.9	-	-	-	-
Brazil	0.04	8.1	-	-	-	-
South Africa	0.06	10.5	-	-	-	-
Australia	-	-	-	-	-	-
Kenya	-	-	-	-	-	-
Senegal	-	-	-	-	-	-
Sierra Leone	-	-	-	-	-	-
Switzerland	0.3	51.0	0.08	2.0	0.1	24.7
France	4.7	93.4	0.03	11.2	0.1	38.4
Belgium	-	-	-	-	-	-
Denmark	2	496.3	-	-	0.7	188.7
Germany	-	-	-	-	-	-
Czechoslovakia	0.03	61.0	0.05	17.6	-	-
Czechoslovakia	8.9	129.0	-	-	-	-
Germany	-	-	-	-	0.1	27.1
Hungary	0.09	187.0	0.1	47.6	-	-
Bulgaria	-	-	0.4	104.0	-	-
Denmark	-	-	-	-	-	-
U.S.S.R.	30.0	2471.0	-	-	-	-
Hong Kong & H.K.	68.2	2151.0	-	-	3.5	551.1
Australia	1.3	256.2	0.7	232.2	-	-
New Zealand	0.5	110.3	-	-	-	-
Hawaii	-	-	-	-	0.1	43.4
Turkey	-	-	0.4	311.4	0.1	23.6

Appendix 6. Table 1

Monthly Allocations of Wheat in Basrah
According to Transport in 1979 (Tons)

Month	Ship	Boat	Railway	Truck/ Road	Total
January	44,451	22,210	54,168	15,642	136,381
February	44,985	17,229	57,030	20,643	139,887
March	51,271	29,554	62,073	26,479	169,377
April	49,468	19,278	54,764	24,179	147,689
May	54,733	24,677	40,625	16,889	136,924
June	47,304	10,737	24,143	15,542	97,723
July	51,217	25,970	47,543	8,043	132,773
August	41,832	24,010	59,381	18,099	143,322
September	48,668	20,466	63,126	11,784	144,044
October	50,693	28,927	73,470	12,279	165,369
November	39,157	26,243	47,123	18,440	130,963
December	52,075	21,927	60,079	9,579	143,660
Total:	575,854	271,135	643,525	197,598	1,688,112

Appendix 6. Table 2

Monthly Allocations of Rice in Basrah
According to Transport in 1979 (Tons)

Month	Ship	Boat	Total
January	20,625	-	20,625
February	16,981	11,589	28,570
March	13,621	24,890	38,511
April	24,041	6,203	30,244
May	21,186	20,809	41,995
June	-	22,685	22,685
July	5,918	15,211	21,129
August	-	10,827	10,827
September	-	8,562	8,562
October	12,422	13,488	25,910
November	3,174	14,215	17,389
December	12,136	16,754	28,890
Total:	130,104	165,233	295,337

Appendix 6. Table 3

Monthly Allocations of Barley in Basrah
According to Transport in 1979 (Tons)

Month	Ship	Boat	Railway	Truck	Total
January	-	-	160	-	160
February	-	7,713	2,683	-	9,856
March	-	385	3,033	-	3,418
April	126	14,739	2,994	-	17,859
May	-	4,467	3,917	-	8,384
June	314	11,474	1,502	-	13,290
July	-	206	8,656	-	8,862
August	-	2,436	9,096	-	11,532
September	-	11,655	8,825	-	20,480
October	-	4,750	9,926	-	14,676
November	-	6,660	1,961	11,053	19,656
December	-	10,674	7,002	-	17,676
Total:	440	74,619	59,755	11,053	145,849

Appendix 7

Livestock - Numbers by Kind and Governorates - 1985 (000)

<i>Governorate</i>	<i>Camels</i>	<i>Horses</i>	<i>Buffaloes</i>	<i>Cows</i>	<i>Goats</i>	<i>Sheep</i>
Nineveh	5.0	2.0	6.0	108.0	244.3	2027.8
Salah Aldeen	0.5	0.6	2.0	62.0	127.6	632.2
Tameem	-	0.4	2.0	48.4	114.6	473.5
Diala	-	2.0	6.0	115.0	187.8	712.4
Baghdad	-	2.0	42.0	160.0	68.9	204.7
Anbar	2.0	2.0	1.0	64.4	36.3	489.3
Babylon	3.0	4.5	7.0	160.0	124.7	505.6
Kerbala	0.3	0.2	3.0	26.6	10.0	92.0
Najaf	3.0	0.7	8.0	62.5	5.4	124.8
Qadisin	11.0	6.0	11.0	130.0	111.0	571.1
Muthana	11.0	3.0	2.0	53.2	32.7	753.8
Thiqar	3.0	11.0	21.0	178.8	54.3	899.4
Wasit	16.0	5.0	8.4	169.6	348.1	857.6
Maysan	0.7	6.0	26.1	146.9	46.5	517.0
Basrah	14.0	1.0	22.6	80.2	14.8	111.8
Dohak	-	2.0	0.2	13.7	158.8	128.6
Arbil	-	3.0	0.5	35.4	183.1	330.3
Sulaymania	-	1.5	1.2	82.9	189.6	291.4
Total	69.5	52.9	170.0	1697.6	2059.5	9723.3

APPENDIX 8

Questionnaire for Cooperative Societies:

1. How would you define marketing?

2. How often do you have meetings between management and members?

Every month Every 3 months Every 6 months Once a year

3. Do you have any formal management training schemes? If Yes, specify the particular agricultural content of such schemes.

4. Indicate the degree of importance to attach to each of the following weaknesses of cooperatives by inserting (1) against the most important; (2) against the next in importance and so on:

- (a) inadequate infrastructure, i.e. operational environment ()
- (b) Lack of knowledge concerning quality ()
- (c) Lack of control over delivery ()
- (d) Financial constraints ()
- (e) Poor information about the market ()
- (f) Low level of consumer satisfaction ()
- (g) Lack of Managerial skills ()
- (h) Lack of training and education for farmers ()
- (i) Lack of cooperation between members ()

5. Indicate the importance you attach to each of the following as a means of assessing the progress of cooperatives by inserting (1) against the most important; (2) against the next in importance and so on.

- (a) Comparing results achieved by similar cooperatives in the same area ()
- (b) Growth of membership ()
- (c) Turnover ()
- (d) Dividends ()
- (e) Providing the quality the market required ()
- (f) Prices relating to cooperatives' prices ()
- (g) Services provided ()

6. Do you hire transport, or do you have your own transport facilities? Give details of the number and type of vehicles used.

7. Which of the following factors are considered by cooperatives in deciding prices? Write "Yes" or "No" against each, as appropriate. If "Yes", add (1), (2) and so on, to show the order of importance attached to each factor.

- (a) Local market prices ()
- (b) General market prices ()
- (c) Quality of goods on offer ()
- (d) Influence of the government ()
- (e) Influence of middlemen ()

8. Describe the effects of middlemen buying the produce in the marketing system?

9. To whom do farmers prefer to sell their produce?

- (a) In a free market (b) To agents (c) To the Marketing Board

10. How do cooperatives formulate their annual production policy?
11. A - Which of the following credit sources do you regard as the more important?
(a) Official credit (b) Unofficial credit
- B - (a) Which of the above sources of credit do you use?
(b) If both, indicate in percentage from the extent to which each is used.
(c) Assuming both were equally available, which would you prefer to use?
12. A - In your opinion, which of the following are the most factors contributing to the success of cooperatives? Insert(1) against the most important, (2) against the next in importance and so on.
- a - Offering a wide choice of goods ()
 - b - placing a premium on quality ()
 - c - Offering branded goods ()
 - d - Offering attractive prices ()
- B - If other factors should be included in A above, give details below, indicating their degree of importance.
13. To what extent do farmers observe the cooperative rules of conduct with reference to :
- (a) Generally loyalty to their cooperative.
 - (b) Not selling to non-members of their cooperative?
14. Please state the extent to which the Marketing Board advises farmers with particular reference to market information, including prices in the market, technical assistance and credit facilities, giving details of the areas in which advices is available.
15. What marketing facilities are provided by the government?
16. You may have useful information which is not covered by the above questions. If so, please give details below.

Appendix 9

Questionnaire - Marketing In The Iraqi Agricultural Food Industry.

1. In the context of your job, how would you define the marketing concept?
2. Within your firm is there any organizational structure? If yes, is the marketing function included?
3. Does your firm issue clear a job descriptions and, define a line of management?
4. Put the following factors in order of its importance for the success of your firms products.
 - a - Quality of the product.
 - b - Price of the product.
 - c - Distribution
 - d - Advertising And Promotion.
5. State the manager's educational background of your firm - Please tick one of the following :
 - a - Secondary school.
 - b - Intermediate school.
 - c - Commercial College.
 - d - Law College.
 - e - Engineering College.
 - f - Military officer.
6. State which of the following functions are performed by your firm? Who carries out the functions indicated?
 - a - Product planning
 - b - Sales forecasting
 - c - Marketing Research
 - d - Pricing
 - e - Advertising
 - f - Sales promotion
 - g - Transportation.
 - h - Distribution
 - i - Warehousing
 - j - Salesmen Training
 - k - Packaging.
7. Does your firm undertake any kind of Marketing Research? a - Yes b - No
8. If the answer to question seven is yes, which of the following activities has your firm performed? Which department performs it /them?

<i>Kind of Research Done</i>	<i>By Marketing Dept</i>	<i>By Marketing Research Dept</i>	<i>Not done by others</i>
a - Product Research.			
b - Market Analysis.			
c - Distribution Research.			
d - Consumer Survey.			
e - Advertising Research.			
f - Other Research.			

- 9 . State the amount spent by your firm on marketing research in each of the last six years.
 1981..... 1982..... 1983 1984 1985..... 1986.....
10. Which of the following are your main reasons for not doing marketing research in full?
- a - Lack of Secondary data.
 - b - Lack of expertise.
 - c - Competition is low.
 - d - Lack of facilities.
 - e - Other reasons.
11. State which of the following functions are performed by your firm, and the department which performs them.
- a - Marketing research.
 - b - Introduction of New products.
 - c - Development of existing products.
 - d - Pricing Policy.
 - e - Sales forecasting.
 - f - Advertising.
 - g - Sales promotion.
 - h - Credit Control.
 - i - Distribution - physical.
 - j - Packaging.
 - k - Sales training.
 - l - Transportation.
12. Define the basis for segmenting the market for your firm's products.
13. Is your product for:
- a - Urban areas?
 - b - Rural areas?
 - c - Both rural and urban areas?
 - d - Export?
14. State the date of launching your last new products?
- a - Last year,
 - b - During the last 3 years,
 - c - During the last 6 years,
 - d - Other answers.
15. After launching a new product, does your firm evaluate its success? If the answer is yes, by what means?
- a - Pre-test market.
 - b - The firm's employees.
 - c - Other means.
16. State the major problems involved in launching new products on the market. From the following list, tick the one which your firm regards as the most important.
- a - Strong competition.
 - b - No problems
 - c - Expensive of introduction.
 - d - Lack of information.
 - e - Price mechanism.

f - Other problems.

17. Who makes the decision regarding the introduction of a new product or the deletion of a particular line of product?
18. How many product lines does your firm offer, and how many items are offered within each product line?
Product line *No of items.....*
19. Do you undertake a test market for your product? If the answer is yes, state if it is carried out before, or during the launching process?
20. Does your firm try to ensure that consumers are satisfied? By what means?
21. Is your promotion strategy on a "push" or "pull" basis?
22. Does the firm advertise its products? If the answer is yes, does your firm advertise
a - Frequently
b - Occasionally
23. State reasons for not advertising.
24. How much did your firm spent in each of the last six years on advertising?
1981..... 1982..... 1983 1984 1985 1986.....
25. If your answer for Q22 is yes, which of the following media are used for advertising?
Advertising Media *Usually* *Occasionally* *Not Used.....*
a - Television
b - Cinema
c - Magazine
d - Newspapers
e - Radio
f - Transportation advertising
g - Our door methods.
h - Other media.
26. Which of the following is the main purpose of your advertising?
a - Image improvement.
b - Publicity.
c - Introducing, new product.
d - Increasing sales.
e - Other reasons.
27. On which of the following bases does your firms fix the amount of advertising expenditure?
a - Percentage of Sales.
b - Rule of thumb.
c - Last year's expenditure.
d - What the firm can afford.
e - Achieving the firm's objectives.
f - Other means.
28. Is your firm satisfied with the services of the advertising agency?

- a - Very satisfied.
- b - Reasonably satisfied.
- c - Dissatisfied.

29. Are there any problems that prevent your firm from advertising? If the answer is yes, what are these problems?

30. State your firm's attitude towards advertising?

Very Important..... Of some importance..... Not important.....

- a - Illiteracy And Scattered distribution of population.
- b - No problem.
- c - Lack of expertise.
- d - Lack of adequate media.
- e - Lack of commercial facilities.
- f - Methods of measuring the effectiveness of advertising.
- g - Other problems.

32. Does your firm participate in local or foreign fairs and exhibitions?

- a - Frequently
- b - Occasionally
- c - Never.

33. If the answer to Q32 is positive, state how important you consider such participation to be,

- a - very Important
- b - Of some important.
- c - Not important.

34. Have you received any orders as a result of your participation? If the answer is no, state why you think this is the case.

35. State which of the following sales promotion methods your firm uses.

- a - Posters.
- b - Free samples.
- c - Calendars.
- d - Leaflets.
- e - Displays.
- f - Others.

36. In your firm who is responsible for deciding the context and design of advertising?

37. To which of the following buyers does your firm sell?

List..... Yes..... No.....

- a - Wholesalers
- b - Retailers.
- c - Public bodies.
- d - cooperatives.
- e - Ultimate consumers.
- f - Others (specify).

38. Do you decide a forward plan for the following marketing objectives, and if the answer is yes, state for how long a period.

Area..... Up to 3 years Up to 6 years..... More than 6 years.....

- a - Profit.
- b - Sales volume.
- c - Product decisions.
- d - Financial resources.
- e - Market share.

39. Have you considered changing your firm's channel of distribution?

- a - Yes.
- b - No.

In each case, give a reason for your answer.

40. Is your firm engaged in selling activities outside the country?

41. Does your firm undertake any kind of distribution activity?

- a - Yes
- b - No.

42. If the answer for Q41 is yes, does your firm evaluate its performance in relation to such activity?

43. By which of the following means do your products reach their final destination?

- a - By the firm's own transport.
- b - By private agents' transport.
- c - The buyer's responsibility.
- d - Other means.

44. Is the cost of transport included in the selling price?

45. Which of the following is regarded by your firm as the most important means of transport?

- a - Railways.
- b - Lorries.
- c - Inland water transport.
- d - Other means.

46. List in order of importance the following problems affecting the conduct of your business?

- a - High costs.
- b - Insufficient Roads.
- c - Inadequate services.
- d - Technical problems.
- e - Other problems.

47. Do you have any problem related to warehousing?

- a - Often.
- b - Occasionally.
- c - Never.

48. Do you have a fixed schedule for delivering your products to your customers?

If yes, tick the appropriate one from the following:

- a - Always
- b - Often.
- c - Never.
- d - Other answers.

- 49 . List the following in order of importance in relation to your firm's planning
- a - Distribution policy.
 - b - Product policy.
 - c - Selling policy.
 - d - Pricing policy.
 - e - Advertising policy.
 - f - Other answers.
50. State if there is any tax on profit? If yes, what percentage?
51. Is achieving profit one of your firms objectives?
52. Put in order of importance the major problems faced by your firm in pricing products.
- a - Level of competition.
 - b - Government control and Intervention.
 - c - No problems.
 - d - Rising costs.
 - e - Cost accounting system.
 - f - Others.
53. Which of the following three methods of government control do you prefer? List them in order of importance.
- a - Price fixed.
 - b - By firm with Government approval.
 - c - Price fix with fixed margin level.
54. Who in your opinion , benefits most from Government intervention and control of pricing.
- a - The consumers.
 - b - The producers.
 - c - Both consumers and producers equally.
55. Who decides the prices for your firm's products?
- a - The firm's Board.
 - b - Government Authorities.
 - c - Compromise between the firm and the Government.
56. Is there any specific information you think is worth reporting?

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