

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

BY

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**DEDICATION**

*To my wife Suhair,  
with compliments.*

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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and all those acting at an official level to reconsider and re-evaluate the traditional methods of doing business, and out-of-date marketing techniques in the interests of marketing effectiveness, and to refashion current practices in the light of the new environment so that improved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's 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).

**CHAPTER ONE**

**STATE OF IRAQ.**

**The Economy, Agriculture, Industry**

**CHAPTER ONE**  
**STATE OF IRAQ**

**The Economy, Agriculture, Industry**

- Intoduction    The Ancient Iraq
- 1.1            The Iraqi Economy - Structure
- 1.2            Gross Domestic Products
- 1.3            Agriculture in Iraq
- 1.4            Climate
- 1.5            Industrialisation and Development
- 1.6            What Constitutes Planning
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  - 1.9.1    Labour Structure
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- 1.11           Wholesale and Retail Trades
- 1.12           Urbanisation
- Conclusion



## Chapter One

### State of Iraq - The Economy, Agriculture, Industry

#### Introduction: The Ancient Iraq

The Republic of Iraq is situated in the South West of Asia and is part of what is known as the "Fertile Crescent". It is also a part of the Arab Nation, bound on the North by Turkey, on the East by Iran, on the West by Syria, Jordan, and Saudi Arabia, and on the South by the Arabian Gulf and Kuwait.

The area of Iraq covers 438,446 sq. km., divided administratively into eighteen provinces or Governarates, and two deserts, the Northern and Southern deserts, together with the Jazeras constitute as much as three-fifths of the country's area 270,000 sq. km.

Iraq was formerly known as Mesopotamia, which means the 'Land between two rivers'. The two rivers enter the country from the North and North West, and traverse the whole Northern area forming an alluvial valley and converging just North of Bagdad, the Capital, south of which they separate again soon to be almost lost in lakes and marshes. The remaining water runs together at Qurnah and flows as the Shat Al-Arab waterway into the Arabian Gulf. Since World War II, Iraq has had a separate political identity but in the past, the country has nurtured some of the very earliest of the world's recorded civilisations.<sup>1</sup>

From the time of the earliest settlement by the Sumarians, nearly four millenia B.C., each successive settlement until the 11th Century A.D. made a unique contribution to world civilisation. Settled agricultural production was first attempted some 8,000 years ago in this country of the two rivers, the Tigris and the Euphrates. Some of the world's first cities, Ur, Babylon and Nineveh were built here, supported by a flourishing agricultural economy. It was in this 'Land of the Abbassid Caliphs' during the 9th to 11th century A.D. that all ancient thoughts and experiences of various nationalities -

Greek, Persian and Indian - were accumulated, synthesised and further developed, hence forming the foundations of most modern sciences.<sup>2</sup> At that time the Iraqi population was over 40 million and the staple industry was agriculture. In the 13th century, occurred the last of the country's series of large scale destructive invasions, this time carried out by the Mongols. The damage was never repaired by the Ottoman Turks who superseded the Mongols in the 16th century. Thus, for four centuries before the First World War, Iraq was a neglected and poverty stricken outpost of the Turkish empire.<sup>3</sup> From 1921 to 1932, Iraq was under the British mandate. The turning point in the history of modern Iraq came with the overthrow of the monarchy on 14th July 1958, when Iraq became a republic. Iraq's hopes for the future and her economy assumed a new character, and the first comprehensive plan for the country was embarked upon in 1970.

This chapter seeks to illustrate the steady progress towards development pursued by the present government and the effectiveness of its political leadership. The Iraqi economy has developed at a higher rate since the revolution of July 1968. Per capita income has increased many times since that year, rising from ID90 to around ID1157 in 1980.

This chapter also seeks to pinpoint the landmarks in Iraq's economic development and to determine its major sources. It presents an historical review of the main features of the Iraqi economy which involves a study of the development plans introduced after 1958. This is followed by a closer study of two main sectors within the economy - oil and the manufacturing industry - and considers their role in Iraqi economic development.

The Appendix is concerned with Bath Socialism. It considers in what way its political objectives can determine the structure, prospects, and positive achievements of the Iraqi national economy.

## 1.1 The Iraqi Economy - Structure

The Iraqi economic policy is based on the belief that Arab Socialism founded on Islam can achieve equality throughout the population and prosperity for the country, by means of a variety of state organisations,<sup>4</sup> (i.e. through the supervision by these organisations of the financial, industrial, transport, and commercial sectors). As a result, economic activities have become increasingly centralised. As we shall explain in another chapter, the government, through a process of land reform, has officially allocated small plots of land as a means of helping poor farmers, but the disadvantage of this measure outweighs its advantages. In this section, the Iraqi economy is divided into two periods, the first being from 1954 to 1972, the second starting in the latter year where the oil price increased, which had a tremendous effect on the economy generally. All the important aspects of the economy will be examined briefly to shed light on the economic situation. Growth levels, agriculture, industry, oil, and foreign trade are reviewed in turn.

Oil plays a leading role in financing investments in the public sector, being the government's main source of revenue. Huge increases in oil production have transformed Iraq's economy, the most important change having taken place in the provision of government services which have been greatly expanded. Before the nationalisation of the oil industry, oil revenue had no significant effect on economic growth but its contribution to development plans has increased in successive years, rising from 56% to 69% during each of the periods 1961-1966 and 1967-1969, and to a peak of 86% in 1982. The high level of oil revenue up to 1984 has meant that the present government does not face many of the problems which limit growth in other developing countries. Since 1973, the government has been the principal promoter of economic development, playing a major role in terms of production and investment, acting either alone or in conjunction with private enterprise.

Until 1968, the Iraqi economy was out equated. The contributions of the agricultural, industrial and transport sectors to the Gross National Product were small. At this time, the oil sector was completely isolated from other branches of the Iraqi economy. A report prepared by the United Nations clarified the relationship between the domestic economy of the oil-producing countries and the oil industry as such. The articles of the oil companies granted them freedom to operate in complete isolation from the economies of the Middle East. Production was therefore governed by international rather than domestic conditions. Moreover, the companies themselves supplied and owned the means of distribution, including the oil pipelines and the oil tankers that transported Middle Eastern oil to the markets in Western Europe and the rest of the world. Consequently, the effect of oil operations on the economies of these oil-producing countries was essentially indirect and the profits were limited.<sup>5</sup> Therefore the Iraqi economy was characterised by the following:

1. Complete domination of oil resources over other sectors of the economy.
2. A high level of consumer goods imports which flooded the Iraqi market, thus inhibiting the development of a competitive, domestic industry.
3. Neglect of comprehensive economic, social and cultural development.
4. A serious defect in the foreign balance of trade which suffered a permanent deficit.
5. A low rate of economic growth and low level of national income.
6. Imbalance between various sectors of the national economy.

Thus, the Iraqi economy exhibited the main characteristics of underdevelopment and dependence prior to 1968. The year 1968 could be considered as a turning point for the Iraqi economy, and as the beginning of a new era in the history of modern Iraq. There are many reasons for this, the most important being the desire of the government to give economic control to the Iraqi people. The rise in oil prices in 1973 only served to increase this desire. The government devoted attention to economic, social and cultural

transformation. Various branches of the Iraqi national economy witnessed radical changes.

It was at this time that oil resources were liberated from the control of the multinational oil companies and placed under the sovereignty of Iraq. This meant they could now be part of a comprehensive development programme.

The main objective for Iraqi agriculture in the short term was to achieve self-sufficiency in food and in the long term, to export agricultural products as had been done before 1958. Reclamation work, involving land clearance, and the construction of irrigation systems, was expected to provide 11 million extra donums.

The main objective for industry was to promote the industrial sector by completing unfinished projects and by building a strong industrial base. It aimed to raise production in the industrial sector by an annual compound average of 14%. This was to be achieved by promoting the forces of production which would involve adapting modern technology and increasing the efficiency of the workforce, through manpower training. Productive efficiency could also be raised by expanding and diversifying the export base thereby increasing marketing opportunities. Other objectives were to insure the efficiency of the distribution, transport, communication and storage sectors which were to be expanded at an annual compound average of about 10%. Besides encouraging farmers to increase their production, efforts would be made to relieve bottlenecks in the distribution process caused by, for example, inadequate methods of transport or uncertainty concerning future supplies. It seems that the government strategy aimed at creating a certain degree of balance in the development of the various economic sectors wishing to effect a balance between consumption, savings and investment and to break out of the "vicious circle of property" especially in the case of farmers through an increase in domestic savings.

The above discussion in this section reveals an important characteristic of the economy in Iraq which is relevant to our research, namely that although the

agricultural sector supplies domestic industries with raw materials it has remained backward compared to other sectors, the average annual rate of increase being only 2.2% over a ten-year period, whereas the proposed target was to achieve a 9% annual increase. Also the trend of dominance by the consumer industries continued and most of the industrial sector's products continued to depend on the agricultural sector for supplies of cotton, and tobacco as well as foodstuffs. Thus, industrialisation means transforming the country from an underdeveloped agrarian economy to a developed agro-industrial economy, thus allowing the industrial sector to play a greater part in national income generation, consequently the industrial sector was intended to play a vital role in the future. It would help to promote the type of agricultural development required to increase production. It would contribute to the diversification of production by processing domestic raw materials and agricultural produce, and thus potentially a wider export structure. It would move towards import substitution by meeting increased demand in the local markets for manufactured goods for both production and consumption, and finally, from a political point of view, it would create the infrastructure required for an advanced national economy within the framework of policies based on Arab-coordination and integration.

The present government has an important part to play in promoting the industrial sector as the leading sector of the national economy. Thus a significant development has taken place in the industrial sector. Table 1 represents a comparison between some important items developed in the period 1975 to 1985 in the local industry, all of which illustrate the importance of the public sector.

## **1.2 Gross Domestic Products**

Table 2 shows the gross domestic product trend for the period 1971-1975 in the economic sector. The overall growth was 9%. The agricultural and mining and quarrying sectors account for the greatest part of the overall increase, together

**Table 1**  
**Some Important items produced in Iraq: 1975, 1985**

<i>Item</i>	<i>Unit</i>	<i>1975</i>	<i>1985</i>
Dairy Products	Ton	31.0	99.0
Vegetable Oil	1000 tons	89.0	165.0
Soft drinks	1000 Bottles	442	770
Sugar	Ton	157.0	68.0
Woolen blankets	No(000)	654	2883
Leather shoes	1000 Pair	2720	3508
Cement	Mill Ton	2	8
Air coolers	Number(000)	33.0	205.0
Refrigerators	"	40.0	160.0
Oil Stoves	"	200.0	104.0
Television	"	25.0	145.0
Various Fans	"	92.0	275.0
Proessed dates	Ton(000)	58	50.0
Passenger Cars	Number	152.0	71.0
Trucks	"	1798.0	235.0
Bicycles	"(000)	43.0	105.0

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

**Table (2) Distribution of Gross Domestic Products According to economic sectors for the years 1971 - 1975 (at Current price) ID. Million**

<i>Sector</i>	<i>1971</i>	<i>1972</i>	<i>1973</i>	<i>1974</i>	<i>1975</i>
Agriculture & Forestry	212.5	269.4	225.9	232.1	297.3
Mining & Quarrying	512.9	407.3	574.3	2030.7	2287.7
Crude Oil	507.8	400.0	563.4	2022.7	2279.0
Others	5.1	7.3	10.9	8.0	8.7
Manufacturing Industries	118.5	140.0	157.6	176.1	238.5
Construction	43.6	45.2	57.6	69.1	91.3
Electricity & Water	11.9	13.7	16.0	13.7	17.7
Commodity Sector	899.4	875.6	1031.4	2521.7	2932.5
Transport & Communication	79.7	85.9	88.5	124.1	157.6
Wholesale & Retail Trade	94.4	102.6	115.2	168.9	194.9
Banking & Insurance	20.6	20.0	20.5	44.2	60.2
Distribution Sectors	194.7	208.5	224.2	337.2	412.7
Ownership of dwellings	54.5	56.3	58.8	74.7	80.5
Public Administration	131.7	136.0	154.5	261.4	372.6
Services	94.7	112.4	118.6	152.7	172.2
Services Sector	280.9	304.7	331.9	488.8	625.3
Gross Domestic Product at factor cost	1375.0	1388.8	1587.5	3347.7	3970.5
Compound growth from 1971 - 1975					9.0
Agriculture Compound growth					25.0
Mining & Quarrying Annual Manufacturing sector					27.0
					12.0

Source: Compile, Annual Reports, Ministry of Planning. (1971 - 1975).



contributing 52% of gross domestic products in 1975. The manufacturing sector came next with an increase of 12% over the base year 1971. If such increases are maintained, they may help to reduce the bottlenecks which impede full utilisation of available resources. If this continues over the long term there is the possibility of Iraqi industry being able to meet local requirements or even to engage in exporting. Finally, the distribution sector including both the wholesale and retail trade contributed about 11% (where the average annual increase has been about 10% since 1953).

The 1963 annual report of the Ministry of Planning shows that between 1954 and 1958, the gross domestic products increased from ID374 million to ID484.7 million, an average annual compound growth rate of 6.7%. During this period the main three sectors contributing to the growth rate were the manufacturing industry with 13.9%, construction with 14%, and transportation and communication with 8.5%<sup>6</sup>, whereas from 1959 to 1963, making the biggest contribution to growth sectors were transportation and communication, manufacturing industries, and the wholesale and retail trades sectors, while during the same period the contribution of the construction sector dropped from ID82.7 million in 1959 to 70.3 million in 1963, representing a decline in growth rate from 14.7% to 9.1%. A comparison of statistics from previous year shows that the annual growth declined from 9% in 1979 to 4.4% in 1984 due to the war conditions that affected the country.<sup>7</sup> Table 3 shows that the national income decreased from ID15323.0 million in 1980 to ID11452.1 million in 1984, the annual rate of decrease being 9%. This trend is also illustrated in other areas - per capita income decreased from ID1157 in 1980 to ID760 in 1984. Table 4 shows that the Gross Domestic Product decreased from ID15647 million in 1980 to ID13626 million in 1984, representing an annual rate of decrease of 28%. The commodity sector constitutes 35% of the gross domestic product in 1984, while the public sector represented 65% of the gross domestic product. The distribution sectors contributed about 23% of the gross domestic product in 1984, while the public sector accounted for 58% of the gross

**Table 3 :**

**National Income at Current Prices and Per Capita Income  
for the Years 1980 - 1984**

<i>The Year</i>	<i>Per Capita Income</i>	<i>National Income</i>
1980	1157.4	15232.0
1981	736.3	10064.9
1982	731.0	10321.2
1983	728.0	10619.6
1984	760	11452.1

Source: Ministry of Planning, 1985.

**Table 4 :**

**Gross domestic Product at current prices and personal share from GDP  
1980 - 1984**

<i>The year</i>	<i>Personal share from GDP (ID)</i>	<i>GDP Million. ID</i>
1980	1181.9	15647.2
1981	820.5	11215.9
1982	890.0	12554.2
1983	854.3	12461.4
1984	904.0	13625.8

Source: Ministry of Planning, Annual Report, 1984.

domestic product. The services sectors represented 21% of the gross domestic product in 1984 while the public sector accounted for 77% of the gross domestic product. For details of these sectors, see Table 5. Table 6 shows that the Gross Fixed Capital total increased from ID3471.5 million in 1980 to ID5697 million in 1982 at an annual rate of increase of 28%, then declined to ID3642 million in 1984. The annual rate of growth for 1982-1984 was 20%. The public sector accounted for 76% of the gross fixed capital formation realised in 1984. Thus the percentage contributed by the private sector distribution was 24%. The obvious interpretation to these changes is due to the present circumstances of the country.

### 1.3 Agriculture in Iraq

Until 1958, the Iraqi economy was antiquated. The contribution of the agricultural sector was more than the contribution of the industrial sector in the economy, excluding oil. During this period of time, the agricultural sector in Iraq was characterised by feudalism, within which system the majority of farmers lived in shanty towns and suffered from poverty, ignorance and disease. Their quality of life was low. The agricultural and animal census of 1959 indicated the following:

1. 3,418 landlords were in control of 15.9 million donums (1 donum = 0.6 acres), i.e. 2% of landowners owned 68% of the agricultural land.
2. 144,000 landowners owned 2.4 million donums, i.e. 86.1% of landlords did not own in total more than 10.5% of the agricultural land.
3. The number of landlords who each owned between 100 and 1,000 donums barely exceeded 20,000, i.e. 11.9% of all landlords.
4. Approximately 14% of landowners owned a total of 5 million donums, 90% of tillable land (see also Chapter 4).

**Table 5:**

**Distribution of Gross Domestic product by Economic Sectors at factor cost for the years 1980 - 1984 (M.ID).**

<i>Sector</i>	<i>1980</i>	<i>1981</i>	<i>1982</i>	<i>1983</i>	<i>1984</i>
Agriculture, Forestry and Fishery	741.9	955.5	1309.6	1413.6	1951.8
Mining and Quarrying	9647.5	3295.0	2945.0	2863.8	2349.4
Manufacturing Industries	709.0	717.1	949.8	988.6	1340.0
Construction.	1135.6	1721.7	2102.3	1839.1	1300.0
Electricity And Water	49.5	92.4	106.0	124.3	152.7
Total commodity Sectors	12283.5	6781.7	7412.7	7229.4	7993.9
Transport, communication and Storage	667.2	782.6	807.9	801.7	827.5
Wholesale And Retail, Hotels	811.4	1127.3	1490.1	1565.0	1560.5
Banking & Insurance	274.2	394.4	380.3	533.4	854.9
Total Distribution sectors	1752.8	2304.3	2678.3	2900.1	3242.9
Ownership of dwelling	376.8	416.9	459.6	509.1	547.3
Social And personal Services	1381.6	1847.5	2221.4	2256.6	2452.2
Total services Sector	1758.4	2264.4	2681.0	2756.7	2999.5
Gross domestic Product at factor cost by sectors.	15794.7	11350.4	12772.0	12895.2	14236.3

Source: Ministry of Planning, Annual Report, 1984.

**Table 6:**

**Gross fixed Capital formation at Current Prices 1980 - 1984 (ID Million)**

<i>The Year</i>	<i>Total Value</i>	<i>Private Sector</i>	<i>Public Sector</i>
1980	3471.5	748.0	2723.5
1981	5099.0	1009.5	4089.5
1982	5696.7	1122.3	4574.4
1983	4712.6	819.9	3892.7
1984	3642.4	863.5	2778.9

Source: Ministry of Planning, Annual Report, 1984.

At that time Iraq was known as the "Black Country". Vast areas of land were planted with a variety of crop which blackened the plains. Despite the criticism of feudalism, if we examine the situation in economic terms, we must consider the level of production rather than the means by which that production level was achieved. Statistics show that until 1972, Iraq was an exporting country (see Table 7).

During that time the landlord was socially accepted. Moreover the farmers regarded him as their father who sometimes solved their personal problems, their disputes, or even their marriage affairs. Those farmers lived with their family members beside the field and all the members worked together. At harvesting time, they would be rewarded with part of the produce, and they were free to sell it in any way they liked. In fact, they kept part of it for their daily consumption. Although no figures are available concerning their share of the produce, it was enough to keep them at subsistence level. Farmers were also able to survive in their daily life by keeping animals to benefit from its breeding and selling them in the local market. They did not expect to make a fortune. They could not choose to work with another landlord. The only choice they had was to migrate to the cities looking for jobs.

After the 1958 revolution, a Land Reform Law (LRL) attempted to diminish the landlord's power for political and economic purposes. An important point that must be mentioned here is that all decisions relating to cultivation, pre-1958, are made by the owner despite the resulting misery of the farmers and the primitive methods employed. By means of forcing his workforce to carry out operations with the minimum of technological assistance, landlords were able to achieve their objectives and at the same time the nation succeeded in being self-sufficient.

The introduction of this law and its amendments in 1961 and 1970 had a shattering effect on farming life. These aspects will be dealt with in detail in Chapter 4, in which land reform and the cooperative movement will be discussed. But it is important to point out that seven years later, namely, by 1964 about 5 million acres had been

Table 7:

Crop Production for the year 1954 - 1959 (Tons).

Crop	1954	1955	1956	1957	1958	1959	1960
Wheat	1968600	1268100	2008300	1435000	3937900	1233400	1333500
Barley	868950	655500	1099200	692700	1469400	648600	700600
Linseed	1054	1960	1275	1404	3300	3300	4000
Lentils	7656	7228	3859	3785	10693	5915	6100
Chick peas	10770	11287	7944	6772	6124	4705	5001
Vetch	544	643	600	586	1132	964	1000
Rice	244990	90810	103935	234930	401245	460200	510000
Cotton	50835	57870	60300	67965	76215	64260	69250
Seasame	10542	11331	9586	8539	10617	20920	21800
Sugar Beet	108267	74136	92538	88817	111480	117288	120270
Tobacco	20208	15903	14440	27541	23437	23437	23900
Dates	388620	523350	408903	471600	378400	465600	358600
Orange	26060	30030	26950	29073	35781	39871	46347
Lemon	5000	6240	6360	6700	6301	10416	15777
Grapes	31000	34200	36456	39000	25140	55465	61068
Tomatoes	60500	63120	68120	95720	202520	359000	97820
Okra	2510	2760	3000	5040	5280	9840	10800
Eggplant	6500	4330	6250	13810	17050	28330	20370

Source: Ministry of Planning, 1959.

expropriated by the government from those landlords for farmers benefit, but from a report of Agricultural and Agrarian Reform Ministry, it is known that large areas remained undistributed at that time. Besides, because of the delay in putting the law into practice, landlords had time to recognise its weaknesses, and succeeded to a large extent in taking advantage of the system by keeping the most fruitful land under their own control, leaving the less productive and unsuitable land for distribution to farmers under the law. Again, such measures as the LRL take a long time to implement, and such measures affected landlords' activities, aspirations and status. Accordingly, they reacted by reducing the amount of their land under cultivation. The government did not act quickly enough to distribute land under the LRL. Moreover they also failed to provide the usual facilities and tools which the landlord had previously provided. Moreover, the transformation from the old to the new system disrupted the social life of the farming community and offered a freedom previously not experienced. This completely affected the agricultural activities and farmers, instead of working collectively over large areas, operated separately on a small scale, and many years later they drifted to city centres, looking for work as their activities were uneconomic.

In general, those who had previously worked for landlords became peasant farmers, self-employed, operating on a small scale, with the help mainly of their family rather than hired labour, producing their own food and other subsistence requirements, as well as cash crops for the market.

If the Settlements Scheme is to be successful, therefore, it will have to supply a very large number of settlers, and must be based on at least one cash crop which produces both a high output and a satisfactory return. State intervention is thus required to provide a costly infrastructure and to recruit a large number of settlers and subsequent management of the scheme supervised by the government.<sup>7</sup> In this context, the researcher believes that the authorities should differentiate between the requirements for successful settlement in the two parts of the country, namely, the North and West.

due to the different conditions that prevail in these two regions. Although this subject is outwith the area of our present study we shall deal with it briefly since it is of great importance, leaving the matter for subsequent study in greater detail. In both areas adequate credit and effective management of equipment are required to replace the antiquated equipment and resources currently being used.

Machines such as tractors, technical supervision and efficient surface irrigation systems are required in the West, whereas settlements in the North need more advanced irrigation techniques such as sprinkler-irrigation. Mesopotamia, which is flat, needs only surface irrigation, while the hilly parts of Northern Iraq, which have not yet been irrigated, are ideally suited to sprinkler irrigation methods,<sup>8</sup> whereas a project used in the Gezerah in Sudan is more suitable for use in the West which has a similar natural environment.

Agriculturally, the country is usually divided according to the means of irrigation employed into large zones: the rainfed zone and the irrigated zone. Basically Iraq is regarded as an agricultural country since agriculture contribute on average about one fifth of the gross national product, employing about 31% of the nation's economically active population in 1981. In 1978 those employed in the agricultural sector represented 44.4% of the working population (see Table 8). Since income from agriculture is low compared with other sectors of the economy the importance of agriculture is declining.

Generally speaking, Iraq agricultural productivity is less than that of other countries. This fluctuating characteristic is caused by the fact that most of the agricultural products are heavily affected by numerous external forces such as rainfall, poor natural resources, lack of accumulated capital and current inputs, technological backwardness, poorly-developed human skills and social environment.

The researcher believes that other important factors have contributed to the decline in agricultural production. This view is based on the fact that the above mentioned



**Table 8:**

**Distribution of the working Population in Iraq in the 1978 according to Sector.**

<i>Sector</i>	<i>No Engaged(000)</i>	<i>Percent</i>
Agriculture	6168	44.4
Industry & Public Utilities	5557	40.0
Mining & Petroleum	13	0.6
Transport	56	2.7
Building Public sector	38	1.9
Distribution Trade	60	2.9
Service Industries	38	1.9
Personnel service & Government Professions	116	5.6
Total	2,046	100.0

Source: A published figure: Ministry of Planning, Annual Report, 1978

factors not only existed in the past but still operate at the present time, as many of these forces are related to natural and environmental causes. Also, despite the prevailing external forces, Iraq was once self-sufficient and was indeed an exporter of most grain varieties. The point that the researcher wishes to make is that the application of the Land Reform after 1958 revolution made a marked contribution to the decline in the level of agricultural production.

In the years following the implementation of the LRL, the level of production has drastically declined and continues to do so up to the present time. Moreover, Iraq is now regarded as an importer instead of an exporter of agricultural produce. This unsatisfactory situation assumed even greater significance after the enactment of the 1958 LRL. In this context, the hypothesis introduced here is that land Reform is an additional factor contributing to the decline in agricultural production. Data supporting this hypothesis will be analysed in Chapter 7. As we shall see in Chapter 5, the number of small holders has been considerably increased, created under the terms of the law, and one of the most obvious causes of rural poverty in Iraq is the number of small farms and the fragmentation of holdings. Small units of cultivation are inefficient as they cannot make full use of modern machinery and involve loss of time in travelling from one plot to another. It is not possible to control the flow of products to the market as a whole, which explains why there are fluctuations in prices, high when there is a shortage, and low when there is a glut. We shall return to this point later, in Chapter 8. Again other aspects affecting the production level will be discussed in more detail in Chapters 3 and 5.

The quality of agricultural products varies as a result of the numerous forces to which they are subjected during the period of growth. Generally, production displays marked annual fluctuations. Wheat and other cereals are the most commonly grown crops affected. In Iraq the general system of cultivation is fallow farming and crop rotation is rare, since fallow land is invariably left to turn to weeds for the grazing of

livestock. In Iraq no more than 75% of the total cultivated area is actually cropped every year. The fallow system helps to lower the water table and thereby reduces to a certain extent, the danger of soil salinity and perennial weed growth in those parts of the irrigation zone where no natural or artificial drainage system exists. Tables 9, 10, 11, 12, 13, 14 and 15 show a considerable fluctuation in the yield of different products such as maize, potatoes, cotton, cereals, wheat, rice and tomatoes.

On balance, it is clear that although the Iraqi economy achieved an overall rate of GNP growth close to or exceeding 7 percent per annum on average over the last twenty years, this was in effect underachievement in the sense that it fell short of what might have been achieved since, given the large volume of funds available from oil revenues, agriculture's contribution to growth was particularly disappointing. With regard to improvements in agriculture, there was limited number of engineering projects skill, some irrigation schemes.<sup>9</sup>

The huge increase in financial reserves following the increase in oil prices during 1973 provided the material resources for the investment programmes. Total investment allocations in 1971 amounted to ID116.53 million, rising to ID242.5 million by 1973, ID296 million by 1974, ID2169 million in 1975, and about ID2,500 million in 1981 (compiled Annual Reports, The Ministry of Planning). A significant development has therefore taken place in the industrial sector. During the period in which the revenue from oil increased until 1981, the value of the industrial sector output grew by 46%. Thus attention has diverted towards promoting the industrial sector as the leading sector of the national economy. As a result, the importation of goods more than doubled, rising from ID1,250 million to ID2,750 million. Taking into account actual spending levels as an indicator of the number of projects executed, the rate of execution in the construction and housing sectors increased by 95.7%, followed by 63.1% in transport, storage and communication, 52.2% in industry, and 47% in agriculture. These figures show that the agricultural sector was treated less favourably

**Table 9:**

**Comparison of the yields in Iraq with other Countries (Maize) 1974 - 1982. (Tons/M)**

Country	1974	75	76	77	Year 78	79	80	81	82
Iraq	15	23	55	82	96	100	90	90	90
Turkey	1200	1200	1310	1265	1300	1350	1240	1200	1400
Nepal	827	748	797	740	743	554	743	752	612
Afganistan	770	780	800	760	780	760	797	798	801
Greece	459	488	505	496	523	731	1279	1428	1310
India	70	120	120	150	220	350	450	500	650
Thailand	110	114	114	96	159	102	100	132	106
Romania	298	213	213	191	230	383	448	268	431

Source: United Nations, Statistical year book, 1982.

**Table 10**

**Comparison of the yield in Iraq with other Countries ( Potatoes) 1974 - 1982.(Tons/M)**

Country	1974	75	76	77	Year 78	79	80	81	82
Iraq	25	44	74	64	104	105	105	110	110
Iran	533	506	550	697	680	688	690	729	768
Algeria	395	575	493	472	473	501	591	600	610
Egypt	708	720	894	1011	773	1019	1214	1210	1100
Cyprus	152	117	200	216	163	190	208	216	224
Afganistan	190	195	354	200	250	265	283	299	307
Syria	105	125	132	164	199	235	292	311	315
Turkey	2275	2490	2850	2800	2750	2870	3000	3000	2992

Source : United Nations, statistical Year Book, 1982.

Table (11)

Comparison of the yield In Iraq With Other Countries Cotton 1974 - 1982(Ton.M)

Country	Year 1974	75	76	77	78	79	80	81	82
Iraq	14	13	12	9	5	5	5	5	5
Iran	230	139	156	178	132	100	60	70	98
Syria	154	142	155	150	144	129	117	131	142
Turkey	298	480	475	575	475	476	500	488	455
Spain	59	43	39	47	32	41	61	70	45
Afganistan	44	53	53	46	48	38	22	28	22
Greece	125	123	111	129	137	100	114	125	115
Sudan	271	229	108	159	198	139	114	99	160

\* Estimate

Source: Statistical YearBank. United Nation, 1982.

Table (12) comparison of the yield In Iraq With Other Countries (Cereals) 1974 - 82 Year (Tons M)

Country	Year 1974	75	76	77	78	79	80	81	82
Iraq	1961	1373	2109	1455	1800	2501	2221	2047	1797
Syria	2324	2197	2919	1639	2456	1763	3883	3559	2276
Turkey	17067	22201	24448	24317	24352	25739	24414	25476	26387
Iran	6951	8540	9172	8246	8075	8012	8107	9484	9189
Egypt	7682	8130	8189	7457	8238	8068	8178	8274	7768
Morocco	4807	3726	5710	2888	4714	4098	4469	2116	4154
Nigeria	8102	8298	8312	8539	8937	9238	9714	9886	10238
Afganistan	4348	4481	4624	4147	4382	4218	4370	4664	4679

Source Statistical Year Book, United Nations, 1982.

Table 13

Comparison of Yield in Iraq with Other Countries (Wheat) 1974-82 (Tons M)

Country	1974	1975	1976	1977	1978	1979	1980	1981	1982
Iraq	1339	845	1302	696	910	1429	1300	1100	900
Iran	4700	5570	6044	5517	5700	5500	5700	6600	6500
Afghanistan	2750	2850	2936	2652	2813	2663	2750	3000	3008
Turkey	11080	14830	16578	16720	16764	17359	16554	17000	17650
Syria	1630	1550	1790	1217	1651	1319	2226	2086	1544
Egypt	1886	2033	1960	1699	1943	1856	1796	1938	2017
Mexico	2789	2798	3363	2456	2785	2273	2785	3189	4468
India	21778	24104	28646	29010	31749	35508	31830	36313	37833

Source: Statistical Year Book, United Nations, 1982.

**Table 14**

**Comparison of the Yield in Iraq with other Countries (Rice)  
1974-1982 (Tons M)**

Country	1974	1975	1976	1977	1978	1979	1980	1981	1982
Iraq	69	61	163	199	172	284	250	250	250
Iran	1313	1430	1566	1409	1280	1420	1212	1500	1400
Afganistan	420	435	448	400	428	439	461	475	478
Turkey	250	240	251	270	305	363	234	330	350
Nigeria	525	515	387	408	515	750	1090	1241	1400
Egypt	2242	2423	2300	2272	2358	2517	2384	2236	2287
Nepal	2452	2605	2386	2282	2339	2060	2464	2060	2300
Cuba	437	447	451	456	457	425	478	461	480

Source: *Statistical Year Book, United Nations, 1982.*

**Table 15**

**Comparison of the Yield in Iraq with Other Countries (Tomatoes)  
1981-1983**

Country	Area Harvested/HA			Yield Kg/HA		
	1981	1982	1983	1981	1982	1983
Iraq	10698	10682	10947	460	470	481
Syria	17994	18750	19439	723	750	793
Turkey	32143	32174	33732	3600	3700	3920
Greece	47457	44070	44186	1915	1918	1900
China	14253	14153	14619	4183	4260	4481
Egypt	18037	17857	18347	2453	2500	2604

Source: *FAO, Monthly Bulletin of Statistics, Vol. 6, October, 1983, p. 21.*

than the other sector. This may enable us to develop a sub-hypothesis, namely that increasing oil revenue, may have encouraged the government to concentrate on industry as the leading sector in the economy, and to neglect the agricultural sector, despite the importance of achieving integration between agriculture and the other sectors of the economy.

Historical studies indicate that a diversified national economy which promotes both individual prosperity and social and cultural progress, can only be achieved through interaction and complementarity between the agricultural and industrial sectors. The development and modernisation of agriculture requires the development and modernisation of industry to ensure a continuous supply of inputs, and this would contribute to the diversification of production by processing domestic raw materials and agricultural produce, thus creating a potentially wider export structure. Thus, despite the fact that the agricultural sector supplied domestic industries with raw materials and, excluding oil, contributed the highest percentage to export, it remained backward compared to other sectors. The agricultural sector's annual rate of decline from 7% in 1971 to 2.2% in 1981.

It is necessary not only to increase agricultural production, but also to improve the productivity of labour in agriculture. The improvement in productivity is required to raise the incomes of those engaged in agriculture, and to meet the demand for agricultural products coming from the increasing proportion of the population engaged in non-farm activities. In most of the developing countries there is a decline in the relative importance of agricultural production, and of the agricultural workforce, since other sectors expand more rapidly than agriculture. This means that the proportion of agricultural output that is marketed, rather than consumed on the farm must rise.<sup>10</sup>

The main summer crops include, dates, rice, tomatoes, onions, cucumber, potatoes, water-melons, eggplants, apricots, grapes and figs. The bulk of these are located in the Central and Southern Governovates. Summer crops depend to a large extent upon the

irrigation system. Carrots, turnips, radishes, artichokes, cauliflower, celery, cress, oranges, lemons and pomegranate, are the principal winter vegetables and fruits. Generally, the summer crops are grown where streams and springs can provide additional water. For this reason the area under summer cultivation is strictly limited. According to available figures the area under summer cultivation was only 4.2% of the area cultivated in winter. Large areas can therefore be used for summer cultivation provided more water is made available through irrigation. This can best be achieved, according to the experts, by means of a large number of small projects aimed at improving the existing utilisation of the water resources available from small streams, springs or wells.<sup>11</sup>

Iraq, normally produces an exportable surplus of dates which, after oil, are Iraq's principal exporting commodity, representing about 80% of the world's trade in dates. Iraq usually imports crops which are in short supply. Imports of agricultural commodities account for more than 18% of the total value of imports, and generally agricultural products represent 40% of her total non-oil exports. Wheat, barley and sugar constitute the bulk of imported agricultural products.<sup>12</sup> Table 16 shows the most important crops produced in Iraq, showing yields and areas cultivated from 1981 to 1985. The data in the Table will be analysed together in Chapter 7 in which we shall explain through our case studies, the government's direct involvement in the field of marketing.

#### **1.4 Climate**

Iraq lies within the moderate northern climatic region. Its climate is continental and sub-tropical, with a rainfall pattern similar to that of Mediterranean countries, where rainfall occurs almost exclusively in autumn and winter. Iraq's climate can be divided into three types:



Table 16

Area, Yield and Production

Crop	Year	Cultivated Area (000 Donums)	Harvested Area (000 Donums)	Production (00 Tons)	Yield (Kg./Donum)
<b>Cereals</b>					
Wheat	1981	48469	47700	9020	186.1
	1982	47277	46738	9651	204.1
	1983	51261	47653	8410	164.1
	1984	52712	19708	4709	89.3
	1985	62661	61609	14055	224.3
Barley	1981	41947	39355	9247	220.4
	1982	46654	44410	9020	193.3
	1983	55655	48663	8355	150.1
	1984	57439	21017	4820	83.9
	1985	57948	54264	13314	229.8
Rice	1981	2290	2180	1622	708.3
	1982	2450	2305	1634	666.8
	1983	2272	1956	1105	486.4
	1984	1810	1566	1087	600.5
	1985	2452	2101	1489	607.0
Maize	1981	1042	705	393	376.8
	1982	794	477	282	354.7
	1983	1086	600	281	259.0
	1984	1389	775	309	223
	1985	1363	857	410	300.4
Millet	1981	41	35	8	207
	1982	11	10	2	201
	1983	87	78	14	163.0
	1984	123	116	25	202
	1985	98	94	16	158

<u>Oil Seeds</u>					
Linseed	1981	32	32	4	134.4
	1982	23	23	3	120.7
	1983	29	20	2	69.0
	1984	25	25	3	100
	1985	-	-	-	-
Sesame	1981	479	415	59	123.6
	1982	466	393	56	121.1
	1983	494	431	62	125.8
	1984	501	431	59	117
	1985	721	699	85	118
Sunflower	1981	401	367	60	150.6
	1982	313	301	78	249.0
	1983	370	347	60	162.9
	1984	506	491	97	192
	1985	518	516	104	200.5
Ground nuts	1981	4	4	2	487
	1982	3	3	2	450
	1983	6	6	3	450
	1984	5	5	4	817
	1985	5	5	4	800
Tuber & Bulb Dry Onion	1981	723	720	1496	2070
	1982	544	542	1132	2082
	1983	332	331	716	2156
	1984	414	410	969	2340
	1985	798	796	174.6	2189
Potatoes	1981	215	215	1041	4843
	1982	201	201	930	4631
	1983	208	208	1046	5036
	1984	289	289	1196	4138
	1985	349	340	1486	4253
Garlic	1981	58	58	39	677
	1982	50	50	44	887
	1983	34	34	26	758
	1984	82	80	59	719
	1985	117	117	92	787

Table 16: Continued

Crop	Year	Cultivated Area (00 Donum)	Harvested Area (00 Donum)	Production (00 Ton)	Yield (Kg/Donum)
<b>Legumes</b>					
Dry Beans	1981	366	363	132	361
	1982	276	274	112	406
	1983	193	192	67	346
	1984	228	226	78	343
	1985	244	235	48	194
String Beans	1981	29	29	6	220
	1982	29	29	6	220
	1983	29	29	6	220
	1984	29	29	6	220
	1985	29	29	6	220
Chick Peas	1981	670	667	120	179.3
	1982	628	628	116	184.6
	1983	654	654	125	190.7
	1984	549	549	94	172
	1985	591	591	113	191
Oats	1981	38	38	8	208.2
	1982	47	47	10	208.9
	1983	29	29	6	204.0
	1984	26	26	5	178
	1985	26	26	7	264
Lentils	1981	256	251	54	212.6
	1982	256	255	55	213.0
	1983	204	203	41	202.6
	1984	212	212	33	155
	1985	212	212	37	176
Green Gram	1981	408	354	62	152.2
	1982	402	357	63	157.4
	1983	256	188	32	122.9
	1984	251	217	36	143
	1985	343	330	63	182

Table 16 continued.

Crop	Year	Cultivated Area (00 Donum)	Harvested Area (00 Donum)	Production (00 Ton)	Yield (Kg/Donum)
Crops for Industrial Uses	1981	51	36	159	3089
	1982	45	42	74	1629
	1983	0.5	0.5	1	2385
Sugarbeet	1984	-	-	-	-
	1985	-	-	-	-
Sugar Cane	1981	135	135	1890	14000
	1982	135	135	1460	10815
	1983	120	120	820	6835
	1984	177	177	855	4830
	1985	-	-	-	-
Cotton	1981	454	412	133	292.0
	1982	482	453	141	293.2
	1983	550	460	118	215.2
	1984	399	289	71	179
	1985	433	376	72	167
Tobacco	1981	480	480	119	248
	1982	501	501	123	245
	1983	580	580	143	247
	1984	561	561	136	242
	1985	660	660	170	257
Tunbak	1981	16	13	3	155
	1982	19	19	5	240
	1983	16	15	3	201
	1984	28	27	6	208
	1985	26	26	4	140

Table 16 Continued

Crop	Year	Cultivated Area (00 Dunum)	Harvested Area (00 Dunum)	Production (00 Ton)	Yield (kg/Dunum)
Vegetables					
Okra	1981	707	682	1090	1542
	1982	789	781	1379	1750
	1983	778	761	1373	1765
	1984	812	779	1557	1918
	1985	878	871	1627	1852
Tomatoes	1981	1637	1624	4252	2597
	1982	1683	1582	4679	2782
	1983	1494	1481	4392	2938
	1984	1720	1678	5311	3089
	1985	1910	1895	6118	3203
Onion, green	1981	169	167	417	2461
	1982	185	181	368	1989
	1983	209	206	546	2672
	1984	308	308	919	2979
	1985	401	400	1030	2570
Broad Beans	1981	547	540	966	1767
	1982	600	588	838	1397
	1983	610	601	890	1460
	1984	772	767	1013	1312
	1985	865	849	934	1079
Squash	1981	139	138	334	2386
	1982	178	177	497	2794
	1983	171	171	459	2676
	1984	253	252	686	2711
	1985	214	212	494	2308
Eggplant	1981	300	286	833	2778
	1982	400	397	1104	2754
	1983	384	376	1124	2930
	1984	454	441	1766	3885
	1985	556	550	2325	4184

Table 16 Continued

Crop	Year	Cultivated Area (00 Donum)	Harvested Area (00 ton)	Production (00 Ton)	Yield (kg/Donum)
Pepper (green)	1981	69	68	135	1977
	1982	129	129	365	2824
	1983	113	112	273	2420
	1984	139	138	366	2631
	1985	171	170	390	2281
Green String Beans	1981	523	502	773	1477
	1982	544	542	865	1590
	1983	540	527	778	1439
	1984	547	530	796	1455
	1985	572	566	780	1363
Melon	1981	1041	1030	2296	2206
	1982	1470	1463	3538	2407
	1983	1278	1262	2704	2115
	1984	1420	1382	3017	2125
	1985	1604	1589	4345	2708
Water-Melon	1981	1713	1684	4911	2867
	1982	1781	1757	5789	3250
	1983	1880	1824	5830	3102
	1984	1883	1783	5713	3117
	1985	2186	2143	7568	3463
Cauliflower	1981	9	9	33	3820
	1982	7	7	31	4278
	1983	14	14	46	3283
	1984	22	22	71	3274
	1985	24	24	91	3801
Cabbage	1981	15	15	47	3173
	1982	13	13	50	3861
	1983	18	18	65	3597
	1984	35	35	147	4209
	1985	31	31	105	3435

**Table 16 Continued**

<i>Crop</i>	<i>Year</i>	<i>Cultivated Area (00 Donum)</i>	<i>Harvested Area (00 Donum)</i>	<i>Production (00 Ton)</i>	<i>Yield (kg/Donum)</i>
Lettuce	1981	76	76	291	3842
	1982	147	146	700	4749
	1983	94	94	441	4683
	1984	128	128	699	5463
	1985	122	122	601	4902
Spinach	1981	17	17	35	2072
	1982	18	17	31	1783
	1983	20	20	42	2013
	1984	23	23	49	2094
	1985	24	24	56	2301
Swiss chard	1981	34	34	79	2303
	1982	49	49	112	2313
	1983	65	65	138	2140
	1984	122	122	290	2370
	1985	82	82	179	2184
Carrots	1981	34	34	79	2303
	1982	49	49	112	2313
	1983	65	65	138	2140
	1984	122	122	290	2370
	1985	82	82	179	2184
Cucumber	1981	1166	1151	2395	2053
	1982	1308	1300	2776	2122
	1983	1403	1383	2840	2023
	1984	1466	1446	3578	2441
	1985	1837	1815	4105	2233
Beans(green)	1981	26	26	43	1611
	1982	22	22	36	1615
	1983	19	19	37	1868
	1984	23	23	33	1421
	1985	63	63	90	1432

Source: MINISTRY OF PLANNING , Annual Report, 1985.

- (1) The Mediterranean climate This covers the mountain area of the North East and is characterised by a cool winter, where snow falls on mountain tops and the annual rainfall ranges between 400 and 1,000 mm. Its summer is moderate, so that it is well known for its summer resorts.
- (2) The Steppes climate This is a transitional climate, between the mountain region of the North and the hot desert in the South. This climate prevails in the central area and has an annual rainfall which is sufficient for seasonal pastures.
- (3) The Hot Desert climate This is characterised by a marked temperature variation between day and night and summer and winter. The maximum temperature in summer reaches 47 to 52°C., while in winter the temperature reaches freezing point or below. Generally speaking, the weather from October to April is dry and pleasantly warm during the day, though a few days of rain can be expected in the winter months. From December to March it is usually cold and frosty at night and some form of indoor heating is required.

### **1.5 Industrialisation and Development**

Industrialisation is a key factor in the economic development of most countries. It offers prospects of a growing availability of manufactured goods, increased employment, improved balance of payments and greater efficiency, and modernisation throughout the economy. Industrialisation is characterised by technological innovation, the development of managerial and entrepreneurial talent and improvements in technical skills, which lead to rising productivity. Consequently, industry does not face the same market constraints which affect agriculture, and presents the prospects of a more rapid rate of growth than might otherwise be possible.

Large-scale industrialisation in Iraq started after 1958. However, it is necessary to review the historic development of Iraqi industry. Industrialisation in Iraq actually



began in 1951 when the Iraqi economy was changed from the status of a free economy to that of a semi-planned economy when the 'Development Board' under the Ministry of Development was established, and the first five-year plan, 1951-1955, issued by this Board, represented the starting point for the industrialisation of Iraq, providing an appropriate agency for the required development. This Board now reflects the government's emphasis on the need for development and it has adequate financial resources for implementing development programmes.<sup>13</sup> The second five year plan introduced in 1955 include six large projects to be financed from the increased oil revenue. Until 1958 the government expenditure on industry amounted to ID131 million.

After the 1958 revolution, a radical change occurred which boosted the Iraqi economy. The government at that time laid great emphasis on industrialisation. A Planning Board supervised by the Ministry of Planning was established, replacing the Development Board. Industrial projects authorised by the Planning Board are implemented by the Ministry of Industry which was created at the same time.<sup>14</sup>

Since 1958 six economic development plans have been formulated, the last one covering the period 1981-1985. The aim of these plans is to accelerate industrial development in Iraq and in fact rapid progress has been made during the last twelve years. The period of oil price increases from 1973 was followed by two economic development plans which may be regarded as the best period for the implementation and commissioning of a considerable number of public sector industrial projects, since government revenue increased considerably. About 529 million ID was spent on agricultural and industrial projects under construction during that period. Public sector expenditure on industrial investment during the period of the last economic plan increased to ID1500 million.<sup>15</sup>

Industrialisation of Iraq began comparatively recently and accelerated after the rise in oil prices in 1973. Apart from oil industry, little else has had an effect on the

structure of the economy and the life of the people. Before the 1960's the basic industries in Iraq were cement, tobacco manufacture, electricity and water, and bricks and construction materials. Marketing facilities, finance and communication up to the present time have shortcomings and cannot be considered adequate.<sup>19</sup> About 80% of the industries referred to are located in or around the capital Baghdad. A number of these industries did not suffer from any shortages of raw materials which were supplied locally, so that despite minimal mechanisation and less than effective management, this sector witnessed impressive development.

After 1968, the government realised that industrialisation was essential and that old industries had to be rejuvenated and new industries developed in order to achieve the desired transformation of society. The first real step was taken when ID895 million was allocated for this purpose in the 1971-1975 five year plan.<sup>16</sup> The value of industrial production rose about four-fold from ID103 million in 1962 to ID401 million in 1974. During the same period, income from the industrial sector rose from ID137 million to about ID410 million, i.e. about 200%.<sup>17</sup>

The latest developments have taken place in the production of pharmaceuticals, plastics, petrochemicals, car tyres, synthetic fibres, the building of aluminium smelters, assembly plants to produce tractors, paper board factories and flour mills.<sup>18</sup> The Basrah fertiliser plant was constructed and began production in late 1980.

Table 17 which gives the results of the industrial survey carried out in 1984 by the Central Department of Statistics, shows that the total number of workers increased from 114,846 in 1974 to 169,900 in 1984 in firms ten or more people, and the output value rose to ID1956.6 million while the value added per worker increased from 753 in 1974 to 838. The number of firms increased from 1241 to 1314. From 1983 onwards firms regarded as large are those employing thirty or more persons. There are 782 firms in that category. From the percentage increase of establishment, it can be seen

that the typical industrial unit is relatively small, and in those employing more production workers will increase accordingly.

The determination of the Iraqi government to modernise Iraq and make the best use of its natural resources distinguished Iraq from other developing countries as diversified investment programmes have been introduced which have given the country an opportunity to develop. Such progress contributed to changing the Iraqi economy from one based on the export of crude oil to one increasingly involved in the export of manufactured and processed products. Although self-sufficiency has been achieved in some sectors much remains to be done in other sectors. Industries relevant to our study include chemical products, fertilisers, and other capital and consumer products.

In Iraq as in most developing countries, the economic development process has emphasised the need to increase the national income and effect changes in its distribution among different social groups, but what is also required is a re-fashioning of the economic structure so that it can effectively contribute to the realisation of wider and deeper social values. The government aim is to support farmers and achieve equality throughout society, together with providing everyone with opportunities for employment. The economic and social disparities which already exist should be eliminated and the gap between rural areas characterised by low incomes and urban areas enjoying by higher income should be closed, and above all every section of the community should feel that its members are equal partners with all others, having an equal role in the economic structure of the country. The emphasis of the next steps to be taken by the government is on training manpower to take part in the process of development, and in the field of management in order to produce people capable of assessing situations and undertaking the responsibility involved in managing and running large projects efficiently. So the future presents a number of serious problems and success in dealing with them will only be achieved over a long period of time.

Iraqi planning is of interest because in spite of all its difficulties, a fairly respectable economic performance has been achieved. The earlier plans are also of interest if only because there is little evidence that many of the shortcomings associated with them have been corrected.<sup>19</sup>

Before introducing the organisational hierarchy responsible for the planning process in Iraq, it is appropriate to examine briefly the overall objectives, and to explain what is involved in economic planning. Thereafter the planning process itself will be discussed, and an account will be given of how objectives in Iraq are implemented by different government organisations.

Having introduced a system of national economic planning, most governments in the developing countries prefer to allocate capital and other resources among the various sectors of the economy, rather than leave such decisions to a large number of independent private investors and thereafter await the results of such decisions. In practice a government is in a better position to implement the function of resource allocation, with reference to our subject, namely agriculture. The government may thus consider it advisable to transfer funds allocated to farming, into non-agricultural undertakings that will provide better returns than farmers or land owners.

Although realism forces us to recognise that market imperfections are prevalent in most countries, including developing countries and that government intervention is sometimes inimical to the interest of farmers (although this is not always intended especially in the developing countries) there is no convincing evidence to indicate that the normal practice in developing countries is to deprive the agricultural sector of any of the benefits gained by the non-agricultural sector through increased investment. Thus the action most urgently required by the government is to increase employment levels especially in the field of agriculture or at least to stabilise current production in the rural areas to prevent or slowdown the rate of migration to urban areas, and this should be regarded as a primary policy objectives.<sup>20</sup>

## 1.6 What Constitutes Planning

Planning involves setting targets and preparing schedules that can lead to achieving objectives.<sup>21</sup> From the management point of view, planning is the first function of a manager, namely the specification of goals and means.<sup>22</sup> Accordingly the planning function must be undertaken by someone, by an individual, or by a group such as a committee, or by a government which has the greater responsibility for the planning function in any country. For our particular purpose planning means intervention by the government in the different sectors of the economy, and the normal work of business, including the market. The extent of such intervention depends upon the government ideology in a particular country, so it varies from one country to another. In a capitalist country the degree of government intervention is minimal whereas in the socialist countries and in most developing countries it is very considerable. In the latter countries, the main purpose of government intervention is to control the direction of the economic policy and to provide the information required by each sector of the economy in order to achieve required targets. Government intervention in these countries is at an extremely high level and affects every aspect of the economy. Moreover, governments like the Iraqi government prevent any intervention by foreign companies in specified sectors which are regarded as vital, such as oil and the chemical industry. However, in the field of agriculture and in certain sectors of the economy for political purposes, improvements may be permitted provided previous permission is granted in specific cases but without surrendering means of production, where there is total control by the government of the means of production, the market mechanism can hardly be employed to allocate resources within the different sectors of the economy.<sup>23</sup>

In Iraq the degree of government intervention is acceptable in that it is employed at an intermediate level. The government does not control all means of production in the economy, and the private sector has a role to play, so that prices are not all arbitrarily

fixed, ignoring market conditions, it also has some say in the allocation of resources.<sup>24</sup> Indeed planning and marketing operate simultaneously. In general, the aim of government planning is not to give full rein to the imperfect workings of the market, but to reduce the effects of market operations. However, there are many reasons for the type of economic planning practised in the developing countries including Iraq. Through general supervision by the government over the different sectors of the economy, the necessary resources can be distributed through channels to assist the growth of industrialisation. In other words, by allocating existing resources more efficiently, they can be employed to better effect and improve the economy as a whole. To some extent, therefore, this can compensate for imbalance in the market and stagnation in the economy.

The ambition of the present Iraqi government in terms of national development is to reverse the inherited social and economic disparities that have been created since the 1920's and to increase public investment to enhance the quality of life for the whole population. The government is now expanding its role in the country's economy through the basic productive resources, by introducing measures to bring about radical changes in the present agricultural structure in order to stimulate economic growth in the cities and the rural areas through the use of the existing resources. The government is enthusiastic about directing public investment towards projects designed to achieve rapid and useful changes in the key economic sectors such as agriculture, industry, education and rural-urban integration. If such objectives are achieved, the allocated resources will succeed in providing the necessary economic and social services in the neglected areas. In this way the traditional agricultural output will be increased, leading to a marked improvement in rural conditions and a reduction of the migration rate, thereby easing the pressures caused by urban congestion and improving working conditions in sectors other than agriculture.<sup>25</sup>

As there is a scarcity of managerial and entrepreneurial skills in most developing countries, there is a shortage of experienced economists, engineers and managers in these countries. The skilled and educated, so urgently required to stimulate economic growth may be supplied by various government departments. Personnel of that calibre can accelerate the process of development, providing greater efficiency and the ability to adapt to different situations.

What is relevant to our discussion here is that management expertise and entrepreneurial skills are basic requirements in running a business successfully and managers must also be able to exercise judgement and display a high degree of interpersonal skill as part of their general functions. It takes many years to develop a reasonable degree of competence in the field of management. The greatest challenge to management is the need to integrate and channel human effort, resources and facilities for the achievement of common goals while avoiding discord and internal friction. Managerial skills and talent are in short supply, and countries including Iraq must search diligently for people with these qualities and develop their talents in the required direction. The managerial job is typically open-ended, multi-faceted and communication-oriented. It involves linking with other elements of the internal and external environment, so managers must participate in planning and act as agents for bringing about change as well as assuming the role of resource allocators who have to determine priorities and decide who gets what within the firm.<sup>26</sup>

Efficient planning helps to ensure that economic growth proceeds in a systematic way, avoiding any confusion and arranging for resources to be directed smoothly along industrialisation channels. Planning directs the flow of existing resources so that development proceeds without interruption. In the long run this will reduce resource wastage and achieving a better standard of living throughout the country. Thus, the benefits associated with social restructuring and business profit will be achieved simultaneously without any economic upsets in the market place. A government,

through its planning can establish enterprises which will help the people and improve the economy at the same time, in spite of reduced profits in the short run, whereas private businessmen may withdraw from any business which is not immediately profitable. The question of profit may be disregarded for some time by the government.

There are arguments against government intervention in the economy,<sup>27</sup> and the different techniques that may be used in planning, both of which issues are outwith the scope of our study. Our main concern here is that government intervention should not lead to stagnation of the economy, and the planning process should be based on scientific information in order to contribute to fruitful development, industrialisation and an improved standard of living in the country. In general, what is required is the type of development which will achieve social, economic and political integration in order to strengthen the country's power of self-determination through appropriate, concentrated utilisation of available natural resources, a policy which would accelerate both economic progress and social improvements in both the rural and urban regions, allowing the regions to share more fully in the resulting benefits.<sup>28</sup>

In Iraq there are specialised institutions which have responsibility for proposing and evaluating projects according to their level of importance, and then directing the planning process. These government institutions in order of importance in the administrative hierarchy are:

1. The Board of Planning This Board which is presided over by the President of the Republic or the Deputy President of the Revolutionary Command Council, is the highest planning authority in the country. The duties and responsibilities assigned to the Planning Board under the relevant law are as follows:<sup>29</sup>

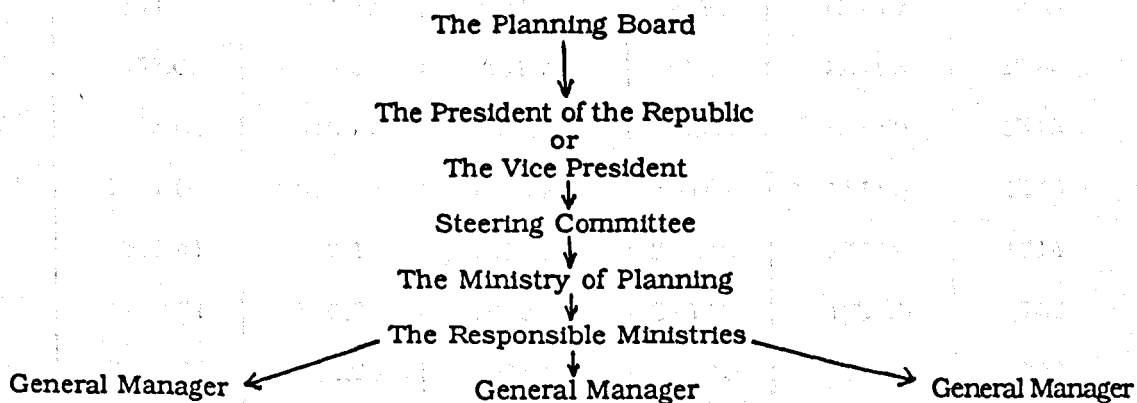
- (a) To set up detailed plans to execute the economic policy of the Council of Ministers;



- (b) To study and amend the detailed economic plan submitted by the Ministry of Planning;
- (c) To take the necessary measures to supervise the execution of detailed economic plans;
- (d) To follow the progress of the execution of the pivotal projects in Iraq.

2. The Steering Committee The Committee consists of the President of the Ministry of Planning as Chairman, the chief executives of the technical departments of the Ministry of Planning and five part-time members. The most important task of this Committee is to make a detailed study of the suggested plan in order to create a basis for adopting appropriate decisions. The Committee also follow up the execution of the plan through its various stages.
3. The Ministry of Planning This is the technical authority responsible for the actual preparation of the plan. The responsibility at this level involves drawing up the general plan for economic and social development. In addition, the Ministry is responsible for providing technical supervision of the collection and publication of the statistics and information required for planning.
4. The Ministerial Committee for Planning This Committee was established at Ministerial level to be responsible for planning and following up the execution of the plan at sector and regional levels. Its activities includes (a)Monitoring the rate of execution of the projects under construction; (b) Providing the national planning organs with the necessary information, for example reports of studies on Ministerial projects. Figure (1) illustrates the organisational structure of planning.

**Figure (1): The Institutional Structure of Planning System in Iraq**



Many of the features which characterise the Iraqi economic planning effort can be identified:

- (i) Development planners are usually fascinated by economies of scale, and install production capacities larger than the absorptive capacity of the home market. Emphasis has been placed on heavy industries, the most important ones being shipbuilding, iron and tyre production. The capacity of these factories is much greater than national needs, bearing in mind that the total population is only 15.5 million about 48% of whom are under the age of 14.<sup>31</sup>
- (ii) The conclusion from the above point is that too great emphasis is placed on the industrial sector, at the expense of the agricultural sector. Although industrialization is essential for the development of developing countries, such emphasis on industry has had an adverse effect on the contribution the agricultural sector can make towards the economy. This situation, as we have seen in Chapter Three, has exacerbated the problems of agriculture in Iraq. Emphasis on agricultural development is crucial in terms of nutrition and diet, development of the food industry, and above all, the amount of

**Table 17: Development of Industry (Summary of Result), 1984**

Year	Value of Sales (ID.m)	Value of Input (ID.m)	Value of Output (ID.m)	Wages (ID.m)	Employees (000)	No. of Firms
1972	249.11	146.51	235.77	35.81	116.40	1289
1973	394.49	187.93	292.11	39.88	120.70	1275
1974	357.07	259.24	351.73	52.32	123.96	1241
1975	426.63	316.71	436.43	61.63	134.60	1349
1981	1291.06	826.50	1280.71	240.61	177.00	1449
1982	1513.41	917.19	1520.70	259.40	173.00	1314
1983	1768.01	890.31	1652.35	243.70	163.30	702
1984	2124.40	981.20	1956.60	268.10	169.90	782

Source: Ministry of Planning: Annual Report, 1984.

**Table 18: The Execution Percent in the Programmes and Economic Plan in the Public Sector, 1951-1980 (ID million)**

Development Plans	Allocation	Expenditures	Percentage of Expenditure %
The first amended programme of Planning Board project, 1951-1954	89.8	49.1	54.7
The Second Amended Programme, 1955-1959	470.0	280.7	59.7
Temporary Economic Plan, 1956-1961	323.6	108.4	33.5
Detailed Economic Plan, 1961-1965	444.8	204.2	45.9
Five Year Economic Plan, 1966-1970	668.1	446.6	66.8
National Development Plan, 1971-1975	1.933.0	1.361.0	70.4
National Development Plan, 1976-1980	3.000.0	2.600.0	87.0

\*Ministry of Planning, Annual Report, Estimates, 1980

foreign currency that can be saved. Emphasis on farm improvements also seems important because of the high proportion of income spent on food in urban areas in the developing countries. Moreover such a situation has left agricultural producers at or below subsistence level. Again since about two-thirds of the population derive their livelihood from agriculture, it is important that development efforts which at present are supported by the benefits issuing from the temporary wealth and financial resources provided by the oil sector, should give higher priority to upgrading the country's agricultural productive capacity.<sup>32</sup>

- (iii) The Iraqi planners concentrate on such problems as capital formulation, monetary policies, and production, but little attention is paid to the development of management efficiency or even marketing.
- (iv) Table 18 indicates an increasing degree of success in relation to proposed development. Evidence of this is shown by the increasing amount allocated for planning as well as by the rate of successful execution. The 1975-1979 five-year plan is an example of attempts to foster the development of the country to meet national objectives, to produce more goods and services, to meet public demand, to improve the standard of living and fulfil increasing expectations. The low level of implementation in the past years is a result of political unrest and instability in the country.

Other factors which also contributed towards the low level of execution are the lack of expertise and managerial skills, and the high percentage of unskilled workers at workshop level employed in industrial projects. Some of the adverse results can be summarised as follows:

- (a) Because of workers' lack of interest and their willingness to work in government sectors, little innovation in the work environment is introduced.

- (b) Payment of monthly salaries is guaranteed and there is little supervision by officials. There is lack of confidence about the future, a feeling inherited from the past which contribute to such a careless attitude with no real attempt to cope with the risk and uncertainty that lie ahead.
- (c) Workers may display a lack of trust in their relations with other people because of the absence of motivation.

However, it is difficult to achieve progress quickly in a society afflicted by such serious problems, or to have confidence in the country's ability successfully to introduce up-to-date technology. In addition, communication facilities are very limited, the level of illiteracy is high, there are few newspapers and T.V. broadcasting is confined to the main cities. These are some of the factors which have increased the isolation of many people from the world environment.

## 1.7 Oil

Oil is the lifeblood of the Iraqi economy. Iraq is the fifth largest oil producing country in the world. For many years, however, she was unable to end international monopolisation of her oil reserves and rise above her economic backwardness. Only through political independence could she use her wealth to achieve socio-economic growth. To maintain more control over its resources the industry was nationalised for two main reasons: first, to achieve greater economic and political sovereignty, and second, to meet the desperate need for increased revenue to finance the process of industrialisation.

In 1970 the multinational oil companies made drastic reductions in oil production (as much as 19%), during a period of dispute and negotiation with the government. The 1968 revolution made important political and economic changes which paved the way for the resolution on nationalisation, introduced in June 1972. The changes affected relations between oil producing and oil purchasing countries, and put an end to the

concessionary, monopolistic situation which had prevailed until that time. Now, nationalisation offered an opportunity to use the financial returns from oil in the service of the national economy.<sup>33</sup> Daily average production has increased as shown in Table 19 from 1312.6 barrels a day in 1966 to 2.682 million barrels a day in 1982. In 1966, Iraq's net income of foreign currency derived from the oil sector was ID188 million, rising to ID954 million by 1982. The oil revenue share of the national income in recent years amounted to 37% and was mainly used to finance the national development plans. The huge increase in the country's financial reserves after the rise in oil prices at the end of 1973 provided the material resources to support investment programmes. Total investment allocations in 1971 amounted to ID116.53 million, rising from ID2,169 million in 1975 to more than 3,020 million in 1985. Moreover, the oil sector represents approximately 90% of the Iraq's total foreign exchange revenue.<sup>34</sup> This revenue is also used to offset the payment deficit incurred by other sectors in order to bring the balance in Iraq's favour. The government rationalised the revenues on an equity basis to finance the government's ordinary expenditure budget, and the expenditure involved in implementing the economic plans. As revenue from exports by other sectors has increased (e.g. dates, cement), dependence on oil for financing the government's ordinary expenditure has decreased. However, such vital projects such as fertiliser plants, refineries, and petrochemical manufacture require heavy investment and therefore involve greater dependence on oil revenue. Such projects can help to meet the country's needs for oil by-products and fertilisers for agriculture and even enable Iraq to export any surplus when these by-products exceed the country's actual needs.<sup>35</sup>

The oil sector developed to a marked extent in only a short period of time, particularly in the field of refining. In recent years, Iraq began to establish some refineries and petrochemical plants in other poor countries in the Arab league, to achieve political and economic objectives.

**Table 19: Quantities of Crude Oil Produced in Iraq (1965-1982)**

Year	Daily Average Barrels/Day	Annual Production (Metric Tons)
1966	1312.6	479099
1967	1392.2	508141
1968	1228.1	448239
1969	1503.3	550208
1974	2018.0	736588
1975	1976.0	719275
1976	2262.0	825533
1977	2422.0	122370
1978	2.957	146110
1979	3.654	176288
1982	2.682	133141

Source : Ministry of Planning, Annual Report, 1985.

**Table 20: Development of Commodity Exports, 1959-1982  
(ID, thousand)**

	1959	1969	1973	1982
Oil Exports	202	347	625	954
Other Commodity Exports	11	22	33	40
Total Commodity Exports	213	369	658	994
Oil as % of Total	95	99	95	95

Sources: 1. Nel-dien, *Oil Contributions to the National Economy and Its Impact on Development Programmes*. Ministry of Information, 1978.  
2. Ministry of Planning, Annual Report, 1985.

Table 20 illustrates the development of oil exports compared to exports of other commodities between 1959 and 1982. The value of oil exports increased more than four-fold over these twenty-three years and could have increased even more but for the unusual circumstances of the country at the present time. On the other hand, other commodity exports did not achieve this high rate of increase during the period referred to, because the government was concentrating its efforts on expanding the industrial sector at the expense of all other sectors. It is worthwhile pointing out that the increase in the national income at an annual rate of 34% and the increasing contribution of the various economic sectors from 1975 to 1982 related to the effect of the oil sector on the economy in general. Most of these changes took place when the benefits derived from increased oil prices list began to be experienced. To be more independent, the government established an autonomous company to manage and operate a tanker fleet for transporting oil amounting to eight tankers by 1980, with a total tonnage of 211.3 thousand tons which are over the capacity of the total annual oil production. Iraq signed a contract with Western Europe to bring the Iraqi oil tanker company's total tonnage to 1.4 million tons.<sup>36</sup> Table 21 represents the total production and export of crude oil in Iraq from 1977 to 1982.

As a further step towards industrialisation, Iraq made an even better deal with some European countries, trading crude oil in return for Western technology. Some contracts have been signed with Japan, Brazil, Italy, for various industrial purposes. Such barter deals have come to be heavily relied on by the government in its international trade. Such a policy began to be implemented with other Western European countries in relation to consumer goods rather than technology.

### **1.8 Foreign Trade**

Foreign Trade has a vital role to play in the national economic structure and in the process of development pursued in Iraq. Its importance is due to the Iraqi economy's



**Table 21: Production and Export of Crude Oil in Iraq, 1977-1982.**

Year	Daily Average Production Million Barrels/Day	Annual Production Million Metric Tons
1977	2.478	122.370
1978	2.957	146.110
1979	3.564	176.288
1980	2.682	133.141
1981	1.070	52.585
1982	1.106	53.981

Source: Ministry of Trade, Annual Report, 1983.

**Table 22: Total Value Imports, Export of Iraq Foreign Trade, 1972-1984.**  
(ID 000)

Year	Transit	Re-export	Exports	Imports
1972	33801	497	22782	247870
1973	65485	2394	28614	234680
1974	56095	272	32523	270317
1975	89724	805	28130	700088
1976	118141	2	35565	1244765
1977	121947	-	46543	1024654
1978	93056	-	63914	1473576
1979	101875	-	83687	1738906
1980	111602	-	121984	2208079
1981	183101	-	16859	2333845
1982	209888	-	15554	2942420
1983	527942	-	81801	1901277
1984	672814	-	82730	1958440

Source: Ministry of Planning's Annual Report, 1985

ability to export especially in the field of oil and consumer products, and also to the high level of revenue derived from exporting these products. In this section the value of exports discussed excludes the value of crude oil and sulphur, and the values of commodities are given on the basis of C.I.F. for imports and F.O.B. for exports. Excluding the oil revenue it gives a true picture of the Iraqi balance of payment by taking account only of the export value of non-oil products.

For the year 1973, the amount of imported products represents about one fifth of gross national income, and one fourth of the consumption expenditure. The situation worsened in 1977 when imports rose more than five-fold, from ID270.3 million in 1973 to over ID1,024 million in 1977.<sup>37</sup> On the other side the commodity exports constituted one sixth of gross domestic product. In 1973, non-oil exports accounted for only 2% of national income. Table 22 representing the total value of imports and exports from 1972 to 1984, shows the development of Iraqi foreign trade. The figures show that Iraqi exports increased only about four-fold from ID22,782 million in 1972 to ID82,730 million in 1984. In that year, Iraqi exports of oil showed a remarkable increase. Thus in addition to domestic products, exports had a marked effect on the growth of the economy.

The other side of the coin is shown by the import figures. Commodity imports have also increased about eight-fold during the same period, from ID247,870 million in 1972 to ID 1958,440 million in 1984. Such an increase in imports could be interpreted in terms of the growing need for capital to support the process of economic growth. On the other hand, the differences are clear between the level of import and export. Imports increased by eight times, export by three times, and this supports our previous statement that oil revenue is used to offset the deficit in the balance of payments in the foreign trade. The gap between import and export levels has narrowed in recent years, reaching the lowest point in 1974, the proportion of the national income it represents decreasing from 22% in 1961 to an average of 16%.

Table 23 shows that in foreign trade, public sector activities in foreign trade are predominant compared with private sector activities. For example, the share of public sector import activities increased by 150% from 1978 to 1984, whereas the private sector share increased by only 2.5% during the same period. The marked increase is due to the expansion of trade in some agricultural products such as dates, vegetable oil to different countries.

Table 24 reveals that manufactured goods such as petrochemicals and oil products leading the export list with agricultural products, mostly dates, occupying the second position. Imports of capital goods, computed in value terms, display a variation from year to year, depending on the current level of development in the country. But their value ranked first in 1977 at ID486.9 million against ID1,139 million in 1984 representing about 58% of the total imported products.

Agricultural raw materials, ranked third in Iraq's imports to meet the country's needs, including the food industry's requirements, show considerable increases since 1966. This supports our point of view, namely that improvement in Iraq's food industry depends on the availability of the raw materials needed to meet the increased demand for processed food.

Durable consumer products constitute the third highest level of imports. Such imports usually tend to display a variation over time. This variation reflects the emphasis placed by the government on capital goods and agricultural raw materials which are given high priority, in relation to the country's needs.

Table 25 shows Iraqi trade (imports and exports) with various groups of countries for the years 1982-1984. The first impression derived from the Table is that Iraqi exports are less than imports with such marked differences causing a deficit offset only by the oil revenue. Most Iraqi exports are to Arab and Asian countries. Imports from the Arab League totalled just 4% in 1982, raising to 5% in the 1984's, whereas the EEC countries represent Iraq's main source of imports, accounting for about one third of total

**Table 23:****Value of Imports And Exports By Sectors : 1978 - 1984. (ID 000)**

Year	Export			Total	Imports			Public	Total
	Foreign	Private	Public		Foreign	Mixed	Private		
1978	500	7836	55078	63414	1332	27455	127072	1317717	1473576
1979	-	9612	74075	83687	6752	21350	132630	1578174	1738906
1980	-	5411	116573	121984	4776	24427	215850	1963027	2208080
1981	-	6797	10062	16895	4902	25414	321551	1981978	2333845
1982	-	7127	8417	15544	4863	52435	443122	2442000	2942420
1983	-	15137	66664	81801	1063	40129	167298	1692787	1901277
1984	-	6430	76294	82730	61	67932	292036	1598410	1958

Source: Ministry of Planning, Annual Report, 1985

**Table 24****Foreign Trade By Economic Categories ( value, ID 000) 1984.**

Economic Category	Export	Import
Food Stuffs, Dairy Products, Meat	6807	438279
Beverage and Tobacco	104	35931
Raw Materials such as, Paper, pulps	2874	38840
Mineral fuel , Gas	70284	3534
Chemical And Petrochemical Products	102	172247
Solid And Process animal oils	-	26009
Manufactured Goods, cement, Textile Machines	2405	487863
Machines & Electrical apparatus	91	650673
Furniture, Lamps, Footwear	63	102849
Firearms, coins not being legal tender	-	2215
Total	82730	1958441

Source: Annual Report: Ministry of Planning, 1985

**Table 25:**

**Iraqi Trade (Export And Imports) with other countries/groups 1982 - 1984. (IDM)**

Zone And country	1977		1982		1983		1984	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Arab Countries	8.7	18.4	6.6	144.0	13.2	88.2	7.4	109.7
Western Europe	8.6	552.0	2.9	1595.8	55.4	959.-	55.6	828.5
Eastern Europe	3.6	99.0	0.9	197.0	1.9	148.2	0.4	159.6
Asian Socialist	7.4	15.9	2.4	34.2	-	22.2	-	11.3
Other Asian Countries	14.7	206.9	1.7	759.2	10.8	588.2	18.0	573.3
African Countries	0.5	1.3	0.1	6.6	-	4.3	0.2	4.6
N. American Countries	2.9	78.8	0.2	129.0	0.2	53.6	0.2	170.6
S. American Countries	-	21.3	0.2	49.6	-	25.4	-	62.4
Australian Countries	0.3	30.3	0.3	26.3	-	11.7	0.4	38.0
Total	46.7	1023.9	15.3	294.7	81.5	1900.8	82.7	1958.0

Source: Ministry of Planning Annual Report, 1985.

imports in 1984,<sup>38</sup> while such imports, according to recorded figures, have more than doubled increasing from 247,289 in 1975 to ID1712,243 in 1982. Although there is no up-to-date data available the researcher believes that the percentage of imports from these sources increased considerably due to the new policy of using Western technology in the development process during the period 1975-1980. To reduce the impact of this unfavourable situation (i.e. excess of imports over exports), and to attain Iraq's national objectives, a tremendous effort has been made to find markets, through participation by the Arab Common Market, by means of new agreements with a number of countries throughout the world. Iraq's initiative took the form of improving local products especially in the date industry which achieved an increase in the level of exports to Western countries as new market potential was explored.

### **1.9 Population Characteristics**

According to the FAO figures, the present Iraqi population is 15.5 million. Table 26 shows the Iraqi population by Governorates. The population has increased threefold in forty years. About 52% of the population of Iraq are Arabs. There are also the Kurds, Persian, Turkuman, Christian and Jewish groups, the Kurds representing the second largest percentage of the population. The density of the population is about thirty-six persons per sq. km., including the uninhabited desert areas, this figure would increase to be 64% if the desert was excluded, see Table 27. The low population density indicates that a very large area of the country is available for potential cultivation.

According to Ministry of Planning estimates, the present rate of population growth in Iraq is about 3% per annum.<sup>39</sup> The rate of growth has increased as a result of the significant fall in the death rate. The difference between the crude birth rate and the crude death rate was about 0.9% between 1957 and 1974,<sup>40</sup> and this is an indication of the government's efforts to increase the quality of the health services throughout the entire population and thereby introducing changes in the population structure. The

Table 26:

## Estimates of population By Governorates And Sex for 1985 -

Governorate	Male	Female	Total
Nineveh	683046	675036	1358082
Salah-Al-deen	228271	214511	442782
Tameem	369811	281154	650965
Diala	347563	343787	691350
Baghdad	2363522	2285087	4648609
Anbar	304659	277399	582058
Babylon	367697	371334	739031
Kerbela	164391	164843	329239
Najaf	235477	236626	472103
Qadisia	254039	257760	511799
Muthana	124301	129515	253816
Thi Qar	356213	369700	725913
Wasit	245897	237819	483716
Maysan	209671	202172	411843
Basrah	681223	622930	1304153
Dohok	189206	141150	330356
Arbil	400615	342067	742682
Sulaimania	489680	416815	906495
Total	8015282	7569705	15584987

Source: MINISTRY OF PLANNING , Annual Report, 1985,

Table 27:

## Distribution of Population And Areas in 1985.

Details	Area(Sq.Kms.)	%	Population Density(%)	Population (000)
Area of Governorates	266500	60.8	36	15.5
Deserts Areas	171817	39.2	64	-
Total	438317	100.0	100.0	15.5

Source: MINISTRY OF PLANNING , Annual Report, 1985,

demographic segments of the population are presented in Table 28. Analysis of the data indicates that in 1985, 32% of the Iraqi people were under 10 years of age, 26% were under 20 years of age, and less than 10% were over forty. In Iraq as in most developing countries, families are large, averaging six over the whole country, and life expectancy in general is short.

### **1.9.1 Labour Structure**

According to statistics, the proportion of the Iraqi population engaged in active employment was about 54% (i.e. 8.3 million) in 1985. This percentage is compatible with the structure of the population where just under 45% is less than 15 years old, as well as the increasing participation of females in economic activities.<sup>41</sup> The number of people pursuing economic activities in 1984 is shown in Table 29. The proportion of the active population employed in agriculture is higher than in each of the other economic sectors. This phenomenon occurs not only in Iraq, but in most developing countries. The figures show that the proportion employed in other sectors increased between 1970 and 1984, but decreased in the agricultural sector due to the immigration of people from rural to urban areas, and the fact that participation by women is increasing as changes of attitude have taken place.

### **1.9.2 Education**

Education is very important in the creation of a modern society, as modernisation depends upon the contribution of educated people, linked with the availability of natural resources, capital, and foreign technology. Educated and trained manpower is one element in the development process. Since 1966 special attention has been paid by the government to this sector and appropriate measures have been taken, introduced in the earliest stages of education. It hopes thereby to gain the people's cooperation so that they will benefit increasingly from education in order to be able to achieve self-



**Table 28:**

**Population Distribution According to age in 1985 (000)**

<i>Age groups</i>	<i>Urban Areas</i>	<i>Rural Areas</i>	<i>Total</i>	<i>Percentage %</i>
0 - 9	3277	1704	4981	32
10 - 19	2675	1200	3875	26
20 - 24	2000	327	1427	
25 - 29	907	231	1139	
30 - 34	708	188	896	32
35 - 39	562	159	721	
40-75	1709	735	2444	9
Over 80	62	41	102	1
<b>Total</b>	<b>11000</b>	<b>4585</b>	<b>15585</b>	<b>100.0</b>

Source : *Ministry of Planning, Annual Report, 1985.*

**Table 29:**

**Number of Personnel By Economic Activity From 1970 - 1984 (000).**

<i>Year</i>	<i>Total</i>	<i>Population Agriculture</i>	<i>Total</i>	<i>Economically Active Population</i>	
				<i>In Agriculture</i>	<i>% in Agriculture</i>
1970	9356	4362	2410	1124	46.6
1975	11020	4783	2775	1204	43.4
1980	13205	5314	3246	1306	4.02
1983	14654	5622	3572	1370	38.4
1984	15158	5723	3685	1391	37.8

Source: *FAO, Production Year Book vol 38, 1984.*

fulfilment. Table 30 shows the number of kindergartens for the years 1976 and 1985. The number increased from 276 to 584, accompanied by an increase in the number of both children and teachers.

The increased provision of educational opportunities is shown in Table 31. Analysis of the figures shows that in 1985, 74% of six-year old children attended primary school, 25% of thirteen-year olds attended secondary school, and 1% of 19 year olds attended Universities. Examination of the figures compiled in the annual report of the Ministry of Planning relating to education reveals that enrolment in both primary and secondary stages increased from 32% in 1961 to 99% in 1985, and this reflects the structural changes in the educational system introduced through the tremendous efforts made by the government with the support of "Unesco" and the redistribution of investment in the three stages of education.

Seven universities have already been established in addition to the foundation of "Technical Institutes" to meet the rising need of young Iraqis seeking higher education, providing a variety of subjects, including engineering, medicine, business studies, economics, agriculture and law. But up to the present time, the universities suffered from a shortage of qualified staffs and this has forced the government to seek help from Egypt to cope with this problem. Every year, students are sent abroad in order to reduce the effects of such shortages. In some fields some of the Iraqi universities are now more capable of meeting some of the needs of Iraqi society, and they are also in a position to meet the manpower requirements in certain fields, e.g. Law, Teaching. Baghdad University provides about 42% of available higher education. Almustansiriah accommodates about 33% of the student population, and the remaining 25% is divided among the other four universities. One person in one hundred and sixty in Iraq (1975) is a student in higher education, while the corresponding figures for the U.K. is only one in two hundred and twenty.<sup>42</sup>

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**Table 30:****Kindergartens And Teachers in 1976 - 1985**

<i>Year</i>	<i>No of Kindergartens</i>	<i>No of Children</i>	<i>No of Teachers</i>
1976	276	51840	2291
1977	306	56347	3603
1978	333	67265	2862
1979	358	80418	3079
1980	387	76507	3235
1981	437	81449	3696
1982	507	79456	4175
1983	523	76663	4244
1984	549	80812	4335
1985	584	81431	4657

Source: Ministry of Planning, Annual Report, 1985

**Table 31:****Numbers of Students According To Stages For The Accademic year 1985.**

<i>Stage</i>	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Percentage%</i>
Primary Stage	1554082	1258434	2812516	74.5
Secondary Stage	660346	371214	1031560	25.0
Vocational School	31252	88838	120090	0.2
Universities & Technical Institutions	92824	43864	136688	0.3
Total	2338504	1762350	4100854	100.0

Source: Ministry of Planning Annual Report, 1985.

The pressure on the Iraqi universities has affected them adversely and the level of education provided has deteriorated for a number of reasons. These are a shortage of qualified staff, teaching loads are increasing far beyond staff capabilities and consequently, there have been complaints that such rapid expansion in the field of education has resulted in a deterioration in the quality of educational provision. However the education policy is derived from political decisions and it must be implemented despite objections by academics.

### 1.9.3 Literacy

A high level of illiteracy is one of the characteristics of the developing countries. In Iraq the number of illiterate people has been considerably reduced during the last twelve years, due to various measures taken by the government. The percentage of illiterates in the total population which stood at 81% in 1961 according to government sources, decreased to 73.7% in 1977, representing an average annual decrease of 1%. The number of illiterate workers in all government departments in 1985 was 120,249 of whom 108,224 were males.

The level of illiteracy in a country may restrict the potential for success, by limiting possible expansion into new markets and it also affects a firm's operations. In such a society, it is difficult to obtain skilled manpower or the executives required to implement the development process and consequently the nation's development is impeded. Because of the adverse effect on the social structure, governments have made special efforts to expand and improve educational services at all levels.

The government in Iraq has launched a national campaign to reduce the level of illiteracy and with U.N. support, introduced a compulsory measure to ensure that workers are trained in their departments. The first step in the campaign concentrates on workers engaged in productive activities. In addition, the campaign aims at establishing cooperatives for farmers and some special approaches are pursued in these

campaigns, by means of the media. Table 32 compares the level of illiteracy in Iraq and other Arab countries.

### **1.10 Marketing Infrastructure**

The marketing infrastructure is to some extent an indicator of the level of development in a particular country. Thus, what is relevant here is that the marketing practices generally pursued by growers are influenced to some extent by elements of the marketing infrastructure. Some of these elements which are relevant to our subject, and make a positive contribution to an efficient marketing system in Iraq will now be discussed.

#### **1.10.1 Transportation and Communication**

These are elements of the economic infrastructure that play an important part in helping to ensure efficiency in the marketing system. Transportation facilities open up a wider and larger market and thereby encourage large scale industrial activity.<sup>43</sup> In Chapter Two, we mention that the marketing system in the developing countries is old-fashioned and underdeveloped due to many factors, such as outdated transportation facilities. Consequently, farmers have preferred to sell their products at the nearest market to avoid incurring additional cost, whereas an improvement in these facilities would provide an incentive for farmers to look for other markets where prices are higher, thereby generating greater profit. This would alter the situation radically by extending the present market to other regions and even to the country as a whole.<sup>44</sup>

Transportation is a necessary condition of the exchange economy and is indispensable for growth. Where there is no transportation, economic activity is restricted to hand-to-mouth subsistence levels. Specialisation and the generation of surpluses for exchange on the basis of comparative advantage is not possible without the capability to move resources and goods from one place to another. The demand for

**Table 32:****Illiteracy Rate: Comparison With Other Countries ( 15 years or over).**

<b>Country</b>	<b>Percentage %</b>
Iraq	73.7
Egypt	74
Morroco	78.6
Tunisia	67.8
Kuwait	44.9
Lebanon	40
Algeria	81.2

Source: Paxton J; The Statesman's Yearbook, Macmillan Press Ltd, London 1976.

transport services increases with working of the economy, and the provision of transportation services can be an important determinant of the pace and locational pattern of development.

In developing economies where inter-industry linkages are less numerous and less strong, transportation is likely to have a much greater role in determining locational patterns of development than in developed economies. In short, price elasticity of demand of transport is likely to be relatively higher in less developed countries, and reductions in transport costs are likely to have a larger impact in terms of bringing into production the marginal piece of land, the marginal workers, or the marginal material resources.<sup>45</sup>

Lauth,<sup>46</sup> and Kindleberger,<sup>47</sup> stressed the importance of an efficient transport and communication system, a point which is relevant to our subject, when they stated that the food that farmers grow and sell must be transported and delivered in the form and at the time and the places required by consumers. But the transportation of farm products does more than create the place utility that gives them real value. Without transportation we would have to spend most of our time getting goods out of the village. Knowledge of whether they can be sold outside, is limited by the cost of getting goods into the village, and ignorance of how much they can be bought for outside. In the circumstances, markets grow through increase in transport and communication. The expansion becomes cumulative.

Some of these circumstances exist in Iraq. In Chapter 7, we shall see that transport costs may deter some farmers from bringing their products to the wholesale market since these costs are not covered by receipts from sales.

### 1.10.2 Roads

Development of the marketing system is partly dependent on transportation. The need for efficient transport facilities in the process of economic development cannot be



neglected. Unfortunately, despite the huge amount of money spent on economic growth in the five-year plans, little attention has been paid to improving roads, especially in the remote areas. It is important to build feeder roads, to serve the most remote areas of the country. Such roads linked with the highways or main roads could become the cornerstone of the country's transport system. They can be justified within the economic framework of the particular region in which they are located and in terms of the cost-benefit calculations for producing the new output. Therefore the problem of assessing feeder roads is essentially one of measuring the response of output to changes in transport costs along with and relative to all other inputs, such as land clearance, settlement, storage, and marketing facilities, etc. In practice this often means an agricultural project with a transport element.

Transportation activities in Iraq are undertaken by either private or public organisations. Because transportation services and related activities are handled by numerous individuals and organisations, effective coordination cannot be achieved. However, although the present system is by no means efficient from the point of view of actual transportation, it manages to meet the demand from other sectors. The public sector carries out its transportation duties through the "Public Organisation For Inland Transportation". It owns a fleet of four hundred trucks and plays an effective role in transporting goods. Table 33 records the activities of the public sector transportation for the years 1983 to 1985.

According to statistics (see Table 34), in 1984 the government owned a fleet of trucks 44,882 in its different departments, these constituting about 24% of the national total, 59% of vehicles registered in that year were 'pick-ups'. Iraq had one vehicle per 72.4 inhabitants compared with 1.6 persons in the United States, 3.1 in the U.K.<sup>48</sup>

Iraq's roads-by type of surface as at the end of 1985, are detailed in Table 35. The total length of road in 1985 was approximately 30,217 km. including 22,397 km. of paved road surfaces, with a further 650 km. under construction, the remaining 7,170

**Table 33:**

**Quantities of Goods And Commodities Loaded By The Public Sector -  
Inland Transportation - For the year 1983 - 1985**

Year	Quantities Loaded (Tons/m)			Ton/Km		Total
	Inside	Outside	Total	Inside	Outside	
1983	3.8	2.8	6.7	1.5	1.1	2.6
1984	6.5	3.2	9.7	2.3	2.1	4.4
1985	9.6	2.9	12.5	4.0	2.8	6.9

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

**Table 34:**

**Number of Cars Owned by Governmental Bodies as in 1979 - 1984**

Kind	Year					
	1979	1980	1981	1982	1983	1984
Passengers Cars	21414	28163	30273	35235	31907	24281
Load Cars	37659	42659	45932	53082	47030	44882
Cars with special Specifications	2948	4678	4697	6389	6712	6189
Total	62021	75500	80902	94706	86549	75352

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

**Table 35:**

**Length of Roads By Kind And Number 1979 - 1985 (Km)**

Year	Modern Paved	%	Old Paved	%	Earth Road	%	Totals
1979	11614	52	770	4	9834	44	22218
1980	13394	58	770	5	8685	37	22849
1981	15301	58	520	3	10389	39	26210
1982	17119	59	520	3	11201	38	28840
1983	18802	64	610	3	9960	33	29372
1984	19917	68	650	3	8450	29	29017
1985	22397	74	650	3	7170	23	30217

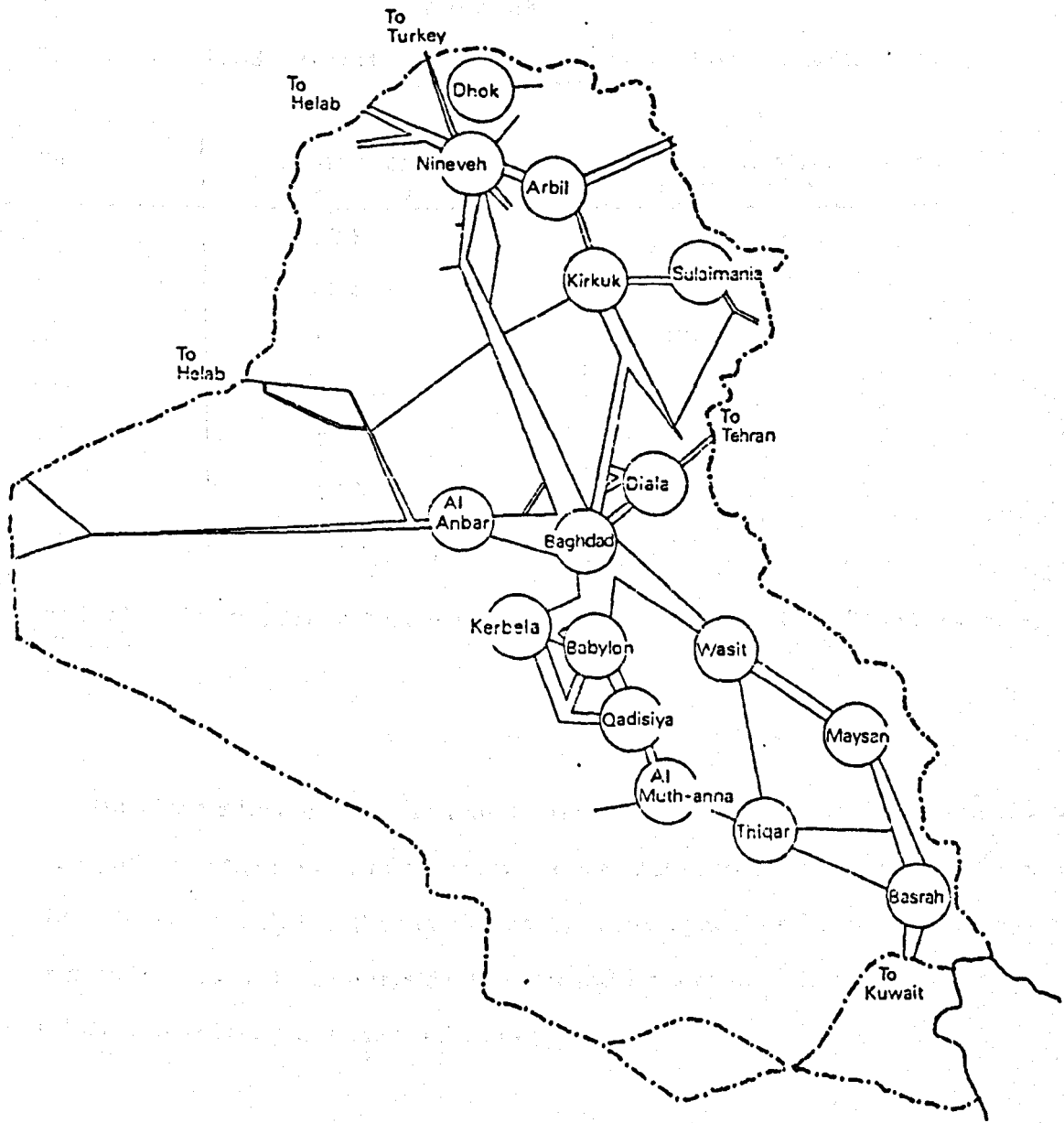
Source: Ministry of Planning, 1985.

km. being earth surfaced. In fact, the researcher believes that the earth roads which are the feeder roads in the remote areas are in fact more numerous and this emphasises the desperate need to link them with main roads in order to connect rural and urban areas. However, the percentage of paved roads increased to 74% of the total length in 1985, compared with 52% in 1979. This points to the possibility of a more prosperous future. Investment in highways is being directed towards improving the standards of the existing road network, assuming that the total length of the state and provincial highways will more or less remain constant. Thus the improved standard of the highways will enable them to accommodate greater volumes of traffic. The earth roads are unsuitable for transporting agricultural products, in summer and are useless in winter. The inefficient transport system in Iraq has entailed severe additional costs for marketing products in general and food and crops in particular. If agricultural marketing starts at the farm gate, it is difficult to achieve full development in the field of agriculture, with such an inadequate infrastructure. Thus greater efforts and additional finance must be devoted to increased expansion of the country's network of roads.

In Iraq there are 22.1 km of roads per 100 sq km of land and 1.1 km for every thousand of the population. A comparison with other countries in the Middle East is given in Table 36. From the capital, Baghdad, three main roads link Iraq with its neighbours, and by extension with Europe. These main roads cross national borders at Khanakeen in the east, at Rutba in the west and at Talkuchek in the north, connecting Iraq with Iran, Jordan, Syria and Turkey - Europe respectively. (see Figure (2) ).

In general, improving the network of roads will benefit the economy. The main advantage of improving this method of transport was pointed out by O'Connor<sup>49</sup>, in his discussion of the transport network in Uganda, when he stated that the single most important characteristic of road transport is its flexibility. The choice of points at which a rail journey may begin and end is very limited, whereas a road haul may be undertaken between any two points on the road system, which is itself far more extensive than the rail network, especially when all the tracks are taken into account. Road transport is also flexible in that it is suitable for traffic transporting goods in small quantities as well as in bulk. Moreover, in Uganda much of the demand is for small scale movements between a wide variety of places.

**Figure 2** Map of Road Network in Iraq



Source: *Report about the Transportation Sector,*  
Ministry of Planning, 1983.

**Table 36:**

**Comparison Road Percentage To Population In Some Middle East Countries (Km).**

<i>Country</i>	<i>Types of Road Per 1000/Sq Km</i>	<i>Percentage(%) To every 1000 of population</i>
Iraq	22.1	1.1
Egypt	38.5	1.4
Algeria	8.1	1.5
Morocco	112.2	3.2
Syria	59.4	1.8
Iran	24.5	1.6
Jordan	84.2	3.1

Source: Paxton, J editor, The Statesman's Year Book 1976 - 1977, Macmillan Press, London 1976.

The above situation exists in Iraq, as we shall see later in our discussion of rail transport since the present railway network does not cover the whole country. In fact the major routes only link the main cities; but since agricultural production is spread over wide areas of the countryside, the demand for a communication network which caters for small scale movements definitely exists.

**1.10.3. Rail Transport:**

The "State Railway Establishment" continuously incurs operational losses, as a result of defects in their system, such as the lack of properly organised administrative methods and it is also affected by the trend towards freight transportation by road. Because transportation is continued on lines which have lost their clientele, the operational losses continue to increase. The Iraqi State Railways have not reached the operational standards required by modern railways. The total length of railway track

in 1985 was 22900 km, representing 1 km for about 5050 persons, and many large cities are still not connected by rail. According to the latest available information, the government has signed several contracts with a number of European companies to construct a new railway network to cover the whole country and it is expected that this will be completed in 1990.<sup>50</sup>

It is obvious there are many formidable problems relating to this sector of transportation, and which has suffered through not utilising its existing capacity efficiently. First, the railway system is too old, as one of the three main tracks was built when the British controlled Iraq in the 1920's, and therefore the cost of its maintenance is higher than the cost of building a new one. This, being the case, the machines and tools used to transport goods are obsolete, not having the advantage of up-to-date technology. Furthermore, such tracks are not suitable for carrying consignments of heavy goods in addition to which, two different guages are used, which means that goods have to be transferred to another track to reach their final destination the track for which is of a different guage. Moreover, the diversity of the goods being transported may result in damage to merchandise, especially agricultural produce, if this process takes several days. Finally the amount of money allocated in the various five-year plans for improving the railway system was insufficient. Records show that about ID.40 million was provided for this purpose in each of the give year plans and, this amount is completely inadequate for improving the country's railway system. Because of the above problems, people decide against using railways, preferring to use other means of transport such as trucks. This conclusion is supported by published statistics. In 1985, the goods carried by rail totalled 4155 tons, whereas 1,373,007 tons were carried by trucks and lorries.

The number of passengers using the railway services decreased even more compared with those travelling by bus. In 1985 about 2,689,000 passengers using railways services whereas 35,893,000 passengers used buses during the same period.

#### 1.10.4. River Transport

Although two main rivers cross the country from the North-West to the South, little attention is directed to using these natural resources for the benefit of the economy. Generally speaking, the situation in this sector is worse than in the other transportation sectors. River transport is mostly used by people living on both sides of the river, particularly in the rural areas, where modern transportation methods are lacking. Most of the agricultural products in these areas are carried in this way. But the transport methods are still primitive, and locally organised.

This sector is completely neglected despite its potential for providing economic benefits. Table 37 shows the quantities and kinds of goods carried by river transport. The figures illustrate the poor performance by this sector, and it is not a healthy situation. The amount carried in 1974, 1975 and 1976 decreased from 50,149 to 41,570 and 27,004 tons respectively. Also the Table shows that the public transport sector makes no use of these facilities since 1980.

About 80% of Iraq's trade is transported by sea. Moreover, this means of transport is the most reliable and the cheapest, if we take account of the volume of commodities shipped over the long distances involved. Therefore, the organisation of this method of transport by government intervention will provide a great deal of foreign currency in the long run. To remove the general obstacles impeding the development of foreign trade the provision of ships and suitable containers for all different types of produce is a matter of great importance for successful exporting, especially for the perishable products, such as dates that Iraq exports. Providing her own shipping facilities would free Iraq from the monopoly exercised by foreign ship owners.

**Table 37:**

**Quantities And Kinds of Goods Carried By River Transport ( Tons)**

<i>Kind of Goods</i>	<i>1974</i>	<i>Year 1975</i>	<i>1976</i>
Palmoil	23491	32966	25014
Fuel oil	-	4810	990
Animal Fat	-	-	1000
Paper Pulp	3145	600	
Crude Oil	4997	2630	
Iron powder	9550	320	
Wood	321	244	
Steel wire	1415		
Iron	1258		
Gas Oil	1536		
Salt	1680		
Bricks	870		
Corn	750		
Other Materials	1136		
<b>Total</b>	<b>50149</b>	<b>41570</b>	<b>27004</b>

Source: Ministry of Planning, 1976.



In this context the "Iraqi Maritime Transporting Company" (IMTC), was established in 1952 by Law No. 76. The aim of this law was to protect Iraq's interests against the monopoly enjoyed by foreign carriers which imposed restrictions, severe controls, and excessive cost in the conduct of Iraq's foreign trade. But although the company was established in 1952, no action was taken until 1962, when six cargo ships were ordered from different foreign countries. However, following this initial step, greater efforts must be undertaken to develop this sector of the economy.

### **1.11. Wholesale and Retail Trades**

This sector of trade has flourished, occupying a strong position and it has considerable influence compared with the other sectors, which also contribute towards national production. The internal trade covers only the private sector of the wholesale and retail trade. The "Central Statistical Organisation," conducted an internal trade census for these establishments during 1975/1976, to ensure the merchandise circulation movement, the buying and selling costs of merchandise and the elements of such costs at different seasons. The result of this census is compatible with the report of the United Nations Statistical Year Book issued at that time.<sup>51</sup> The size of these business varied from large department stores which are well organised, practising book-keeping and recording information about their activities to businesses established by small families or home-based enterprises which kept no detailed account of their daily performance. Most of the wholesale and retail trade is concentrated in the capital, Baghdad, and other major cities. These act as distribution centres for other locations. For example, Baghdad is the centre for the Middle provinces of the country. Basrah and Mosul for the Southern and Northern provinces respectively. Among these centres, Baghdad has undisputed supremacy. This situation has existed for a long time and it seems likely to continue in the future. The 1966 census of distribution and trade revealed that there were 1507 wholesale businesses throughout the whole country.

employing 5,000 people--600 firms were located in Baghdad employing 2,000 staff.<sup>52</sup> The value of wholesale sales was ID.54 million in the country as a whole, two-thirds of which (i.e., ID.33.6m), represented sales in Baghdad alone.<sup>53</sup> Most wholesale businessmen usually specialised in one item or one line of related items. Some of them have begun to engage in retail activities but only on a limited scale. Table 38 shows the number of wholesale establishments by major specialisation and the number of employees, as recorded in the last census which took place in 1984.

Retailing activities have increased considerably compared with the wholesale trade. This may be due to the ease of entry into this sector as most of these activities are small family businesses, which do not require a large amount of capital, and such activities are located within purchaser's own premises so that their daily shopping can be carried out in such shops. Accordingly the level of services is low, and only one or two people are required to run the business. In 1956 there were approximately 36,000 retail establishments employing 47,000 people, with annual sales estimated at ID.22.6 million. The number of workers increased to 50,299 in 1984.<sup>54</sup> Most workers in these establishments, including women, are family members. Thus such establishments in most towns are operated mainly by small retailers who perform.<sup>55</sup>

- a. The physical movement and storage of goods.
- b. The provision of information concerning the nature and use of goods.
- c. The standardisation, grading, and final processing of goods.
- d. The provision of ready availability.
- e. Bearing risks.
- f. Finance and extension credit to consumers.

These establishments have an effect of the social structure and on the pattern of the people's daily lives. They become meeting places for friends. Their existence in villages or towns leads to other activities. Farmers, for instance, may sell part of their agricultural produce in return for such things as cloth, sugar, or other consumer goods.

**Table 38:****Number of Manufacturing Establishment By Major specialisation And  
Number of employees in 1984.**

<i>Major Specialisation</i>	<i>Number of employees</i>	<i>Number of Establishments</i>
Mining & Extraction	3955	7
Foodstuffs Manufacturing	25248	149
Beverage Manufacturing	6448	20
Tobacco Manufacturing	4870	2
Textile Manufacturing	24915	90
Tailoring And Clothes	3778	14
Leather And shoes Manufacturing	5477	8
Furnitures/Industry	1978	21
Paper Products & Printing	8378	39
Chemical Industries	29571	154
Non-metallic Mineral products	31678	215
Basic metallic Industries	3110	2
Metalic products Industry	1937	30
Manu - & Repair of Machinery	7219	10
Manufacture of Electrical Machine	9712	14
Manufacturing of Transport Equipment	1664	5
Measure and Control Apparatus	20	1
Other Manufacturing Industries	27	1
Grand Total	169994	782

Source: Ministry of Planning, Accumulative Statistics, 1984.

During the last ten years, co-operative retailing has also been introduced. Each establishment serves a particular segment of employees working in a particular government department. The number of these establishments has increased for a variety of reasons, such as the confidence and trust shared by its members, the good quality of available merchandise, low prices, and the advantage of being able to use such centres for meeting friends from time to time. Some details relating to these establishments are presented in Table 39. The number of these units totalled 18 and 65, in 1974, 1984 respectively.

### **1.12. Urbanisations.**

Although still predominantly agricultural, Iraq is continuing to urbanise rapidly. Since about 1950, a steady flow of migrants from the rural areas has been crowding into Iraq's towns and cities. This migration is caused by a combination of push from the villages and pull from the cities and is facilitated by the improvement in highway transportation efficiency.

Since the early 1950's a great deal of land has been left uncultivated, village populations have grown, causing a number of agricultural workers to migrate to urban areas, as a result of rural overcrowding in relation to the land resources. At the same time, the lure of employment and the provision of education for their children, together with the lack of rural amenities and, the physically less-demanding way of life, have attracted villagers to towns and cities.<sup>56</sup> Generally, in Iraq, economic factors constitutes some of the principal causes of urbanisation. The flow of people from rural to urban areas has caused over-population in cities, so that there is a considerable number of unemployed people in the cities. In fact internal migration in Iraq, which is currently taking place, also has an inter-regional character, as there are great inequalities in the economic levels achieved in different regions of the country.<sup>57</sup>

**Table 39**  
**Consumer Cooperatives in 1984**

<i>Details</i>	<i>Unit</i>	<i>Amount</i>
Number of Cooperatives	Number	65
Members	"	253845
Paid Capital	ID000	1506
Reserve Capital	"	5129
Number of Employees	Number	1736
Total Wages Paid	ID000	1256
Expenditure	"	173
Total of Purchase	"	46591
Total of Sales	"	48387
Value of Fixed Assets:		
Lands	ID000	5
Buildings	"	299
Furniture	"	399
Equipment	"	329
Transport Means	"	410
Others	"	68
<b>Total:</b>		<b>1510</b>

*Source: Ministry of Planning's Annual Report, 1984.*

As a result of such internal migration, Iraq is becoming increasingly urbanised, even although almost two thirds of the population still live in some 445 villages. Thus the proportion of the total population resident in urban communities rose to almost 35 percent in 1984.<sup>58</sup> From urbanisation and the number of workers who have left the agricultural sector to seeking employment in industry in large cities of Iraq in 1984 (see Table 18), it can be seen that urbanisation precedes industrialisation.

Urbanisation in Iraq has led to the growth of population masses in and around the big cities. This upward trend in the population of the city centres resulted in an increase in the number of people employed in government departments in unskilled jobs, or in retailing and industry. The heavy flow of migrant people has created an increasing demand for jobs, especially by the unskilled. A similar situation exists in most developing countries, when development has not taken place. There is unemployment and a considerable degree of under-employment, especially in service

industries, such as retailing, in which minimal skills are required. The number of houses built during a period of time may support the direction of increasing urbanisation. Moreover, how many of these units used for personal residency. Table 40 shows the number of private dwellings completed by Governorates between 1975 and 1984. The number of houses completed totalled 22,752 and 57,126 in 1975 and 1984 respectively. Of these units 21,854 and 41,844 consisted of private dwellings. This represents the pressure on the city centres, and the increased level of migration.

The growth of urbanisation is an important factor positively affecting the pattern of demand for food. Since 1960, Iraq has experienced a significant increase in the level of migration from rural to urban areas. The weaknesses in the marketing system, chaos in the organisation of the agricultural sector, and the effect of an increase in oil revenue have created fundamental changes in social-economic conditions, and have also lead to the development of the manufacturing sector of the economy. Many new industries have been established and improvements in existing industries have taken

**Table 40**  
**Number of Private Sector Dwelling Units Completed during 1975, 1984**  
**by Governorates**

Governorates	1975			1985		
	Houses	Flats	Use of Houses	Use of Houses	Flats	Houses
Nineveh	1605	157	1537	4881	166	6093
Salah Aldeen	-	-	-	1112	17	1168
Tameem	266	-	248	2093	52	2263
Diala	550	2	502	1704	173	1991
Baghdad	13030	147	12522	11439	556	21311
Anbar	214	-	174	1179	95	1553
Babylon	882	-	862	998	21	1329
Kerbela	1471	29	1422	1314	51	1519
Najaf	-	-	-	1237	33	1267
Qadisyia	492	-	482	1357	24	1407
Muthana	210	-	196	648	8	770
Thiqar	671	-	670	3948	12	4608
Wasit	374	-	337	1357	10	1525
Maysan	205	-	175	542	8	632
Basrak	1406	9	1374	2910	73	3134
Dohok	79	-	75	806	9	883
Arbil	988	12	988	2059	154	2681
Sulaymania	309	3	290	2260	2	2992
<b>Total:</b>	<b>22752</b>	<b>359</b>	<b>21854</b>	<b>41844</b>	<b>1464</b>	<b>57126</b>

Source: Annual Report: Ministry of Planning, 1984.

place. All of these changes have acted as a disincentive to those employed in the agricultural sector, leading employees to seek work in other sectors of the economy. Such movements eventually change the pattern of food consumption. The effect of urbanisation on the pattern of food demand was demonstrated by a study carried out by the FAO.<sup>59</sup> The study found that "people who shift from rural to urban areas tend to acquire the custom of their new environment. They are more dependent on purchased food and become familiar with a range of foods not previously available. Moreover, they earn a cash income which enables them to translate their new scale of preferences into a new pattern of consumption". In this context, the researcher also believes that an improvement in people's standard of living encourages members of families to live apart from their parents, particularly married couples, and to be more independent in making decisions concerning their food consumption. For example, a change of occupation is likely to increase the desire to eat ready-made food. By and large, this effect is significantly increased due to the rate of population growth in urban areas which is usually higher than in rural areas. Table 41, which shows the population composition for the period 1947-1985 illustrates this point.

With reference to the subject of our study, namely agricultural food products, a result of the movement of people from rural to urban areas is that their food consumption preference changes from fresh to processed food, and this may be encouraged by changes in their life style. In Iraq, for example, immigrant people no longer consume barley which was previously a part of their usual diet in rural areas. Similarly the demand for dairy products has increased in urban areas.<sup>60</sup> Table 41 shows that the urban population increased from 36% to 70.5% of the total population between 1947 and 1985, while the rural population has declined from 64% to 29.5% during the same period. These figures, together with those presented in Table 39 support our hypothesis, that migration from the rural areas has an adverse effect on the level of agricultural production.

**Table 41****Population Composition over the Period 1947-1985**

<i>Year</i>	<i>Urban</i>	<i>Rural</i>	<i>Total</i>	<i>% Urban to Total Population</i>	<i>% Rural to Total Population</i>
1947	1,733,827	3,082,385	4,816,185	36.0	64.0
1957	2,445,459	3,853,519	6,298,978	38.8	61.2
1965	4,112,291	3,935,124	8,047,415	51.1	48.9
1970	5,452,435	3,987,663	9,440,098	57.8	42.2
1975	7,083,855	4,040,398	11,124,253	63.7	36.3
1985	10,999,907	4,585,080	15,584,987	70.5	29.5

Source: Ministry of Planning, Compiled Annual Reports.



## **Conclusion**

The above discussion has shown that economic activities in Iraq are increasingly centralised in order to achieve progress and the influence of state organisation has been progressively extended. Available figures reveal that in 1975 overall growth was mainly in agriculture and the mining sector which contributed about 52% of gross domestic product. Successive efforts have been made by the government to achieve economic growth through industrialisation, but little attention has been paid to agriculture. Consequently, the desired goals were not achieved despite the high level of government expenditure within the various five-year plans. Such neglect meant that agriculture could have little or no effect on the economic development process, and official figures revealed the decline in agricultural output and increased migration from villages to towns as people looked for work in industry. Such migration has adverse effects particularly in relation to the social structure.

Such effects are clearly seen in Iraq, one of the richest countries in the world, with oil representing a high proportion of the total budget revenue which should enable Iraq to achieve a high standard of living and economic growth by means of appropriate planning that takes fully into account the social, economic, and political structure of the country.

Iraq's comparatively backward marketing infrastructure adversely affects both agriculture and industry. It therefore seems that all-out concentration of effort and resources aimed at the expansion of the country's infrastructure is necessary. Part of the reason for the backwardness in the marketing system is the inadequate infrastructure such as roads and communication. Improvement in these facilities would increase the market potential for both agriculture and industry by enabling them to penetrate into other areas and create new markets.

Existing road and transportation facilities are not enough to meet the country's needs and wants. Natural resources are not fully utilised or may even be ignored, but a satisfactory level of utilisation can be achieved, given appropriate attention. The government must invest in increased use of the waterways in order to improve the marketing system, at reduced costs, helping thereby to increase the standard of living of the communities on both sides of the rivers. The marketing system of any developing country is dependent on many constantly changing factors. These factors are crucial to the success of marketing and distribution (including our area of relevant study, i.e. food marketing and distribution) which must continuously adapt itself to change and development in order to survive and prosper.

Migration from the less developed to the more developed regions is a continuing process. Urbanisation in Iraq has resulted in the growth of population masses in and around the big cities, which in turn has led to an increase in the number of people employed in unskilled services such as retailing, construction or the lower grades of industry. The people who come to the cities cluster in shanty-town communities composed of fellow migrants, often from the same region. Today a significant portion of the population of big cities live in such squatter areas. Despite the increased rate of urbanisation, in cities with increasing populations their urban characteristics have not changed economically or socially. Those thousands of migrants are for the most part ill-prepared for urban life. The real reason for these migrations is not changes in tastes, attitudes or needs, but rather the desire to seek improved financial resources to give migrants a better standard of living.

Successful government attempts to improve integration between rural and urban areas can reduce the gap between the rich in the cities and the poor in the rural areas, thereby improving the lot of those who depend on agriculture for a living, and this will reduce level of the imports, improve the balance of payments and permit the expansion of manufacturing. Thus the government can at the same time increase economic

development and improve living conditions for the poor by restructuring the pattern of agriculture and industry throughout the country.

On the basis of the above discussion it seems that the implications concerning Iraq's economic growth are clear. They include achieving the correct approach to development and the introduction of measures by the government to deal with the poverty experienced by farmers regionally. It appears that Iraq has a large supply of labour which could be channelled towards more productive work. Thus through an appropriate government programme, it would be possible to increase the level of employment and productivity for example in the field of agriculture. This may be achieved particularly in Iraq which has the financial resources to sustain the development of all sectors of the economy, so that a higher level of growth could be secured. When productivity increases for example, in the field of agriculture as development proceeds, the demand for import's capital is reduced, enabling the government to achieve its main priority in terms of growth, namely rapid economic development and increased employment simultaneously.

The economic planner should concentrate his attention on achieving a balance between agriculture and industry. Such policy must be implemented in a logical fashion and not arbitrarily as in the past. Education and other social reforms are also required since they can be a source of additional benefit. Farmers must be given incentives and the whole economy must be planned to ensure optimum utilisation of resources resulting in forward development.

Since 1968, long-term measures through a series of five-year plans have been introduced to stimulate the country's recovery in the form of government investment programmes aiming at self-sufficiency, and efficient use of economic resources. Public expenditure under these five-year plans has increased four times over between 1968 and 1980. Such investment would normally have been beyond the country's resources, but finance was available through the oil revenue which represents life-blood of economic

growth. If the process of development is to continue at this rate with the help of systematic planning, economic expansion will be characterised by the development of every sector of the entire economy.

The success of the economic strategy has depended upon many factors. It required the adoption of a scientific planning methods related to economic and technical studies, taking the form for example, of detailed programmes on the utilisation of productive machinery (manning levels, depreciation). This in turn required the development of the planning organisations of the State, at both regional and national level. Decentralised implementation of policies would mean that development could take place according to regional requirements, rather than simply according to national goals. The same practical approach was to be adopted with regard to the State borrowing policy which would be based on fiscal and monetary calculations and which would take into consideration the State's financial and technical resources. Regarded as a matter of equal importance, everyone should actively participate in the planning process, at least by giving full support to the executive boards responsible for putting the development plan into operation in both the public and private sectors.

Despite the Iraqi Government's desire to diversify the economy to reduce the dependence on oil revenue, it still represents the major source of funds for implementing the various development programmes. Iraq's policy is to achieve political and economic independence through the nationalisation of all the remaining oil companies in the country, and large-scale petroleum projects are underway as part of the development strategy. Implementation of these plans will absorb a large part of the national budget into the 1990's due to their great cost, and the additional cost of other projects at present postponed due to circumstances hindering further development.

Iraq has to learn a lesson because of the drop in world demand for oil, and the slump in oil prices during the second half of the 1980's. Reducing bureaucracy and

overcoming the problem of major manpower shortages and infrastructural weakness are essential if Iraq is to succeed in fulfilling her declared aims. If the country can maintain political stability, and solve these problems, the nation's vast potential may finally be realised.

The research methodology employed in this thesis, the samples selected to reflect the actual situation in the field of agriculture, and the aims of this study will be explained in Chapter TWO

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**CHAPTER TWO**  
**RESEARCH METHODOLOGY**

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**RESEARCH METHODOLOGY**

**Introduction**

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## CHAPTER 2

### RESEARCH METHODOLOGY

#### Introduction: Statement of The Problem:

Iraq's planning has been erratic and has never lived up to expectations. For example, in the last decade, the actual expenditures fell short of planned allocation in agriculture by 57 percent (Hershlag I), "The Economic Structure of The Middle East", Leiden, Neth. Bill, 1975, pp. 245-247).

Planning failures however, were largely the result of the government's continual changes in priorities from industry to agriculture, back to industry and from both industry and agriculture to housing and construction. This is due to the state of flux in the successive governments, reflected in shuffling personnel and bitter bureaucratic administration. The Iraqi government apparently hopes to make up much of the ground lost in the 1960's through the development process in the agricultural sector. It is hoped to divert attention from past failure in both agriculture and industry, but still the agricultural sector is backward. With reference to the Land Reform experience, there is a contrast between Iraq and Egypt concerning this experiment and comparisons are inevitable. In 1958 Iraq introduced a programme for Land Reform based on the Egyptian experiment, but without initiating a variety of additional programmes to stimulate farm production. After six years of the Law enactment, the High Agricultural Council was established to supervise the cooperative movement. But during that time farmers' communities were shattered and social-economic problems arose. Thus a loss in agricultural output has occurred and per capita production is low (see Chapter 5). In fact, the real income of the Egyptian farmers was generally higher than that in other Middle Eastern countries. Thus the main reason that many agricultural development programmes have failed to attain their goals has been the failure by officials at the policy making level to understand the marketing link.

On balance, it is clear that although the Iraqi economy achieved an overall rate of GNP growth close to, or exceeding, 7 percent per annum on the average between 1958 and 1982, this was at best an underachievement in the sense that it fell short of what might have been achieved. Given the large volume of investable funds available from oil revenues, agriculture's contribution to growth was particularly disappointing (see Chapter 1). The lesson is that the improvement in agriculture economic activities is very unbalanced. While the five year plan and a number of regional projects are continued, the country still does not have a consistent, or even vague, regional policy and the agricultural industry must be integrated into the nation's regional development efforts, as the new attitude stresses the twin policies of agricultural development and expanded social welfare in Iraq's vast rural areas.

Despite the serious difficulties which agriculture in Iraq is facing, it is reassuring to know that some of them are capable of solution, at least at a technical level. For example, soil salinity can be alleviated by surface leaching and an efficient drainage system. Once this is achieved, and provided that adequate water for continued leaching of the soil is available, then crop yields are likely to increase (Beaumont, P. and others, "The Middle East: A Geographical Study", 2nd Edn., David Fulton, Publishers, London, 1985, p. 364). Moreover, unlike many other countries in the region, Iraq is fortunate to possess large areas of land in the North which might be successfully developed for more intensive agricultural production (see Chapter 5).

In chapter 5 we discussed how the disadvantages of the operation of the LRL outweighed its advantages and we concluded that in dealing with agricultural marketing, the proposed reform appears to have been limited to one aspect of marketing, namely that of selling through cooperatives. Such implied neglect was a source of direct criticism of this law. Moreover there was weakening of marketing activities through the non-existence of most types of modern communications in rural Iraq, where several large areas of production have little or no link with marketing

centres, so that prohibitive transport costs would be incurred.<sup>1</sup> Such conditions obviously tend to result in production being maintained at or below subsistence level. Where a surplus occurs, there is no incentive for farmers to continue their farming operations, nor do they stand to gain from achieving a higher level of technical efficiency. Improvements in marketing infrastructure and easier access to essential services would certainly put them in a stronger bargaining position so that they could sell their produce at a fair price and create a situation of price stability. Such conditions are necessary to facilitate greater product diversification, thereby stimulating and encouraging the development of a commercially viable farm business.

Even if crop yields are adequate, breakdown or inadequacy in the processing, storage and distribution facilities, can lead to food wastage and widespread malnutrition particularly among the urban population.

In general, the marketing system in Iraq lacks the prerequisite facilities and services including the inconvenient location of wholesale markets, the chaotic organisation which characterises these markets and the lack of official control over these markets. Recent efforts to provide primitive sheds from which produce can be sold have not proved to be a satisfactory initial step towards improving the system for marketing agricultural products.

With reference to the price of food in the local markets, the Iraqi government has introduced two price levels, a lower fixed price for low quality products and a higher price for high quality products. When middlemen or even government departments find that these fixed prices reduce profit levels, firms tend to reduce their services or sales forces accordingly, in relation to advertising or even marketing research, and private firms or middlemen restrict their activities to a limited area of the market. Middlemen or retailers sell their produce, especially agricultural products, ignoring the relationship between quality and price, thus the appropriate grading is disregarded and most products tend to be sold at the upper fixed price or at inflated black market prices. Consumers find themselves helpless and even the government inspectors are unable to take effective action against a large number of retailers who are widely distributed

throughout the country. In an attempt to reform the pricing system, the "Central Organisation for Pricing," was established under the supervision of the Ministry of Trade. This organisation has authority to regulate commodity prices and investigate charges, but its responsibilities and powers are not precisely defined.

For a producer to achieve the desired results, he must be persuaded no longer to use traditional inputs or methods, but to employ instead modern inputs, and to adopt up-to-date farming techniques. Above all, introducing an effective price policy can greatly accelerate the process of increasing productivity in agriculture. Such a policy could not be introduced successfully without considering efforts and application of price changes and differentials. Consequently, it is essential to have access to appropriate information to allow producers to assess the extent to which they must respond to price changes. In most developing countries, including Iraq, there is a lack of information concerning most crops in relation to the incidence of price changes. This lack of essential information affects continuity of distribution, since it undermines the effectiveness of economic incentives in general, and the relevance of price changes in particular, so that producers are unable to make appropriate decisions concerning the production and offerings of products. This unsatisfactory situation assumed greater significance after the enactment of the 1958 LRL. These serious problems have attracted increased government concern and some efforts were made either to solve the problems or to reduce their effect on the farming community.

Government activities in relation to the economy fall into three main categories, first, the creation and/or maintenance of an institutional framework, that is conducive to social stability and economic progress; second, the general management of the economy; and third, the provision of public services and investments, particularly for purposes unlikely to be performed by the private sector. In agriculture, these public services and investments typically include research, technical extension services, general supervision of the cooperative sector, and the provision of major items of infrastructure, such as surface irrigation systems, systematic ground water development, rural roads, education, and easy access to credit.<sup>2</sup>

Many of the marketing problems in most developing countries are identical, while

others affect only particular groups. For example, credit availability is a problem for all poor countries, while this aspect is not so important in a country, rich, like Iraq, although administrative weaknesses and inefficiency in managing this source of capital causes problems. In this research we shall concentrate on the problems which are likely to be found in all developing countries, including Iraq. Problems, which affect the level of production in terms of its quality and quantity, as well as having an impact on the marketing system. Other socio-economic factors will be investigated that have an effect on agriculture and food consumption levels.

When the major part of the work force is engaged in agriculture, the production and marketing of agricultural produce is of great importance to the national economy. One way of determining the type of market system which characterises an economy is to look at its principal national products, and decide whether the economy is industrial or agricultural. Despite the significant differences to be found in the economies of various middle east countries, in every case, agriculture is the least productive sector of the economy.<sup>3</sup> Among the reasons for that is the increase in population and the level of migration from rural areas which has created pressure in urban areas, particularly for food and other agricultural produce. As productivity in the agricultural sector declines, prices soar and a substantial percentage of consumer's total income is spent on food, leaving little for the purchase of other consumer products.

It might be assumed that high agricultural prices benefit farmers, and that as long as such a situation exists, they will be able to afford to buy whatever they want. In fact, this does not happen. Farmers are usually poor in most developing countries. They are continuously in debt to either official or unofficial money lenders as a result of which the agricultural industry is unprofitable and farmers are unable to benefit from high prices in the market.

Inadequate credit facilities and a primitive marketing system restrict the ability of small farmers to contribute to the successful marketing of agricultural products. Accordingly, in general, operations in the field of agriculture are inefficient and this is a cause of the marked gap in the level of income, the standard of living and the general quality of life enjoyed by farmers compared with those engaged in other sectors of the

economy. Both of the above weaknesses directly affect the development of agriculture or the formation of capital throughout the whole economy. It is often alleged that small farmers divert part of the credit they receive for production purposes to personal consumption requirements which naturally creates a high element of risk relating to repayment of credit. The diversion of credit to purposes other than production is a common practice in most developing countries. It is also true of the vast family farming sector in developed countries. Bottomly has argued that farmers borrow in order to support their families, without taking into account their ability to pay. They choose to feed their families and to attempt to increase their yield rather than to repay their loans. The losses suffered by money lenders resulting from non-payment of loans is recovered by imposing higher charges on future loans and charging compound interest.<sup>4</sup> Owing to the highly variable nature of technical innovations in agriculture at different times, the need for capital to finance agricultural production processes can be quite crucial. Thus the level of demand for credit could be a function of interest rates, investment returns, and accessibility to credit institutions and the risks involved. Thus, credit facilities, marketing policies and technical innovation are all important factors in achieving success in the transformation of agriculture. These factors have an important contribution to make towards increasing total output, improving the distribution system and benefiting the whole community in rural and urban areas.

In Iraq, there has been considerable investment in industry, but at the same time improvement in the marketing system has been neglected, whereas in advanced countries, marketing is recognised as being one of the key factors in industrial growth. It is possible that such developments as have taken place in Iraq were devised by those who had little interest in or inadequate knowledge of marketing because they had not recognised the need to seek specialist advice and assistance. It is reasonable to suggest, therefore, that improvements in production and in the marketing, and costing systems should be implemented in order to ensure the provision of an adequate supply of food and other agricultural products to satisfy industry's requirements and meet the day-to-day needs of the population at large. It is not even clear that the academic and professional authorities concerned with planning in economies of developing countries



have regarded marketing studies as being of significance.<sup>5</sup> In the field of agriculture, production has been given first priority, less consideration having been given to marketing.

In general, there is lack of the coordination required between agriculture and related industries to determine the proportion of agricultural production to be allocated to domestic consumption locally and to exports, and inadequate attention is paid to such activities as processing and grading which increase the value of products in the local markets or in the neighbouring foreign countries. Accordingly, coordination between the industries involved is weak and even largely ignored, a situation which is typical of most developing countries, including Iraq. A great deal of effort is required to establish a systematic and successful form of coordination which would ensure the provision of more raw agricultural materials for use in industry, for local consumption and for export. In other words, agriculture must be completely modernised: It may be more difficult to succeed abroad due to the level of competition in foreign markets or the lack of appropriate marketing knowledge which is a prevailing characteristic of most developing countries, including Iraq. This would involve the use of such modern inputs by farmers as pesticides, fertilisers, and appropriate technology, and giving farmers government aid, so that effective incentives would be made available. In practice, infrastructure, the marketing information system and feedback facilities which, among other things, help to decide the amount of produce likely to be produced are all at primitive stages in developing countries. Agricultural raw materials constitute the basic input required by the food industry to a greater extent than any other industry in the Iraqi economy such as textiles or paper, and it is the food industry which is our present concern.<sup>6</sup>

The importance of agriculture to the Iraq's economy is second only to the oil sector. Thus, the level of agricultural output in the market is important for the nation as a whole. This is true of most developing countries whether they are rich or poor. Despite the importance of this sector, such countries suffer from the low level of agricultural production. This problem has been exacerbated by the increasing rate of migration from rural areas, as a result of which previous producers became consumers. It has also created pressure on the urban areas caused by the additional demand for

accommodation in such areas and the increased demand by the cities for more agricultural products. In these circumstances, certain steps must be taken to alleviate the pressure on the distribution system to ensure that these products are available in sufficient quantities to feed the people. The problem, however, is not simply that productivity must be increased, it is also essential that products should be available at the right time, in the right place and at the right price. When agricultural prices are high, consumers are left with little to enable them to buy other desirable consumer products. When a large percentage of their income has to be spent on buying food - for example 48% of per capita income in Iraq is devoted to the purchase of food - consumer's ability to buy other necessary goods is severely limited.

Per capita income and the price of agricultural produce on the one hand, and the integration of agriculture and related industries on the other, are factors that should be considered carefully and simultaneously, in making policy decisions. As mentioned above, the high price of food will affect how much can be spent on other products, and this applies to all consumers, including farmers. Effective integration between agriculture and industry can produce beneficial results in two ways. The first one derives from the fact that improvement in agriculture itself will benefit the food industry which depends mostly on agricultural products for its raw materials. When the agricultural products are standardised effectively, the quality of the food industry's products will improve as a result. Secondly, agricultural improvement in both quantitative and qualitative terms will increase the income of farmers who, with improved purchasing power, will be encouraged to buy other products, either for their personal use or for further investment in agriculture, and this in turn will give added impetus to industry as a whole.

In general, the higher standard of living achieved by farmers will increase the rate of consumption of other consumer and industrial products which will help to increase the level of industrial development. It should be borne in mind, therefore, that increasing the earnings of those engaged in agriculture, especially in developing

nations, will have a positive effect on the industrial process as domestic industrial production will increase. Improvements in relation to manufactured products take place when there is a market for them at both domestic and international levels. When purchasing power is strong, the local market benefits more than foreign markets, due to the level of competition. Without such purchasing power, people cannot buy so much and local industry remains backward and stagnant, since there is no incentive to introduce improvements.

The situation in Iraq does not favour farmers. It is generally believed that high agricultural prices mean that farmers are better off, but this is not always the case. In fact, farmers are subject to the pressure of market forces which keep them at or below subsistence level, so that they are the least likely to be consumers of manufactured or industrial products. Indeed, farmers do not benefit from the high price of agricultural products. Instead, as we shall see in later chapters of this thesis, high margins are obtained by middlemen, not by those who are engaged in the production process. However, improvement in the financial position of farmers is not enough in itself to improve the marketing system. Improvements in the industry with which our study is concerned, namely the food industry, might be brought about by ensuring an adequate supply of agricultural products at a reasonable price. Any possible overall improvement in the marketing system will not be achieved by simply concentrating on increasing the supply of produce, but also on the marketing process as well, so that production and marketing are considered simultaneously. Even in the developed countries, marketing is given equal importance with production as a means of achieving the required improvement in the total marketing system.

In most developing nations, marketing in general and agricultural marketing in particular have been neglected, concentration being devoted mainly to production and finance, despite the importance of agriculture to the economies of such countries. Marketing is still regarded as having a passive role to play in the economy and as

having little to contribute to the economic growth of developing countries. Moreover, in these countries, the view held by economists is that production is what matters, ignoring the fact that an effective marketing system might attract subsistence producers so that they could play a part in the exchange economy, and consequently expand its size by creating economies of scale.<sup>7</sup>

Improved marketing performance will enhance the prospects of consumers, producers and all those in the marketing chain as well as helping to improve the national economy. Indeed, its importance has hardly been recognised, whereas we have found that marketing has a significant contribution to make towards economic developments (see Chapter Four). In fact, economists and central planners in developing countries have concentrated their attention on the production process or the development of production techniques. Thus the general attitude is production first and distribution coming next. Kriesberg stressed the fact that archaic marketing facilities and inadequacies in the distribution system are as responsible for shortages in developing countries as much as old-fashioned methods of farming.<sup>8</sup>

In the marketing literature, the integration between the production process and marketing was recognised as achieving an efficient marketing system and an effective distribution network. If this is the case, agricultural production and agricultural marketing should be regarded as complementary rather than separated factors in order to produce successful results. Possibly due to increasing realisation or perhaps because of the clearly recognised urgent political and social implications, increasing attention has recently been given by the governments of developing countries to the need for modernisation of the food marketing system.<sup>9</sup> The conditions outlined above apply to Iraq.

At the present time, most marketing experts agree that developing countries industries have entered the marketing era. Within the marketing concept, all parts of an organisation are oriented towards solving consumer problems, maximising

consumer satisfaction, and meeting the needs of the market place so that identified needs become the basis of the marketing plan. In developing countries, the evidence indicates that most firms have either adopted the marketing concept or are in the process of doing so.<sup>10</sup> Unfortunately, as we shall see from the survey research, we can still find examples of firms in the food industry, which is the subject of our study, which neglect to consider the consumers' welfare. If such firms wish to remain competitive, however, they will have to change rapidly in the near future. Consumer orientation is concerned with the best method of solving a consumer's problem. Firms should be service-directed and should identify needs and determine how these can be satisfied effectively. Marketing's role in the modern organisation has been described as focusing the energies of the organisation on its customers. This means that satisfying the consumer is the core of the marketing concept itself and therefore, marketing people agree that it is the best way to sell their products in today's environment.<sup>11</sup>

The marketing concept is widely applied in developed countries in some aspects of agriculture and in rather more aspects of industry within the economy. In general, marketing is as crucial for agriculture as for any other form of production and lack of attention to this function is particularly marked in relation to distribution. Although no single definition of marketing has ever been universally accepted, it is generally agreed that the main purpose of business is to create customers.<sup>12</sup> The heart of the marketing process is thus to provide consumer satisfaction. It is frequently suggested that the concept of consumer sovereignty must increasingly be recognised and implemented in developing countries as discretionary income levels grow. Marketing then, is one of the factors which determine social behaviour in the economy because to a large extent, social behaviour depends upon the services and goods which effective marketing provides. The marketing concept is thus of crucial significance. Any firm adopting that concept becomes aware of the consumers' needs and takes full responsibility for goods intended to meet those needs.

## 2.1. The Need For The Study

The provision of market opportunities is essential for progress, but may conflict with policies relating to industrialisation in the process of national development.<sup>13</sup> In a subsistence economy, where the population is largely illiterate and there is no general tradition regarding the need for integrity of information and the importance of accurate figures, one cannot expect good primary statistics and gathering statistical information is not easy. The overall purpose of obtaining marketing information is to help decision makers to make better decisions. The inflow of relevant information would help the economic planner in the decision-making process, and in organising subsequent planning procedures, so that the most effective use is made of available information.<sup>14</sup> This would help to emphasise the importance of marketing in relation to other factors affecting the Iraqi economy. Building on such a basis could be regarded as the first step towards developing other approaches. Generally, the effects of marketing in the economic development process have been neglected by the economic planner, partly because of the scarcity of reliable data, in addition to the inherent complexity of the marketing system in so far as it deals with human behaviour.

As a concept, marketing in Iraq is far from being implemented, although it should act as a multiplier of development in both industry and agriculture. In the field of agriculture, marketing still operates at a simple level. In the industrial field also, the tendency by the planners or economists is to concentrate on production and ignore the value of marketing knowledge in achieving national economic growth.

The tendency in the developing countries has been towards a widening gap between the "Haves" and the "Have Nots". For a full appreciation of the above situation, it is crucial to have a comprehensive picture of marketing as practised in the agricultural/food industry. Internal migration in Iraq throughout the various governorates has created a new pattern of social life, and consequently, the resulting

heterogeneous wants, needs, attitudes, and the existence of potential markets have to be considered to enable a productive economy to be established.

In most developing countries, including Iraq, the inadequate performance achieved by the traditional marketing structure that caters for most consumers has created a variety of administrative problems which have wide economic and social implications. This study attempts to develop a better understanding of the problems involved, to provide a means of improving the efficiency of the present marketing system employed in the food industry, through the application of the marketing concept in the related agricultural sector.

## **2.2. Objectives Of The Study**

Effective marketing of agricultural products is also a critical factor in the success of development programmes designed to improve the situation of the population as a whole. Therefore the adoption and application of the marketing concept is a crucial prerequisite to developing and fostering the agricultural industry in the developing countries, and this constitutes the basic argument adopted in this study in which we shall examine and attempt to assess the extent to which the principles of the marketing concept are implemented. It is the purpose of this thesis to show that such steps require sound planning, and highly qualified, well-trained, and devoted personnel to implement the marketing concept in the first place. Also, pinpointing the defects in the present marketing system in an attempt to identify problems faced by businessmen in order to recommend an appropriate strategy for solving these problems. Special attention is given to examining the factors that influence the marketing strategy of food products and this may lead to proposed improvements in both the current and future marketing systems in order to ensure that the agricultural food industry can make its full contribution to the economy as it continues to expand.

The defects in the present marketing system start before the farm gate, even before harvesting begins. The root of the problem is that traditional agricultural inputs are used, primitive methods are employed in the field, and later, after harvesting, inadequate methods of grading and distributing produce are pursued. Thus any efforts to deal with these defects in the marketing chain should start at the farm gate and continue right through to the point of consumption. In other words, consumers needs should be met and their satisfaction ensured. Basically, efforts should be concentrated on introducing modern agricultural inputs and thereafter maintaining produce in good condition. Improvement in the efficiency of the required services would ensure that produce reached its destination in sound physical condition. Such improvements would enhance the status of farmers, and have a beneficial effect on the marketing system in general.

To be more specific, improvements should be introduced in the methods of harvesting, packaging, transporting, warehousing and in general facilities. Fair prices should be set for both farmers and consumers, a requirement presently lacking in the marketing system employed in the local market. These aspects, therefore, will be examined. Any attempt to improve the marketing system should start from consideration of the above points, in order to pinpoint the defects in current marketing practices which have a direct effect on the quantity and the quality of the produce marketed at its final destination.

As instability is an inherent feature of agriculture, the resulting variations in output have an effect on the price of agricultural products. When there is a particularly high demand for a product which is in short supply, the problem is exacerbated by prices being forced sharply upwards. The situation is made even worse when the authorities, for example, take steps to ensure that produce is available in larger cities, at the expense of outlying areas or they import supplies, delivery of which is delayed by administrative procedures, although the aim of the latter policy is to achieve price



stabilisation. The measures taken may not achieve the desired result unless there are adequate storage facilities to keep the products in good condition which would be more effective than, for example, importing the produce concerned. The inherent instability which characterises the market situation is exploited by middlemen, wholesalers and even retailers for their own benefit, by charging their own prices for produce, ignoring the official prices. Therefore, the measures required to deal with unforeseen adverse circumstances are either to arrange for storage of agricultural produce, which would constitute the most effective solution to the problem, or to plan in advance the variety and amount of crops farmers are to produce, a policy which requires adequate and appropriate information which is seldom available in Iraq.

When farmers are free to produce what they want, their position will be strengthened in the market and their bargaining power will be increased, since competition will have been created in the market place despite government supervision.

The improvement in the present marketing system, through recognition of the social, economic, and political variables will assist the economic planners in taking the measures required to ensure a proper balance between economic development and the agricultural product's marketing system. By and large this study will provide an account of the marketing situation in the food industry which may be added to the literature dealing with marketing in the developing countries.

The best way to improve the marketing system is to restructure the organisational hierarchy of the official departments concerned in such a way that the influence of the farmers in the market will be ensured and this in turn will enable all available produce to be distributed through the official channels and, by avoiding the many problems currently affecting the marketing system. Thus the flow of produce to the market can be regulated more effectively.

### 2.3. Research Methodology

In order to devise an appropriate research method, it was necessary in the first place to collect statistical data on the marketing of certain agricultural products related to our subject. It was also necessary to review the literature on marketing in general and agricultural marketing in particular. Towards this end, journals, books, conference papers, United Nations statistics, FAO statistics, the Middle East Centre at Oxford, and the University library sources were studied. It was found that there is a considerable volume of works and literature relating to marketing in developing countries, but very little that deals with the application of the marketing concept to agricultural products in general. The preliminary research, then, revealed that there is very little published data on food processing in developing countries and nothing of importance about the application of the marketing concept to agricultural food products in Iraq. Therefore, it was decided that it would be necessary to visit Iraq to collect data on the subject in person.

Information was obtained from two sources: firstly from four government departments, and secondly, by use of questionnaires. The government departments and the information they provided are detailed below:

1. The Board of Supreme Audit The following information was gathered:
  - (i) The status of the firms visited in the food industry.
  - (ii) Procedures employed in costing and pricing.
  - (iii) Firms' balance sheets for recent years.
2. The Ministry of Planning The following source of information was obtained:

The Statistical Year Book for 1985, which provides comparative statistics for previous years for the whole public of Iraq. This Year Book is the main source of comprehensive statistics for this thesis.

3. The Ministry of Agriculture and Agrarian Reform Information about the number of agricultural cooperatives, details of loans received by them in recent years, information about agricultural production and prices and information concerning the Agricultural Cooperative Bank and the loans made to private farmers.
4. The Ministry of Trade The information available concerns the marketing of grains locally, and the amount imported, while the Annual Report for 1985 explains the activities of the "Grain Marketing Establishment".

The researcher conducted interviews with twenty-five executives, most of whom represented cooperatives in the middle province of Iraq. These interviews shed light on the difficulties experienced by cooperatives in Iraq and allowed an assessment of their performance to be made in an attempt to find effect the solutions to these indicated problems, so that the cooperative movements might improve their performance. Considerable time and effort were expended on gathering this information, with the help of a questionnaire concerning the cooperative movement. The researcher's previous experience enabled him to arrange the executive's responses so that a clear picture of the situation is now provided.

Another survey was carried out in the capital Baghdad, using the largest firms in the private and public sectors as a sample to discover whether or not the marketing concept was implemented. The research finding revealed that in the public sector the practice is more common, so it might be worthwhile to undertake further investigation of these firms, together with those in the private sector. These research findings taken in conjunction with our recommendations should provide a clear picture of the extent to which the marketing concept is practised in the Iraqi food industry. Of course, other factors such as socio-economic conditions are also important and should also be the subject of further research.

The cooperative organisations are administered by the Ministry of Agriculture and Agrarian Reform, whereas in the field of industry, the public sector is administered by the Ministry of Industry. Firms in the sample selected were medium-sized in terms of the workforce (usually 200 or more employees). Those firms have a specific line of management, which was the main factor influencing the researcher's choice. When a sample from the public sector has been studied in other industries, the overall results are considered to be representative of industry as a whole.

### 2.3.1 Questionnaire Design

Considerable time and effort was spent on the questionnaire design so that it would achieve the purpose of the study, namely to determine how far the marketing concept was applied in the food industry. To this end, texts related to marketing were studied so that the questionnaire structure devised would be effective in achieving the researcher's aims. However, very little was found dealing with questionnaires relating to cooperatives. Nevertheless, using the literature about cooperatives as a reference, the researcher devised two questionnaires which clearly covered the areas being investigated. One was directed at executives of cooperatives, the other at executives of the other firms visited. The aim of these two kinds of questionnaire is to discover whether or not the marketing concept is adapted in the agricultural industry (see Appendices 8 and 9).

The study was conducted in and around the capital, Baghdad, by means of direct personal interviews. In the researcher's experience, the nature and the social position of the respondents were such that the best way to obtain the desired information was to allow them to lead the discussion so that they would express their ideas more readily, they would be more relaxed and have more confidence in the researcher. For this reason, questions were left open and the researcher probed more deeply when he considered it necessary to do so. The design of the questionnaire was arranged in such a

way as to ensure that respondents would cooperate fully and treat the matter seriously, without embarrassment or hesitation, as it employed terms in keeping with their level of education, especially in the case of cooperative executives. To achieve maximum benefits, the questions (structured and semi-structured) were designed to be short and clear to ensure that the required information would be obtained and all the crucial points would be covered. When necessary, the discussion examined particular points in greater depth, care was taken to ensure that within the informal interviews, any element of suspicion, on the part of the respondents would be allayed so that their participation would be wholehearted.

Interviews were held during business hours, as executives are then more readily available, so no previous appointments were arranged. However, some of the executives in the public sector preferred to answer the questions themselves, and the researcher had to collect the responses later.

The researcher was given detailed responses by executives in the organisations visited. A letter had been sent in advance inviting cooperation and this helped to complete the mission in a reasonable time despite the current situation in Iraq, although some data related to the marketing mix was obtained from the Annual Financial Balance, as some firms did not keep separate records, especially in the private sector where the researcher had to rely on explanations given by executives. All the questionnaires were administered in Baghdad and once again, useful additional information was obtained during the interviews.

The questions were in Arabic language to ease executives' responses and were designed to achieve the purpose of the study, namely, the extent to which the marketing concept is applied in the agricultural/food industry. The Arabic language has little vocabulary even for commercial and industrial activities, so it is easily understandable, whereas the English language has a rich vocabulary for such activities, reflecting the nature of the English societies. Considerable time and effort was made by the researcher to translate

the information obtained through the interviews back to the English language. The executives' responses were arranged to obtain a clear picture of the situation. Thus, similarity in questions, which may occur to the reader, are due to the different nature of both languages. Some executives in the public sector preferred to answer the questions themselves and the researcher had to collect the responses later. However, when the discussion took place to assess the answers later, the researcher probed more deeply when he considered it necessary in an attempt to check the answers with those during the interviews, in order to maintain consistency.

### 2.3.2 The Sample

Examination of the annual balance sheets of the firms visited, showed that the food industry in Iraq is located in different governorates in the three parts of the country (namely, North, Middle, South) and consequently their Headquarters. The firms involved in this research represent the main areas of the food industry in both the private and public sectors. In both sectors, there are firms with a clear and well-defined line of management with a reasonable number of employees (more than 50 in the private sector and 200 in public firms, a parameter set by the Ministry of Works and Social Affairs). Accordingly, the industry sample is heterogeneous, and employers represent most of the population engaged in the food industry, and therefore meet the questionnaire objectives. In both sectors, firms were engaged in local and export activities related to the subject of the thesis.

As far as cooperatives are concerned, the researcher concentrated on the Middle part of the country, where the units are engaged in all the agricultural activities associated with the products in our case studies (namely, the marketing of dates, grains, and fruit and vegetables), whereas units in the North and South respectively concentrate their activities in producing grains and dates. The location of the Headquarters was in the capital Baghdad, and it was here that the researcher met executives.

Iraq covers 438,317 sq. km. or 175 million Donums. Cooperatives in the sample are

responsible for 277,154 sq. km. or 63% of the total land area. The total area suitable for general cultivation is 48 million Donums. Consequently the units in our sample are responsible for cultivating 28.3 million Donums. Their share of the total Agricultural Bank loans in 1984 was 71% which amounted to 5,618,454 ID out of a total of 7,914,682 ID. In the marketing of fruit and vegetables, grains, and dates, the market share of cooperatives is over 30%, 58% and 60% respectively. Dates still represent over 57% of the non-oil revenue derived from exports, whereas grain, fruit and vegetables are now imported by Iraq and they represent 55% of all imports of consumer products. The cost of importing these items is more than ID140 million. The growing numbers of these units is regarded as a mark of success in the field of agriculture. This may be true from a political point of view, but not in economical terms. Success, in the researcher's opinion, depends upon adequate preparation, but the number of farmers has increased four times over, without a proportional increase in output, a clear indication of unsatisfactory planning.

The sample selected includes a variety of different sized firms in each group to suit the requirements of the research, so the industries involved are heterogeneous, containing different types of the most important food processing industries in both sectors. The following Table gives details of the selected sample.

The purpose of the review chapter in question (namely Chapters 1, 2 and 3), is to provide a systematic framework for synthesising the various topics related to the agricultural marketing problems in the text, to provide and open the door for the primary data obtained through surveys discussed in this study, starting from Chapter 5 to Chapter 8. In other words, two valuable sources of feedback influenced the content and the organisation of this study as a whole as well as those of each chapter. The first was extensive desk research obtained from literature written about the Middle East countries including Iraq, papers and books about marketing concerning developing countries, including the United Nations (UN) contribution, all of which enrich the review chapters mentioned above. The second source of feedback contains primary research and field work done by the researcher which provides extensive coverage of the marketing

## Description of Food Industry Sample by Status and Type of Activity

Kind of Industry	No. of Firms	Firms Status					
		Private	Public	Export		Non-Export	
				Private	Public	Private	Public
Dairy Products	5	4	1	-	-	4	1
Dates Processing	3	2	1	2	1	-	-
Canning & Dehydration	5	1	4	1	1	-	3
Soft Drinks	3	-	3	-	-	-	3
Sweets & Confectionery	3	2	1	-	-	2	1
Marketing of Grains	1	-	1	-	1	-	-
Marketing of Fruit & Vegetables	1	-	1	-	1	-	-
Extracting Industry	3	1	2	1	2	-	-
Sugar Extraction	3	-	3	-	-	-	3
Marketing Foodstuffs	3	-	3	-	3	-	-
<b>TOTAL</b>	<b>30</b>	<b>10</b>	<b>20</b>	<b>13</b>		<b>17</b>	

procedures in the firms visited that are used in practice. Therefore, Chapters 5, 7 and 8 cover four topics, namely marketing of some agricultural products (see Chapter 5 and 7), the nature of marketing research, of advertising, and of packaging (see Chapter 8). These topics are typically covered cursorily or ignored completely in most firms visited. In general, the literature review in the first four chapters is written to enable the reader to grasp the significance of the primary research.



#### 2.4. Limitation Of The Study

One of the major limitations is the time factor. Accordingly, we were unable to include any firms in the oligopolistic sector in the sample selected to represent the food manufacturing industry, concentrating instead on the private and public sectors. But this omission is not significant since the survey was conducted included ten large private firms and twenty in the public sector. The researcher believes that the information and the results obtained from this study will closely reflect the situation in the private sector, and the part of the study which relates to public firms may provide motivation leading to research into oligopolistic sector firms especially those firms involved in export activities, which may have different ideas and attitudes concerning marketing. This may encourage the reader to hypothesise that firms involved in export marketing are more aggressive in their activities than those involved only in local activities, and that the former are more prepared to adopt the marketing elements in order to achieve success. However, to obtain a complete picture of the extent to which the concept of marketing has been adopted in the public sector, further study is needed.

This study is limited to examining a selected group of firms operating in the food and agricultural industry. Both of the sectors selected clearly have an impact on the economic development process through their attempts to increase productivity in order to meet consumers' rising demand for processed food. Since we restrict ourselves to the two sectors mentioned above, including firms which vary in size and importance, the statistical inferences which can be derived are limited. Such quantitative and qualitative weaknesses in the statistics derived from the firms cannot be easily discounted. Nevertheless, this study may provide some insight into marketing practices.

To achieve more, the researcher would have needed to research more deeply, but this was not possible for the reasons already mentioned, and also because, by definition, marketing encompasses a very wide range of activities in the field of business.

## 2.5. The Hypotheses

Based on the previous discussion, the following hypotheses were formulated:

- (a) The marketing concept is not adopted in the agricultural/food industry.
- (b) Firms which adapt their marketing concept to suit consumer needs tend to employ more advanced marketing techniques, and are more aggressive in their marketing than other firms. Improved marketing performance will enhance the prospects of consumers, producers, and all those in the marketing chain, as well as helping to improve the national economy.
- (c) Archaic marketing facilities and inadequate food preserving operations represent problems for both exporting and importing countries. These problems can be eliminated in developing countries by good management which in turn will bring about long awaited improvements in the deficiencies caused by antiquated farming methods.

The primary hypothesis is that the main points which affect the food industry supply and the subsequent impact of marketing activities depend upon:

1. Religious variables
  2. Rising income levels
  3. Migration of rural people to the urban areas
  4. The general level of education, especially in business studies
- (d) Within the cooperative system, managers with technical training and background in production tended to be more successful in adopting technology and marketing techniques to suit local environmental conditions than those with little appropriate knowledge or none at all. The basis of this assumption is that managers with education and a

skilled background have greater knowledge of available alternative strategies. The primary hypothesis is that returns in terms of both money and productivity are higher with efficient management than without. The wide differences in performance demonstrate that the quality of management is of considerable importance.

- (e) Agriculture in Iraq is characterised by individual small holdings which are divided into scattered fragments. The number of small farms results from the implementation of the LRL, making it much less convenient to produce centrally in marketable form, where surpluses occur. Where production by individual small farmers is so limited, this situation is likely to be perpetuated. The hypothesis relevant in this context is that the LRL has contributed to the decline in the level of agricultural production. This hypothesis is based on the fact that Iraq has become an importer of agricultural produce, whereas before the law was enacted, it was actually an exporter of such produce.

The next Chapter is descriptive and analytical and attempts to evaluate various aspects of the current problems affecting agricultural marketing. The reasons for the decline in the level of agricultural production in Iraq will be examined.

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## **Chapter THREE**

# **Role of Marketing in the Developing Countries**

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### **Role of Marketing in the Developing Countries**

#### **Introduction**

- 3.1 Marketing Concept**
  - 3.2 Marketing in Developing Countries, including Iraq**
  - 3.3 Problems of Agriculture in Iraq**
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## **Chapter THREE**

### **Role of Marketing in the Developing Countries**

#### **Introduction**

In the early 1970's, 20 years of the Land Reform Law, 40% of the land subject to expropriation had not been requisitioned, and over 80% of the total area still awaited redistribution among impatient farmers. The population has increased by 3% to 15.5 million so agricultural production must increase to feed the expanding population as well as increasing hard currency earnings. For this reason we now examine the problems that face farmers in Iraq and particularly agricultural marketing.

Farmers face a situation where they have to tend farms scattered over a large geographical area. Farmers in most cases are at the mercy of situations outside their control. In particular they lack the ability to control the price of the produce in a manner which would improve their standard of living and their position in society. We shall see later in Chapter five, that efficient and effective Marketing Boards capable of solving farmers' problems are necessary. The fixing of fair prices, employment of competent workers and maintaining regular and stabilised prices and income are all vital to the farmer. The poor returns a farmer receives seriously affects his financial position as he attempts to repay loans, and to meet his living expenses.

This chapter which attempts to explain the above situation, is presented under the following headings:

1. Marketing Concept.
2. Marketing in Developing Countries, including Iraq.
3. Problems of Agriculture in Iraq.
4. Agricultural Marketing Definition.
5. Neglecting Agricultural Marketing.
6. Structure and Characteristics of Agriculture in Iraq.

### 3.1. Marketing Concept

During the past decade, marketing has become an increasingly important function within a business organisation. This situation stems from the fact that businessmen recognise the importance of profit making to their firm and realise that for their business to survive, customer wants and needs must be satisfied. However, to apply the marketing concept successfully, a firm should be marketing-oriented. The adoption of this concept means fundamental changes in the firm (i.e. in management attitudes, the organisational structure, and the whole approach to managerial functions). Levitt was one of the first economists to suggest that businessmen defined their operations too narrowly, being production rather than marketing oriented. Marketing looks at the business as being directed towards the satisfaction of customers wants and acting as a provider of customer utility. If this policy was pushed by a firm, it would not suffer from competition by other firms because it would be fully involved in the development of these needs.<sup>1</sup> Boyd and Massy cited Drucker who summarised this concept by saying that until the customer has derived final utility, there is really no product, there are only raw materials.<sup>2</sup>

In 1981 the researcher interviewed 22 company executives operating in the production of consumer goods. Fifteen claimed that they were familiar with the marketing concept, and seven stated that they were not familiar with it. However, managers in both groups were vague when they were asked to define the marketing mix. Those who claimed to be familiar with the concept defined only two elements (quality and price). No one mentioned consumer satisfaction.

A firm may satisfy consumer needs, but at the same time adversely affect the society in which it operates. So with the advent of consumerism, a possible conflict between a firm's social responsibility and the traditional marketing concept may occur. Stanton



argues, that though this may happen, such a situation should not be avoided. The two approaches need to be made compatible, and the key to achieving this lies in extending the time scale of the firm's planning and widening the marketing concept definition. This broadening of the marketing concept will produce social activity which goes considerably beyond the selling of such items as toothpaste and steel. Consequently, marketers may have many different target markets.<sup>3</sup>

To sum up, a firm in the long run should achieve the following objectives if the marketing concept and the social responsibilities involved in marketing are to be recognised. These objectives are: First, satisfying consumer wants; second, satisfying the social wants influenced by the firm's activities; and thirdly, maximising and achieving profits. The researcher believes that other social and cultural factors must be considered. These phenomenon need further investigation.

### **3.2. Marketing in Developing Countries, including Iraq**

In most of the developing nations, marketing has until recently been neglected in the process of economic development, most of the theoretical and empirical studies emphasise the importance of other factors such as educational reform, capital formation, improvement of productive techniques, and land reform.<sup>4</sup>

Hirsch, in his study of marketing policy for the Indian Sugar Industry, demonstrates that owners believed that the primary function is production, and the factory should play no part in selling.<sup>5</sup> This indicates that marketing in Indian society is regarded as a wasteful activity. This lack of interest in marketing also prevails in Egypt, as was noted by another researcher. Saddik who remarked that there is a distinct lack of appreciation of the modern marketing concept among Egyptian managers. The majority do not fully understand its meaning and how it is implemented, and those who do, tend to believe that it is unworkable in Egypt. When they were asked to define what marketing meant to them, managers were inclined to

view it in a narrow and/or traditional sense. To many, marketing is nothing more than selling, whilst to others, marketing is synonymous with studying the market.<sup>6</sup>

Bazara confirmed that a large number of managers do not believe in the marketing concept and they do not put it into practice in their companies, since they are of the opinion that the production function is the most important one in the enterprise and that marketing is no more than a vehicle for distributing what has already been produced. Most managers were not prepared to accept the marketing concept, since production problems represented the main difficulties facing their companies.<sup>7</sup>

Marketing in developing nations is a subject which has increasingly attracted the interest of researchers, text-book authors and writers in specialist journals. The researcher does not intend to provide a complete list of all the relevant literature but refers only to those most relevant to the present study, such as books on marketing in its national and international aspects. Some of these books direct the attention of local businessmen to the importance of the domestic market as a step towards marketing products on an international scale. Problems relating to international markets are wider and more complex and hence more skills are required to deal with them.

Terpstra's textbook offers valuable assistance to managers engaged in foreign business. He defines marketing as the collection of activities undertaken by the firm to relate profitability to its market.<sup>8</sup>

Professor Livingstone expresses the problem of international marketing in terms of moving from the role of exporting to actually manufacturing and distributing from overseas bases.<sup>9</sup>

Carson explains why marketing differs from country to country. He discusses many aspects which account for these differences, such as the cultural, social, political and economic roots of the marketing systems in the developed and developing nations. He also suggests some areas which need further investigation.<sup>10</sup>

Bartel's comparative marketing and wholesaling studies represent the most comprehensive work in the field of marketing, fifteen different writers presented their descriptions and their evaluation of wholesaling in fifteen different countries throughout the world.

The above examples demonstrate the marked growth of interest in marketing in the developed countries. As a result an increasing number of research studies have been undertaken, based upon the use of systematic interviewing procedures.

Slater and others based their study on farmers, industrialists, consumers, wholesalers and retailers. Their survey of an area in North East Brazil created a model which was developed as a tool for analysing the complicated effects of proposed development programmes on the economy of that part of Brazil.<sup>12</sup>

Littlefield and Strong, in their attempt to examine the application of marketing in Peru, reached the conclusion that the marketing concept is hardly accepted because of the low level of competition, the low education level, the existence of a seller's market, and the smaller scale of enterprises there. However, they contend that these difficulties can be overcome, and the low level of acceptance of the marketing concept is not an essential feature of less developed economies.<sup>13</sup>

Boyd and Wesfall, in their study of the Indian economy, pointed out specific obstacles and weaknesses in the marketing system, and the possibilities of improving Indian conditions by using modern techniques. Those conclusions are based on their study of the activities of manufacturers, wholesalers and retailers.<sup>14</sup>

Bromely through his study of the integral marketing of selected food products in Ecuador, has pointed out the major problem areas of organisations concerned with marketing policy in less developed countries. These major problems are:

- (a) The availability of effective marketing chains.
- (b) The relationships between the scales of production and consumption and the structures of marketing chains.
- (c) The differences between the marketing characteristics of different types of products and finally,
- (d) The relationships between different types of marketing approaches.<sup>15</sup>

Again, in Egypt, Alsharbini pointed out that unexpected marketing problems arose in the developing nations during the period of industrialisation which was regarded as providing the fastest route to economic development. One of the most important problems to emerge is that caused by the attitude of managers who considered production to be the only area affected by problems. The writer's conclusion is that marketing has the effect of using up capital resources which are scarce in most developing nations.<sup>16</sup>

Although there are no previous studies relating to agricultural marketing in Iraq, the researcher has concluded from his own research that this situation does not apply only to agriculture in Iraq. For example, during the period 1976-1980, the Ministry of Planning did not allocate any expenditure to marketing projects. The researcher found from the figures published in 1984 by the Ministry of Higher Education concerning those employees who were sent abroad for training and studying, that of two thousand people who had left the country to pursue higher education courses, only twenty were undertaking Management and Marketing studies.<sup>17</sup>

The present structure of the distribution of agricultural industry is characterised by a large number of small business concerns. In agriculture cultivates areas are scattered here and there. This unsatisfactory distribution pattern in these two sectors in terms of workers is partly caused by the existence of small isolated markets, lack of adequate entrepreneurial skills, and imperfect competition.

The output of such countries is characterised by low productivity, and high marketing costs. Such costs have an effect on the development of both industry and agriculture. In the agricultural sector for example, the marketing sector accounts for a high proportion (about 32%) of the labour force, and therefore increasing the productivity of this sector would be an important step towards improving economy productivity, throughout the economy, consequently reducing the cost of products to the ultimate consumer.

Factors contributing to the neglect of the development of marketing in relation to agriculture will be mentioned later in this chapter. This neglect, which creates and perpetuates a backward and weak economy, results from the low status of marketing in developing countries such as Iraq.

Most of the developing nations are now aware of the error of neglecting the developing of marketing systems, and over-emphasizing production-system investments, in their five-year plans which aim at bringing the fruit of production to the people.<sup>18</sup>

In addition, in the absence of research concerning marketing in the development process, it is useless to attempt to develop the production sectors without ensuring that complementary advances are made in the distribution sector.<sup>19</sup>

From the above discussion, the main conclusion is that the role of marketing has a low status, and greater emphasis is given to the role of industrialisation in relation to economic development, in most developing nations, Iraq being no exception. There is no argument against the emphasis on the industrialisation process in these countries, but such emphasis should result in stimulating the development of a marketing system, which would enhance efficiency in the use of economic resources, thereby providing a large domestic market, and increasing market potential. In point of fact, the present situation will not allow the achievement of the required objectives.

### 3.3. Problems of Agriculture in Iraq

The Iraqi farmers suffer from inefficient marketing of agriculture. This is the main reason for the decline of agriculture, a situation which has become a cause for concern to the Iraqi government and efforts have been made to tackle the causes of this decline.

All developing economies face the same problems relating to agriculture in spite of their desire to achieve self-sufficiency in terms of food production. The following are the most common problems relating to agriculture in Iraq:

3.3.1 Poverty One of the main causes of agricultural backwardness in Iraq is the poverty of farmers in rural areas. Poverty is a complex problem and there is an urgent need for a clear understanding of its various elements. There are great numbers of poor farmers in the rural areas who are wholly dependent upon agriculture, not only for their livelihood, but in many instances for their very survival. Income levels and access to basic needs are useful indicators of the extent of such poverty.<sup>20</sup>

Seasonality is frequently an important cause of poverty. The nutritional adequacy of diets often varies a great deal according to the season. Seasonal shortages tend to be severe in Iraq with only one or two major harvests, where a price increase generally coincides with seasonally low earnings for agricultural labourers. The highest incidence of malnutrition often occurs at such times.

One of the aspects of poverty is that one group of farmers can suffer more than others. People in a certain group are poor because they have no access to the existing financial facilities or other forms of support. This not only leaves them open to exploitation, but also deprives them of appropriate technology and basic institutional services, such as input delivery systems which favour large farmers. Thus, unless there is a permanent change in financial power in the present system, there will be no lasting effects from the little assistance the rural poor receive, at least not in the sense of achieving greater equity.<sup>21</sup>

Some parts of the remote areas could be described as forgotten regions. Isolation affects access to health facilities, education and other important amenities, thereby accentuating the effects of poverty. Remoteness from any irrigation system also increases the risk of drought and heighten the effect of other national disasters. In many of these areas, survival is made possible only by subsistence of farming and any additional small sources of income people may have. However, of equal importance is the effect of group isolation on the motivation to produce. Thus, in these far regions, production may be low simply because there are no consumer goods to buy with the proceeds from a marketable surplus.

3.3.2 Production Conditions One of the main obstacles to the development of agriculture in developing countries in general and in Iraq in particular is the fragmented source of supply. After the land reform and in many areas, the bulk of agricultural output came from large numbers of very small farms scattered here and there, and operating independently. The organisation and the coordination of such widely-separated areas is immensely complicated.

Agricultural produce is provided by farmers scattered over a wide area where the soil and the climate are suitable for production. Some farms are small, others are large and specialised, and this is a feature of areas selected with little consideration for their proximity to markets. Some of these farms, especially in the North of Iraq tend to specialise in producing similar crops, such as wheat, maize, and barley, so that there are specialised agricultural areas as well as specialised farms. The problems involved in collecting produce from a variety of farms means that a proportion of the crops is lost before they reach their final destination (i.e. stores, or food industry premises).

In the case of fresh fruit and vegetables, the problem is even more difficult. These products are gathered together and moved by traditional types of transport to

the warehouses for dispersal to final consumers. To meet the needs for industry both as raw materials and consumption by the population, it is necessary to allocate products so that both of these needs are satisfied.

An efficient marketing infrastructure has a marked effect on the cost and the structure of agricultural marketing. A country's general communication facilities in which serve both agriculture and the economy, even as a whole, have a crucial part to play. The cost of such an infrastructural facility as transport affects product prices and the size of the market. Thus, the development of agricultural marketing may also contribute towards the improvement of other related infrastructures such as storage, ancillary buildings, technical equipment, cold storage, etc. Such progress or improvement as can be achieved in agricultural marketing depends largely on the level to which these facilities are provided.

Improvement in these areas requires both continuous effort and financial resources. Therefore the government is the only agency capable of taking the required measures in relation to the type of investment which would be unattractive to the private sector, since the latter would regard such investment as incurring unacceptably high risks and costs. Thus, because most developing countries are poor, infrastructure is poor and because investment is inadequate, the problem persists.

The marketing system for industrial products is different from that for agricultural products. Thus, it is crucial to devise well organised procedures in an agricultural situation where production is undertaken by a vast number of scattered units. Equally challenging is the task of organising an effective marketing system for the supply of improved seeds, fertilisers and pesticides and it is correspondingly more difficult. This creates problems even in advanced countries.



3.3.3 Small Scale Production Agriculture is still a small scale industry. Despite the small size of the average farm the country has recorded considerable progress in this sector since the introduction of the 5-year plan, but further improvements are required.

In Iraq more than 70% of the population depends upon agriculture, 41% of the total country's products consist of agricultural produce and 80% of that amount comes from farms which are financed by family units (see Chapters 5 and 8).

The scattered and specialised production discussed above hinders the development of agricultural practices such as grading, selling and storing on a large scale in order to conduct business effectively and economically. Above all, farmers are concerned with production and they have neither time nor the ability or knowledge for marketing their produce effectively. This situation has resulted in the convergence of middlemen, as well as cooperatives. Further details concerning the importance of the latter will be provided later in Chapter 5.

Since farm holdings are as small, the major marketing problems that arise in Iraq are the high cost of production, problems concerning packaging and grading, farm cultivation methods, and obstacles to harvesting specialisation, all of which prevent economies of scale from being achieved. These problems arise from the fact that thousands of farmers are scattered throughout the rural areas. These small plots do not allow them to use technology for greater efficiency, as there is no specialisation of production, which may be practiced on large farms. The farms, for the most part, by their nature do not fit into a modern marketing economy, even if they reduce risks through diversification. The benefits of a technological breakthrough could not be successfully applied to them. The very nature of small holdings makes widespread use of modern technology impracticable.

With reference to agricultural produce it is generally difficult for producers to influence demand. Farmers' resources and production capabilities are generally

limited, and are not sufficient reward to guarantee his efforts. Moreover, unlike producers of manufactured goods, farmers do not have the turnover required to justify advertising in order to create demand. In the face of such difficulties efforts to create demand for agricultural products are made on a collective basis, i.e. through cooperatives or agencies.

3.3.4 Farmers' Bargaining Positions When farmers are poor and in a state of indebtedness, their position when negotiating with their money lenders becomes weak. In a competitive environment, when demand is strong, successful producers are better off, but in agriculture, with its increasing number of intermediaries, directly related to the number of producers, farmers are not better off because of their constant indebtedness. Despite the views held by economists relating to pure competition, because of the concentration of purchasing power in the hands of the moneylender, which is outwith the scope of our study, farmers in Iraq, at the present time, suffer a loss of bargaining power for getting better prices even in a competitive environment, thus their position tends to remain weak. The fact that credit is obtained in advance scarcely alters this situation. Farmers use such credit without the conditions implemented by official sources to cover their daily requirements during the period of planting and harvesting and also to meet any additional expenses involved in such as processing, transporting the produce, or even storage services after the harvesting, which are always inadequate. Such power will be able to deter any effective kind of competition which hurts their interests.

A factor we mentioned earlier (namely, the fact that farmers are scattered over a wide area) has exacerbated the situation. The unorganised situation in which farmers operate, added to other economic, cultural and social factors, results in their power being weak in the marketplace.

3.3.5 Incentives For Farmers Agriculture occupies a predominant position in the Iraqi government's economic development planning. The amount of money spent by the government in the fifth 5-year plan was 215 million ID, from 1975 to 1980, but there is more to be done, although there has been an improvement in agricultural production on a commercial basis compared with other periods following the land reform decree of 1958. Available data shows that before the land reform law exported crops totalled 300,000 tons per annum, whereas afterwards Iraq started to import crops.

With regard to the overall performance of the agricultural sector, there has been a decline in agricultural production. The value of imported crops in 1959 amounted to 86 million ID, while in 1982 this has increased to about 70 million ID. The area under cultivation decreased from 6,517 hectares in 1974 to 3,750 hectares in 1982.

Following the introduction of a national project, which we shall discuss in Chapter 5, based on the results expected from using modern inputs, the rate of growth in production was estimated to be 3% from 1972 onwards, whereas the rate of growth was only 2% in 1980. Accordingly, there are greater shortages in the food supply and despite a population growth rate of 3 percent, the decline continues.

Among the reasons for this situation is insufficient use of modern inputs such as fertilisers and high yield crops, the primitive tools used for agricultural purposes, institutional shortcomings, and the imbalance between regions with regard to crop production. Some of these aspects are discussed in various places throughout this thesis, but concerning the problem of cropping imbalance, which is reflected in the percentage changes in agricultural products, for the production of wheat, for example, decreased from 1511 kg./HA in 1980 to 1200 kg./HA in 1982, whereas production of tomatoes has been increased from 11831 kg./HA to 13333

kg./HA during the same period. Therefore incentives for farmers should be introduced in order to achieve a balanced production pattern which seems to be unsatisfactory at present.

In this context, incentives may be offered to farmers through an integrated price policy in relation to agricultural commodities and this could be implemented by modernising agricultural inputs in the form of technological improvements. In the absence of crop planning in a country like Iraq, only an appropriate policy would help to ensure greater varieties in agricultural output.<sup>22</sup> Employing a pricing policy as proposed would have an incentive for farmers to increase or vary production. But by doing so, an acceptable return and adequate remuneration for effort would also be ensured. As we shall see in Chapter 6 and Chapter 7, there is evidence that using prices as effective incentives was neglected during an earlier period. The annual report of the Ministry of Planning and the weekly pricing records for fruit and vegetable crops for different periods indicate that agricultural prices were decided by estimating the cultivation cost, and adding a narrow margin of profit.

Up to 1980, official prices showed only marginal changes of about 2% per annum and these were often not enough to meet the primary cost of production. But later, official prices increased by 10% to offset the trend of increased cost of inputs to ensure a reasonable revenue for producers.

With respect to incentives for farmers, as we shall see in Chapters 5 and 6, the policy does not appear to have achieved much success. The fixed prices are simply not high enough to cover producers' costs and leave them with a reasonable return, in order to bridge the gap between agricultural costs and revenue and allow them to raise their standard of living.

With regard to providing incentives, although agricultural credit is discussed in more detail in this section, what is relevant here is that improved

financial arrangements and banking practices should be introduced for agricultural financing. A new system of loans provided by the agricultural bank or the financial system in general should be introduced and applied to all agricultural parties and allied activities, instead of just for planting for agriculture. This may be achieved through the introduction of a new loan scheme implemented by providing banking infrastructures in the rural areas and setting up various forms to deal with problems relating to the inflow of credit for agricultural purposes, using expert advice to introduce changes in the present system through the Nationwide project, including small farm experiments by means of which a system could be created, aimed at the effective coordination of various credit schemes.<sup>23</sup>

To implement modern schemes, the best result might be achieved by establishing a link between the Agricultural Bank and the Commercial Banking System as a means of providing loans in the rural areas.

With such collaboration, great prosperity might be realised in the future. Through such efforts and improved policies in the banking system in terms of increasing credit limits in the rural areas, production levels, existing productivity, overall returns might be increased by individual farmers or larger agricultural enterprises through the inflow of credit in its new shape, facilitating the adoption of modern technology and scientific methods by farmers. By removing the source of dissension between the traditional and modern approaches, great prosperity might be achieved in the future.

**3.3.6 Marketing Channels** With regard to the first problem mentioned above, we can conclude that a large volume and a wide variety of agricultural products must be made available regardless of where they are produced, for people living in the metropolitan areas and for the large factories in which these products are processed. However, complications arise as a result of the relatively small amount

of produce from each farm, and the considerable distances from consuming centres. Since farmers are so far from consumption centres, a marketing system is necessary to be provided to meet these centres' requirements.

In Iraq, farmers experience problems in marketing their produce at places where potential consumers or buyers are available. This problem combined with others relating to the infrastructure, e.g. roads, storage, has its effect on producers' prices. It is clear that when produce cannot reach the buyer, the distribution system is not properly organised. Such difficulties directly affect the condition of produce on delivery, access to storage facilities, the methods used to dispose of products, and the means of financing these activities, are all problems facing farmers. The marketing of agricultural products starts, not at the farm gate, but involves the planning of production to satisfy the existing demands and future market prospects.

These channels and their effects will be discussed in more detail in the relevant chapters.

**3.3.7 Credit And Finance** Credit for farmers is the life blood of the economy. Most governments in the developing countries, unfortunately, do not make a serious effort to solve this problem, and Iraq is no exception. Iraq is one of the richest countries in the Middle East, yet the credit problem is a long-standing one. Credit can be provided by the Agricultural Cooperatives Bank, but farmers do not have access to such facilities. Details relating to the Agricultural Bank loans in Iraq will be given in a later chapter. The amount of funds available and the facilities needed to effect the necessary changes are largely left to other agencies. The provision of a credit system offering easy terms is a much needed facility. Access to financial institutions is essential at all stages of marketing.<sup>24</sup>

(a) Growers need credit before and during production to meet the costs of seed, fertilisers and other components. Further credit may be needed after harvest so that the farmer can hold part of his crop until prices rise.

(b) Part of the credit needed by growers is for their personal use.

(c) Wholesalers need short-term credit to pay the farmer before re-selling the goods. Longer term credit is required to finance business premises, storage, transport and equipment. In the case of wholesale processing firms further specialised equipment would be needed and the turnover of working capital would take much longer. The processor of a perishable crop may have to buy the produce during a short harvest season, during which period he may sell almost nothing because it is the peak season for the fresh produce.

(d) The retailer needs short term credit to acquire stocks before he is paid by his customers. He may even give credit to them. Furthermore farmers may not have enough security to enable them to borrow the necessary funds from the bank. They may then have to turn to the private sector, where there will be no choice concerning the rate of interest. Such inequality of opportunity in the rural community may force farmers to sell products in advance, even at half price, or oblige them to sell their produce as soon as it is harvested. This results of course in very low prices because the marketing system is overburdened and the farmers lack bargaining power.

The interest of middlemen or intermediary agencies also causes farmers always to be in a weak position. We have already mentioned that official and unofficial sources directly and indirectly contribute towards keeping farmers poor. Accordingly, it may be understood that farmers will have little access to helpful information concerning current market conditions, changes in demand and buying behaviour, nor will they have the opportunity through their production, either to

improve the economy or increase exports. This will adversely affect the process of economic growth in the long run, despite the comparative advantages a country may possess.

**3.3.8 Production Seasonality** The nature of seasonal production imposes other constraints on the marketing system for the agricultural producer and adds to the difficulties involved in trying to satisfy existing demand. Since most farm produce is seasonal, most agricultural products are available only during a relatively short period of time. There is then a heavy demand for marketing facilities such as credit and storage and at other times of the year it may be difficult to obtain these facilities and this, naturally, affects prices. Again, farmers face the problem of maintaining a consistent level of supplies to match consumption requirements throughout the years.

When a large number of farmers each has only a few acres under the terms of the Land Reform Law, and they do not have the necessary facilities referred to above, they are unable to preserve perishable products. Two alternatives open to these farmers are either to transport the produce immediately to the consumers, since they cannot store it themselves until the appropriate season, or alternatively, to store it elsewhere. However, they cannot afford the extra cost involved.

All the peak period, transportation agencies encounter the peak load problem, since the agricultural market is supplied by a larger number of scattered, and mostly non-specialised, producers. This also results in serious consequences in that there is increased marketing expenditure which affects both consumers and producers which does not happen in the case of manufactured products.

**3.3.9 Land Reform Problem** In considering agricultural problems which affect production in a country like Iraq, the question of land tenure cannot be ignored.



Associated with it is the kind of farming where farm an intrinsic part of the people's culture. Many individuals in Iraq have made a fortune by their claim on certain pieces of land in which individuals or firms might be interested and are therefore prepared to pay large sums of money. Sometimes the government requisitions land in the public interest. The poorer farmer tends to fall into debt to the wealthier members of the community, and even to lose his land. In this situation, there is a disincentive concerning the development of agriculture. Even when he has inherited a piece of land financial problems prevent an individual from using modern techniques, and consequently his agricultural methods are out of date. Some individuals, because of their position in society, have no desire to cultivate land for agricultural purposes but regard it confirming prestige or as a symbol of social status. Others may have problems concerning ploughing pieces of land at some distance apart from each other, or difficulties relating to irrigation if they do not have resources in terms of supervision and management. Moreover, those who have the necessary commercial outlook and interest may not have enough land to make use of these attributes.

Such inequality in the composition of society has created a serious problem for agricultural development in Iraq. The fact that agriculture in Iraq is almost wholly of the subsistence type is not surprising. The problem is not surprising. The problem is essentially due to a shortage of resources to enable farmers to produce enough for both domestic use and the nees of industry. Thus constraints imposed on ownership by the land tenure system is an equally serious parrier to progress. Such problems encourage migration from rural to urban areas. The primary hypothesis which may be introduced in this connection is that the migration of rural people to urban areas is one factor among many which affect agriculture and the food industry's supplies and the subsequent scale of marketing.

Further implications arising from the 1958 "Land Reform Law" in terms of its advantages and disadvantages will be discussed in chapter five.

#### 3.4. Agricultural Marketing Definition:

There is no universally accepted definition of marketing, indicating that a variety of opinions is held on this subject. Gordon defines marketing as "the way in which an organisation matches its own human, financial and physical resources with the wants of its customers."

This definition offers a very interesting approach to marketing which can be applied to agriculture. According to this definition four tasks must be successfully completed for a firm to market its products successfully. These tasks are: (1) a firm should study its potential consumers; (2) identify who they are. (3) finding out where they are; (4) identify the factors which determine whether or not their products will be purchased. By the same token farmers should be able to distinguish potential buyers by using their improved knowledge of marketing.

Kotler defines marketing as the business function that identifies current unfilled needs and wants, defines and measures their magnitude, determines which target markets the organisation can be serve, and decides on appropriate products, services, and programmes to serve these markets. Thus, marketing serves as the link between a society's needs and the pattern of industrial response.

Marketing therefore covers both one-off exchanges where there is no implication of a more durable relationship, and also continuous relationships of exchange. Kotler suggests that there are three elements which must be present in order to create a marketing situation. These are, (1) two or more parties potentially interested in exchange, (2) each party possesses things of value to other, (3) each party is capable of communication and delivery.

Kohls defines marketing, which is relevant to agriculture as "marketing is the performance of all business activities involved in the flow of goods and services from the point of initial agricultural production until they are in the hands of the ultimate consumer." <sup>27</sup> The principle reason for such a definition being relevant to the agricultural situation is that it can be used to determine which business activities can be properly regarded as related to marketing. He asserts that marketing can never be regarded as a neutral element by the farmer, and, for this reason, it is worthy of his serious consideration.

It is essential to emphasise that agricultural marketing is not a concept which is beyond the scope of the farmer. He may choose to farm in such a way that he has very few, if any, marketing decisions to make. However, his produce will still be marketed, if not by him then by a further link in the marketing chain. Changes in systems of marketing, and changes in the demand for agricultural products will eventually affect the individual and so it is in his interests to be cognisant of, and responsive to all aspects of agricultural marketing.<sup>28</sup>

Kohl's definition of marketing has three main elements, the making of a profit. Profit maximisation is a target for most commercial businesses and this is an aim to be achieved by farmers. Profit to farmers provides motivation and incentive, without which they are unwilling to do the work involved. Farmers may moderate the maximising attitude of economic man and adopt the more realistic "satisfier" concept where maximum profit is replaced by satisfactory profit.

The second element is the satisfaction of consumer needs and wants. This element will emerge when farmers define their consumer segment in the market; in other words farmers should know their potential consumers. Thereby farmers will be able to fulfil these needs to the point of complete consumer satisfaction. Farmers will achieve this objective when there is appropriate interaction in the market between them and consumers. Lack of adequate information about differences in prices, supply and quality of produce is a common problem in the domestic market in most developing nations. Lack of an accepted standards relating to quality and quantity means that all produce must be appraised visually. In most developing countries where there are no marketing organisations, farmers communicate with their customers in many ways, usually through their normal social activities. Many of the risks and difficulties associated with agricultural marketing in most developing nations, including Iraq, arise from the lack of effective marketing institutions. The purpose of a business is to

create and keep customers.<sup>29</sup> Satisfaction experienced by an individual may be used as an effective means of persuading others to buy as a result of the interaction of people in their daily social life (e.g. parents opinions given to their family members or the opinion of influential leaders, whether religion, political, etc.).

Finally in keeping with the agricultural marketing concept, farmers, should be customer-oriented. They should recognise that their ability to survive in the agricultural business is partly dependent upon defining what consumers and potential buyers want, that is, farmers should be willing to supply more than before at various price levels, combined with high quality standards.<sup>30</sup> Farmers should be production-oriented in terms of producing according to consumer wants. This is fundamental to long-term business success, and involves maximising the allocation of inputs, and improving profitability; increased profitability provides a large surplus to be invested in expanding production facilities.<sup>31</sup> In this context, farmers should avoid the assumption that they will sell what they produce. For example, in the UK potato market, different qualities of potatoes are preferred by various consumers. Some, for example, "bakers" prefer large potatoes, others use a particular variety, etc. Relevant knowledge may help farmers to identify new marketing opportunities, and to develop an appropriate strategy in order to provide the product required.

In conclusion, the marketing of agricultural products begins at the farm when the farmer plans his production to meet specific demands and market products. However, it would be erroneous to suggest that any of these objectives are pursued in farms at the present time, although it is a possibility in some cases. To farmers, the sale of their products at the highest possible price would be the main long-term objective.

Efficiency in agricultural marketing is not only critical for farmers, but it is also crucial for the success of the development programme designed to increase the standard of living of the whole population. Despite the concentration of industrialisation to achieve economic development, a large part of the community will continue to depend

on agriculture. Any effort by the government to increase agricultural productivity, stabilise markets, ensure regular supplies and eliminate economic waste, must include the development of an efficient marketing system for food and agricultural products.

Raw materials for food processing industries consist mostly of agricultural products which form the core of the industry. Their availability at particular times and places is very important to the industry. It is obvious that food processing industries in Iraq depend to a great extent on local raw materials. Therefore in the initial stage of this study it is important to try to establish how far the principles underlying the marketing concept are observed in practice. The marketing-oriented concept can be applied to agriculture to a large extent but, to date only a limited amount of work has been undertaken to identify the orientation adopted by farmers.<sup>32</sup>

### **3.5. Neglecting Agricultural Marketing**

Several factors have contributed to the neglect of agricultural marketing in Iraq.

- (a) The difficulties involved in gathering data on agriculture and the uncertainty concerning the reliability of such data.
- (b) Preoccupation with industrialisation has diverted attention from marketing problems.
- (c) The common assumption that marketing is passive, and it will adjust automatically to fit the rest of the economic system.
- (d) The fact that the marketing concept itself is a new phenomenon, and the general beliefs that the marketing system is complex, therefore it is better to disregard it.
- (e) The central planners have ignored the role of marketing, partly because of the almost invisible role of the marketing sector operating between production and consumption, and the unavailability of the accurate, essential and quantitative information required for the planning process.

(f) Another factor contributing to the neglect of agricultural marketing is related to the nature of agriculture itself. Basically agricultural produce is characterised by instability and by the uncertain economic environment. As we shall explain in some detail in chapter five, dealing with the factors affecting the price of agricultural products. Agricultural production has a biological and climatic basis, the various elements of which create problems in forecasting the quality and the quantity of the products. Weather, infection and drought, whether controllable or uncontrollable, have severe effects on the yields. In Iraq, temperature, rainfall and humidity, features of a tropical climate, adversely affect farmers, who have no defence against these conditions. Consequently, the uncertainty and risk associated with potentially low yield have an economic effect in such changeable physical environments. Therefore farmers constantly fear that these conditions may at any time reduce their livelihood to a bare subsistence level. When the yield is low the farmer and his family will consume all of it, leaving nothing to be marketed. In view of the uncertainty associated with their natural environment, it is only natural that farmers pursuing such a primitive form, agriculture most of who are poor, will be averse to taking risks.<sup>33</sup>

The lack of a private policy for the development of marketing in most developing countries including Iraq, and the low status of this sector has resulted in serious weakness, which generally affects the level of development in the economy as a whole, and this seems to be a permanent feature. In addition, it is fruitless to attempt development in the industrial sector without ensuring the required complementary advances in the distribution sector. Research concerning the role of marketing in the development process is needed.

In the public sector greater emphasis on industrialisation without adequate attention to the role of marketing in the development process, has not succeeded in achieving the following objectives: stimulating the development of an agricultural marketing system which would promote greater efficiency in the use of economic

resources, providing a large domestic market and increasing market potential. The government should realise the importance of marketing as well as of production and finance. Marketing planning should involve detgermining how to produce the proposed product, estimating the selling price, determining methods and structure, and obtaining marketing data for planning.<sup>34</sup>

### 3.6. Structure and Characteristics of Agriculture in Iraq

From the above discussion one can conclude that agricultural structure in Iraq has the following characteristics.

In general production units are small basically because each unit is run as a small family concern in which the main aim is self-sufficiency, most of their produce being personally consumed, and with little left over for marketing, the volume of output, and mainly the small size of resources used as input elements. In an environment so highly fragmented, there is inequality of income and many difficultres are experienced in the distribution of the agricultural output. In these circumstances, farmers' decisions are based upon experience of the previous season. They concentrate on products at a high price both for their personal benefit--as they consume part of the production--and through a desire for high cash income. In this case, the choice of a particular produce cannot be interpreted in terms of a long-term commercial approach but rather as a response to the relative price changes.

In an agricultural tradition of this kind, farmer's access to information about market conditions is limited, so that farming methods are primitive and little attention is paid to the need for technological changes. This situation is linked with the financial problems farmers generally face. On the other hand, they are ignorant concerning the application of modern farming methods, and their constant indebtedness prevents them from obtaining information about such. Because so many farmers are illiterate and they suffer the consequences of other social and economic



factors, they are not in a position to apply modern technological techniques, so that a degree of technological backwardness is created in the long run. Moreover, in a traditional society since individual farmers differ in the resources they have, and some are better informed or more interested than others in successful farming, the same task may be performed using different methods in the same locality.<sup>35</sup>

One may conclude from our discussion of the main problem of agriculture in Iraq that different factors have contributed to backwardness in applying the appropriate technology in the agricultural industry. The first mentioned above is the farmer's lack of knowledge in such crucial areas as market conditions and technological expertise. What is required is not the high level of technology employed in developed countries but appropriate technology. The problems associated with transferring technology from one country to another are outwith the scope of our present study, but it should be pointed out that farmers may be unable to absorb the knowledge required to take advantage of modern technical methods so that high technology may in fact be a cause of failure, due to administrative problems rather than source of potential success. However, as we have learned earlier, the use of machinery by farmers has sometimes taken place as a result of their experience or communication outwith their own environment (see chapter 5 -cooperatives). Therefore such communication is partly responsible for the diffusion of technology in the field of agriculture. But as we mentioned earlier, that marketing infrastructure in Iraq is poor and this represents one of the problems affecting agriculture in Iraq. This problem, therefore has been exacerbated by both an inadequate marketing infrastructure and the location of farms in inaccessible areas. In addition to these factors, poverty, to which farmers are generally subject, has also contributed indirectly to technological stagnation.

Most Iraqi farmers live at or below subsistence level. Accordingly they are unable to adopt new methods of agriculture and they are unable to communicate with each other, most being caught in the same poverty trap. However communication in this

context is not simply physical travel, but also the spread of information and legal advice. In developing countries and in Iraq access to advice is not easy from the public sector. In contrast in developed countries free advice and information is available to farmers from both the private and public sector. In Iraq, there is the "General Enterprise for Agricultural Machinery Services" which is the only government department responsible for dealing with machine and agricultural technological advice in the field of agriculture. This "State Organisation" has suffered from a shortage of personnel with sufficient experience, expertise and education. There is also little motivation to introduce adequate programmes. The personnel concerned regard themselves as members of a government selling department, with no interest in the field of agriculture. Furthermore this enterprise operates in the Capital, Baghdad, where its headquarters are located. No facilities provided in the rural areas to ensure that its objectives are achieved. Facilities for disseminating appropriate legal information and advice are not available for a large number of farmers in many areas to which access is difficult. The researcher believes, together with officials involved in the field of agriculture, that the government has been generous in spending about 60 millions ID on the agricultural sector during the three-year period from 1978- 1980 and therefore no problem concerning finance appears to exist, but highly significant is the lack of official motivation to work in the field of agriculture, even for those who have graduated from agricultural institutions. The researcher believes that the high costs of travel to remote areas and the difficulties involved in reaching isolated farmers present insuperable problems so that this enterprise can only help farmers near the city centres and other accessible areas. Yet the remote areas could be served by cooperative organisations throughout the country if strongly motivated and wholehearted efforts were undertaken. The result of such activities on a cooperative basis would benefit farmers greatly and positive results would be assured. Agricultural advice provided by

the private sector as happens in developed countries is not available in a country like Iraq.<sup>36</sup>

Secondly, it should be remembered that the adoption of innovative practices is not free from risk. Uncertainty concerning the consequences of applying new ideas presents serious obstacles preventing the introduction of such practices.<sup>37</sup> This kind of problem is difficult to overcome in developing countries characterised by scarcity of resources, a situation which obtains in most developing economies. With little or no access to information, farmers will have no adequate perception of the potential advantages derived from using new methods, so they are reluctant to introduce them. Perception is the process which enables a person to select, organise and interpret information. Human beings receive information through the senses of sight, hearing, touch, taste, and smell. These senses act as filtering devices through which information must pass before it can be used.<sup>38</sup> Without adequate recognition of the benefits to be obtained through adopting new technology, little motivation is created. Motivation will not exist automatically as appropriate motivation provides the drive that promotes a reaction and in so doing supplies purposes or goals towards which subsequent behaviour is directed.<sup>39</sup>

The risk and uncertainty associated with adopting a particular technology will persist if the advice and assistance provided by technical experts is not made fully available. With such information or advice, farmers would be in a position to differentiate between many alternatives to choose the one which is likely to involve less risk. The degree of uncertainty and the possible rewards are important considerations to be borne in mind when organisational changes are introduced. On the face of it, it would seem that rewards and failures associated with taking risks in respect of change will always be recognised, but if the possible rewards are known in advance, this will motivate those who are innovation-minded. But when failure occurs, a more complicated picture emerges.<sup>40</sup> Innovation tends to be discouraged, restrictive

practices are encouraged, cooperation with management is not fostered and individual rather than company performance is stressed. Positive attitudes to change need to be encouraged at all levels in any organisation and providing incentives might help to do this.<sup>41</sup>

Similarly, farmers in the developed countries regard agriculture as a business which may incur profit or losses. Being commercially minded, they are aware that losses may result. But the situation is different in developing countries when farmers are poor.

They are unable to undertake risks, which to their minds, are unnecessary. To them, failure is a disaster, involving increased indebtedness, and affecting their purchasing power in relation to food or other necessities of life.<sup>42</sup> The degree of risk and uncertainty varies with the nature of the new technology. Innovation always involves risk in changing from old to new practices, a fact which must be thoroughly understood by those who are encouraged to adopt new ideas. This is compatible with the purpose of our present discussion. Again, even when farmers are fully aware of the benefits proceeding from innovation, their financial position prevents them from adopting new technology as they lack the motivation to save. They may not have access to loans from official sources because of the administrative procedures involved, so that the only course open to them is to borrow from unofficial sources. Thus official sources should consider making package loans available to farmers to encourage them to adopt new methods which could result in a change from traditional agriculture to a more productive form. Credit restrictions then, will discourage farmers from employing technological methods, and this may explain the hardship suffered by farmers, especially the poorest ones, who more than others find themselves unable to benefit from the new technology.

The backbone of agricultural production has undoubtedly been the peasant producers or small-holder rather than estates and plantation, therefore the cost of

agriculture are high and harvest area not enough sufficient. As mentioned above the yield and the cultivated area tends to be low. The following tables support our finding in cereal crops. The yield per unit area is still considerably low compared with other countries. Wheat production in Iraq fell from 1511 kg./HA to 1200 kg./HA between 1980 and 1982, barley production decreased from 692 kg./HA to 600 kg./HA during the same period.

**Table 1: Wheat Production, Comparative with Other Countries**

Country	Area Harvested/HA(1,000)			Yield kg./HA		
	1980	1981	1982	1980	1981	1982
Iraq	867	917	750	1300	1100	900
Algeria	730	700	600	1511	1400	1200
Egypt	3243	3297	3496	1806	1938	2017
Turkey	1827	1863	1908	16554	17050	17650
Syria	1536	1662	1077	2226	2086	1400
Greece	2935	2615	2905	2970	2780	2992

FAO: Vol. 6, March 1983.

**Table 2: Barley Production, Comparative with Other Countries**

Country	Area Harvested/HA(1,000)			Yield kg./HA		
	1980	1981	1982	1980	1981	1982
Iraq	719	800	703	692	575	600
Algeria	841	833	765	794	750	650
Turkey	1893	1990	2034	5300	5900	6000
Iran	846	929	857	1100	1300	1200
Greece	2671	2535	2828	892	768	888
Morocco	1028	466	929	2210	1039	1901

FAO: Vol. 6, March 1983.

Thirdly, there are difficulties in introducing advanced technological methods in agriculture, caused by the large number of scattered and mostly non-specialised farmers, so that both agricultural production and the structure of the industry are fragmented. Efforts to introduce machinery, fertilisers and improve seed quality are ineffective. Fourthly, only a small proportion of the cultivated land is used for agricultural purposes and no fallow land rotation system is used. Table 3 shows that the cultivated area in Iraq is low compared with other countries.

Finally, in general the productivity level in agriculture seems to be low. This hypothesis needs more investigation. There is an immediate solution to the problem of agricultural stagnation in Iraq, by using a marketing approach, and the researcher hopes in this dissertation to highlight a number of solutions for related problems within the food industry.

The government does support the agricultural and farming community. Recently a "National Crusade Project" was launched to improve and expand agricultural production through the application of agricultural know-how, combined with scientific management supervision. The main objectives of the project are to achieve: (a) Efficiency; (2) Security; (3) Stability; (4) Equality; (5) Cheap food; (6) The reduction of unemployment and poverty.

Reasonable progress is being made in this way in a number of areas. It would be useful to examine the degree of government involvement and the services rendered by the government through its various organisations and institutions. Further details will be provided later relating to such crusade projects.

It appeared that managers with a technical training and background relating to production tend to be more successful than traditional managers in adapting technology to fit local conditions.

The establishment and organisation of cooperative societies is of particular importance in a community where the majority of farmers can not afford enough money to buy farm machinery and other inputs. By combining their efforts and contributions, small farmers have found strength in unity and their joint efforts have yielded reasonable results which have contributed greatly to improving agriculture in Iraq.

Cooperative management undoubtedly improves the situation, but greater improvements are possible through the introduction of better tools and work practices in order to increase labour efficiency. The wide differences in performance between farms using similar inputs demonstrates the importance of management to some extent. The hypothesis produced in this connection is that returns in terms of both money and productivity are higher with efficient management than without. This hypothesis needs further investigation (see Chapter 5).

**Table 3: Comparison of the Yields and Area Cultivated in Iraq with other Countries (Wheat), 1981**

	Area (000 Hectares)	Yield Kg./HA
Iraq	917	1100
Argentina	5757	1406
Egypt	3297	1938
India	22104	1649
U.S.S.R.	59232	1486
U.S.A.	44989	2235
Australia	12041	1362

Source: *FAO Production Yearbook, 1981.*

In the light of the above problems the efficiency of the marketing system for agricultural products may be considered. Efficiency is very important for the future viability of the food industry. Attempts have been made by many economists to study agricultural marketing problems with a view to formulating strategic plans to improve marketing and analysing the role that the agricultural and food marketing system plays in increasing the output of agricultural products in general, improving the food industry in particular and achieving better conditions in rural areas.<sup>43</sup>

There has been greater concern about agricultural problems in view of the recent trends in most developing countries whose population is growing and where increasing migration from rural areas contributes to a greater degree of urbanisation, followed by a higher income levels, all of which increase the need for improvements in the marketing system to ensure a smooth flow of produce to the market at the right time and in the right place. Therefore, the marketing system must assume an increasingly important role in terms of both national and international trade. Accordingly, the pressure exerted towards improving agricultural marketing are recognised in most countries irrespective of their level of economic development. A report presented by the FAO Regional Conference for developing countries stated that improvements in the marketing channels might be achieved through the coordination of different bodies such as government organisations and cooperative units, and it is widely recognised the production must be organised on a commercial basis.<sup>44</sup> Farmers may obtain the appropriate technology in some way or other, but not at the time when the necessary inputs are most needed, so that the effectiveness of their adoption is greatly reduced. The underdeveloped state of the distribution system has a negative influence. The efforts of the relevant government departments of agriculture in Iraq are important in relation to the supply of all these modern inputs. The means proposed for implementing such proposals are not available in Iraq and they will be discussed in more detail in later chapters.



In general, with reference to Iraq, the present system for marketing agricultural products still suffers from a certain degree of inefficiency and there is a shortage of physical facilities and supplementary services. These are now summarised, although we refer to them again in later chapters. Briefly, these characteristic weaknesses are that producers have a poor quality of life and are not sufficiently knowledgeable to introduce new inputs, quality control is lacking, output is low, reliable information is not available so that expertise and services are in short supply, consequently inadequate marketing experts and finally, institutional performance and procedures are inadequate.

A preliminary suggestion is that the efficiency of the marketing system may be achieved and possible improvements introduced by strengthening and improving the performance of government departments, whose services could be enhanced through appropriate training, improving the information system, and above all, granting full recognition to the marketing concept so that uneconomic ventures are avoided by adjusting supply to demand in order to ensure consumer satisfaction. The effects of these steps would contribute to securing price stability implementing effective product control, and generally creating an efficient marketing organisation which would invigorate industry. Although putting these recommendations in effect requires careful preparation and would be particularly difficult in developing economies, they must be carried out in order to reduce avoidable increases in production and marketing costs, all of which could be achieved by improving the marketing system so that it becomes more effective.

The above summary indicates that the characteristics of Iraqi agricultural have caused the weaknesses of farmers economically and politically and adversely affect farmers in terms of income and individual productivity. When traditional inputs are employed, in addition to the existing scarcity of resources, the level of output will be low compared with that from land cultivated by modern methods. The obvious

consequences apart from low production include the small amount available for selling so that farmers continue to have a low income which keeps them in a permanent state of poverty. Moreover, there are other social, economic and psychological consequences. In the long run farmers have little or no incentive to adopt new methods of agriculture for fear of the unknown consequences and the risks involved. By and large, therefore, developing countries become worse off.<sup>45</sup>

### **Conclusion**

It has been stated that the output of agricultural products is affected by the size of the area under cultivation, the output per hectare, and by factors such as the use of chemical fertilisers, credit facilities, irrigation systems, the use of high yield seed varieties, etc. But within the current circumstances which include the possibility of expanding the area under cultivation or improving the current level of output by multiple cropping, thereby increasing the output per hectare. But the method most likely to increase production most rapidly is the exploitation of any comparative advantages a country possesses so that major crop production may be increased compared with other producing countries.

There is now an increasing awareness that Iraq is devoted to industrial development, but agriculture must not be neglected. Farming in Iraq no longer dominates Iraqi economic life. It is the major source of supply for the food processing industries, it could have an important role in meeting the balance of payments, second only to that of oil. In order to remedy this situation, it is necessary to examine the cause of failure and identify the obstacles that hinder agricultural development, despite the various 5-year plans produced during the past 16 years.

In Iraq the revenue from oil now maintains the balance of payment deficit created by other sectors of the economy including the agricultural sector. The true economic advancement of the country can be achieved by feeding the people and achieving self-sufficiency. The consequence of doing this would be to make a contribution to the

national income and ensure greater security through achieving self-sufficiency and providing the raw materials required by the food-processing industry. A successful agricultural policy should be viewed by developing countries as a prerequisite for more general economic development.

The fundamental characteristic of a primitive agriculture is the poverty of its farmers. This factor and the obstacles preventing the use of modern inputs in agriculture and are partly responsible for declining production. Backwardness in applying modern technological methods and resource constraints together present farmers with financial problems.

Just as the Iraqi farmer himself lacks the necessary supporting facilities, also so do other farming inputs. From the researcher's experience of visiting many cooperative and government stores, it appears that a great amount of fertilisers is wasted because of the carelessness of farmers or officials. Evidence of this can be seen in the Government and cooperative stores (the Board of Supreme Audit, Report on "The Agricultural Enterprise of Kut". Report constructed by the researcher in Arabic, 1984).

Optimising the use of fertilisers increases the yield per hectare. As we shall stress in Chapter 4, there are differences in the extent to which fertilisers are used by farmers and cooperatives, in various regions at different seasons, but the general conclusion is that these inputs are under-used. According to the United Nation Statistics there have been wide variations in the use of fertilisers by Iraq and neighbouring countries. In 1975, fertiliser consumption in tonnes per acre was 6.1, 2.27 and 13.4 per acre, increasing in 1985 to 13.1, 495.3, 46.4, in Iraq, Turkey and Syria respectively. These figures, although indicating an increase in the use of fertiliser in Iraq, also show that usage is still below that of other countries. The figures provided in several tables in this Chapter, show that production per hectare in Iraq is also less than that achieved in neighbouring countries.

In addition to the possible expansion of the area under cultivation, the use of high yielding seeds, and improved varieties is another possibility that should be considered for increasing productivity. The Nationwide project approved the implementation practising such proposals in certain parts of the country. Although no accurate data can be traced of the number of hectares, which have been planted using improved seeds, this practice is limited and is used only by some farmers, mostly in the North, who use modern inputs, and by government enterprises.

The evidence supplied by many reports in Iraq indicate that the majority of farmers are carrying out only the basics required to work small holdings. The system of land reform is such that some farmers can only practice mixed cropping, without allowing a fallow period. Government projects have achieved little or no progress in altering traditional methods of farming. Thus, there is a lack of understanding and appreciation of the socio-economic and philosophical aspects of Iraq's general problems.

Farming methods in most developing countries including Iraq, are primitive, and technologically backward. These problems are exacerbated by the large-scale fragmentation of land into a vast number of small farms. The scarcity of information concerning modern technology and market conditions, prevents farmers from adopting modern methods which would transform agriculture into a modern industry. Overall these economic factors, added to a number of social factors, combine to create low productivity, low incomes, poor motivation, and the encouragement of rural-urban migration.

Low and fluctuating incomes often characterise the agricultural industry in developing countries including Iraq. Such low income is a reflection of the disequilibrium in the agricultural industry caused by the structure of the industry, and its biological nature. Moreover in general, agriculture as opposed to manufacturing

industry has a number of peculiar characteristics which creates a particular problem for those responsible for planning economic policy.

The pricing mechanism has its effect on farmers. Government, through intervention by its official departments to control prices on the one hand, and the unofficial prices set by wholesalers in the market on the other, represent two contrasting sources affecting prices, so that farmers are normally subject to price uncertainties. When there is greater certainty, more risks can be avoided, and farmers can produce pre-determined crops for known consumers in a given market. Such issues need further investigation which we shall undertake in Chapter 6.

The problems of credit and technological know-how, are inter-related. The lack of access to credit prevents farmers from enjoying benefits of other agricultural inputs. Neglect of the necessary technology prevents the achievement of the country's need for self-sufficiency in agriculture. The solution to the nation's problem lies in the successful channelling of its resources in order to achieve the best results.

Special steps must be taken to accelerate the pace of agricultural development. The most important of these are: the provision of greater financial incentives to farmers through a price support system; the abolishing of the use of primitive agricultural input and replacing them with modern inputs such as high yield varieties; provision of an efficient irrigation system; the extension of credit facilities, and the removal of regional cropping imbalance through rural-urban integration.

Generally speaking, the uncertainty about the future, small and scattered farms, higher rates of interest, combined with the scarcity of credit differences between urban and rural areas, the lack of an efficient marketing system, all explain why farmers migrate to industrial areas for work, leaving their homes to live in urban areas with different traditions.

Transforming agriculture from its primitive state to a modernised industry requires the efforts of individual entrepreneurs, sufficient capital and efficient

manpower. The social status of farmers will improve when appropriate educational measures are introduced, included, and the public's opinion of farmers, which has reached a low ebb, changes. Motivation will occur when improved status has been achieved. Economic uncertainty, lack of knowledge and ingrained social attitudes represent the most serious obstacles preventing agricultural technical innovation.

Many factors have contributed to the neglect of agricultural marketing. The most important factor is the biological and climatic basis on which agriculture rests, which, together with certain uncontrollable factors, has made it difficult to forecast agricultural yield accurately. Total agricultural output is generally unknown or uncertain.

Integration of rural and urban area programmes is a concept which requires more emphasis. What is needed to achieve success in agriculture is the application of modern methods, appropriate technology, improved storage facilities, easy and supervised credit facilities, the provision of amenities for rural areas, better quality seeds, etc.

Such a bold plan would help to remove the imbalance between the two areas, increasing the socio-economic potential of the rural economy, reducing migration, distributing scarce resources fairly between rural and urban areas, and lastly, providing remote areas with appropriate modern facilities. In most developing countries, indeed, agricultural marketing or stabilisation became political instruments set up to achieve political goals that in general will favour one social economic group or set of national objective over another.

Some of these prerequisites offered by the Iraqi government will be discussed in the relevant chapters where it is necessary. In general, the application of the marketing concept to agriculture and horticulture in the field of production in a modern economy is based on recognition of the fact that consumers' wants and needs must be given high priority. In this context, production embraces all those activities that contribute towards maximising consumer satisfaction, starting from the farm and ending in the

factory. Acceptance of this concept is absolutely necessary in developing economies in order to ensure that in all aspects of production are used more effectively so that their service to the public and their ability to satisfy wants and needs is at that highest possible level. This can only be achieved if the basic utilities in terms of form, time and place are made available. In other words, consumer satisfaction is maximised when agricultural produce can be obtained in the required form, at the right time and at the right place to suit the convenience of consumers. Success in providing these three basic utilities is achieved when the productive process performs three essential functions: Firstly, the type and form of required by the consumer must be created. Secondly, there must be sufficient appropriate storage facilities to ensure the flow of seasonal agricultural produce to the consumer in the market, at the appropriate time. Thirdly, agricultural produced must be transported from the production areas and distributed to the ultimate consumers wherever they are located.

In ChapterFOUR, the literature review demonstrates the concept of marketing which has a role to play in the process of economic development, a fact that was not recognised by the economic planners so that its applicability to the Iraqi economy was ignored.

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## **CHAPTER FOUR**

### **MARKETING CONCEPT AND ECONOMIC GROWTH**

## Chapter FOUR

### Marketing Concept And Economic Growth

#### Introduction

- 4.1 Widening of The Marketing concept.
- 4.2 The Key Role of Marketing In Economic Development.
  - 4.2.1 Marketing Data And Consumer Information.
  - 4.2.2 Improving Distribution Efficiency.
  - 4.2.3 Marketing Progress.
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## CHAPTER FOUR

### MARKETING CONCEPT AND ECONOMIC GROWTH

#### Introduction:

The general belief at official level in most developing countries is that marketing has no role to play in their economy. As we have stressed in the fourth section of this chapter, scarcity of resources is one of the many characteristics of developing countries, thus the problem of shortages of goods and services is given priority at official level, leading to emphasis on production rather than on any other economic activity. Accordingly the marketing function has been neglected and this strengthens the opinion of the central economic planners that intermediaries are ineffective and therefore their high profit share caused by the inefficiencies of the marketing system. Too little attention is paid in the marketing system to the relationship between risks and higher margins. Thus, as we shall see in chapter 6, the government in Iraq through the control it exercises and its pricing policy has left only a small margin of profit for the middlemen and, wholesalers, and the differences between the wholesale and retail prices provides evidence to support this statement. Within such an economic environment, marketing to these nations means deciding how to match the nation's needs with the capabilities of the existing organisations in both the private and public sectors by using managerial skills. To them marketing is simply a concept, not a tool for focusing on and stimulating wants and needs.<sup>1</sup>

Thomas, Donald and Bowersox, cited three types of justification for the existence of intermediaries. In the first place, they reduce costs and increase efficiency by eliminating various steps in business transactions, secondly, economies are achieved by intermediaries maintaining a product inventory. Thirdly, they are able to interpret the consumer needs which facilitates their purchasing transactions, a process which is called the principle of proximity.<sup>2</sup> Thus intermediaries are necessary because of the benefit they confer, and the services they offer to consumers. But despite the importance

of marketing, and as we shall see later in this chapter it serves a catalyst that brings improvements in many areas, it is still a neglected function. In fact, it is completely misunderstood even by economists in the developing countries who do not realise that marketing is a self-adjusting mechanism capable of responding to change in the socio-economic system of a particular country.<sup>3</sup>

Until recently, in most developing countries, marketing has been a neglected area in the economic development process, but various theoretical and empirical studies now emphasise the importance of this approach. Application of the new concept of marketing is unlikely to be found in developing countries, whereas this concept is widely recognised in the developed countries, where it has become the key factor in industrial expansion, and economic development.<sup>4</sup>

Yet effective marketing can lead to the maximum utilisation of available resources, thereby providing the highest level of consumer satisfaction. Thus marketing has a multiplier effect on the development of agriculture and industry. It has a tremendous role to play in agricultural development, the training of manpower, rural development, and increased farm productivity as well as promoting industrial and business growth.

This chapter will examine the role of marketing with reference to economic growth under the following subheadings:

- 1 Widening the marketing concept.
- 2 The key role of marketing in economic development
- 3 The characteristics of developing countries.
- 4 The status of marketing in developing countries.
- 5 The role of agriculture in economic development
- 6 New outlook.

#### **4.1. Widening of the Marketing Concept**

In chapter one we concluded that the concept of marketing, and the importance of the marketing function and the application of its philosophy in business management have

grown significantly in the west during the past two decades. Such a development may be attributed to many factors, such as the growing size and complexities of modern business, keen competition for consumers, changes in the international and national environments, changes in world markets etc . It is widely accepted however that the functional role of marketing as such is well known, and is a well-established old activity. In this connection Professor Baker has stated that marketing defined as a process of exchange relationships, is as old as exchange relationships themselves. More specifically, after the separation of the functions of producers and consumers as a result of task specialisation, divisions of labour, and the application of technology in production, it became more important and even vital for a firm to realise what the consumer wants and that is the core of the marketing concept. Thus , marketing existed, as a function, long before any philosophy was formally stated. Markets existed from earliest times whenever goods and services were exchanged, whereas the marketing concept, as we know it began to emerge about 1950.<sup>5</sup>

The new approach enlarged the view of marketing, broadening the market concept and furthering its development. This development was succinctly expressed by Kotler who stated that customer orientation, backed by intergrated marketing aimed at generating customer satisfaction and long-term consumer welfare, was the key to achieving organisational goals.<sup>6</sup>

The most vital resources in any social system and allocate other resources in the most effective way to promote economic development. The marketing sector is the major source for managers who can contribute greatly to economic development. Marketing holds the key to such development particularly through its ability rapidly to develop highly competent managers, and to contribute what is the greatest need in an underdeveloped country, namely a disipline based on generalised theoretical concepts, which can therefore be both taught and learned. Drucker outlines three main functions for marketing to undertake. These functions are firstly, it guides production

purposefully towards maximum consumer satisfaction . Secondly , it crystallises and directs the demand for maximum productive effectiveness and efficiency and lastly, marketing helps to develop standards of efficiency and quality by rewarding those who contributed to that end. The best example of this is the impact of Sears and Roebuck on the latin American Countries.<sup>7</sup>

In addition, when developing countries' resources are scarce attention is then focused initially on production , and not on how to provide consumer's satisfaction through meeting their needs and wants. With such ill-founded beliefs and attitudes towards marketing, the full benefit of industrialisation cannot be achieved, since the marketing concept will be ignored . Marketing itself can ease the inflow of the products of the industrialisation process and, ensure that they reach the final consumers at the right time, and the right place. Thus industrialisation and marketing are complementary to each another and have a joint role to play in the economy. Moreover the attention that is paid to industrial marketing could be ascribed to its tangible relevance to the process of development not as evidence that the importance of the marketing function is recognised in particular or recognition of the marketing system in general.

The above discussion demonstrates that it is now accepted that marketing is one of the key factors for creating changes in the social and economic conditions in a country. Its usefulness applies to agricultural development and farm productivity, rural development, education and manpower training, tourism and exploiting , the promotion of industrial and entrepreneurial growth.<sup>8</sup>



## 4.2 The Key Role of Marketing In Economic 'Development;

### 4.2.1 Marketing Data And Consumer Information .

The inflow of adequate information between consumer and producer through the marketing system will reduce the consequences of uncertainties resulting from the lack of such information . Production according to consumer needs and wants is the basis of the marketing concept. Through the application of the marketing function, co-ordination between production and consumption will be achieved as production will be organised according to consumers needs, within an organisational framework.<sup>9</sup> This is very important for developing countries when resources are scarce.

With reference to agriculture, farmers must know before seed is bought what their market will be. Quality and continuity of supply are critical , therefore marketing is best carried out on a collective basis . Growers must accept rigid agronomic standards, and less direct personal control over their own procedure in return for the political and bargaining strength needed to gain a secure market. Information which farmers can rely on can be obtained particularly through marketing research, which is important for both agriculture and industry in developing nations, to permit optimum utilisation of available resources to increase the income from farms and businesses, and to facilitate the provision of improved services in the market.

Mass production which aims at mass markets where individual consumers are unknown to the producer, is one of the causes of the increasingly popular topics in market research.<sup>10</sup> In farming the scope of marketing research exists to the same extent as it does in industry. At the individual farm level, it is essential for farmers to undertake collectively a certain amount of their own market research to ensure a continuous supply of information concerning potential market opportunities. This is particularly important when farmers contemplate planning changes in their farming system as there is a wide range of planning techniques which can be used to achieve these ends.

#### 4.2.2 Improving Distribution Efficiency

There is no hard and fast rule about how a producer chooses to market his product. In the remote areas in most of the developing countries, producers can only dispose of their products at half price. By so doing buyers obtain cheaper prices through buying directly from the producer and cutting out middlemen costs. Producers who live near the urban areas are able to sell their produce at a higher price, than those in remote areas, but most farmers in developing countries are at some distance from urban centres. Thus, an adequate marketing system can increase total economic output for all producers by means of efficient distribution, also reduces the amount of produce lost or spoiled.

It is recognised that marketing can actually increase the productivity of the total economic system through the creation of time, place and , storage utilities. <sup>11</sup>

Marketing can increase people's well-being by creating economies of scale. This may also be achieved by reducing the total cost of products reaching the consumer so that they can afford them, especially the poor. This can be assisted by efficient physical distribution, by using resources in the most economical way, by introducing the most appropriate modern technology within the limit of available resources, and by reducing the rate of wastage and spoilage of the produce which is particularly important in the case of agricultural products. Such steps will not only benefit consumers, but by reducing unnecessary cost, they will improve profitability of all parts. Also the efficiency of physical distribution may be achieved by improvement in marketing infrastructure such as cold storage, transportation building, feeder roads for rural areas, providing warehouses, and reducing the cost of transactions between the consumer and the producer in the marketing system<sup>12</sup>

#### 4.2.3 Making Progress

A society's prosperity is the basic aim to be achieved through each development process. Prosperity may be achieved by maximum utilisation of available resources to provide

output compatible with society's needs and wants.<sup>13</sup> In other words, marketing function should be maximised within the limits of the scarce resources which are available.<sup>14</sup> to ensure the satisfaction of the basic needs, and improving the standard of living of the society. On the other hand, Petrof argues that appropriate allocation of resources is of critical importance. Resources are scarce and waste cannot be tolerated.<sup>15</sup> This is true for most developing countries whether rich or poor. The moral for business success in the long-run is that consumer needs must be understood and satisfied, and in the input of resources must be maximised. This can be achieved by channelling scarce resources efficiently through careful programming of production, and moving goods from the producer to the consumer at the right time, in the right place, at the right price. Farmer's welfare would improve accordingly.

The marketing concept to some extent assumes that market needs will be met in such a way as to satisfy society requirements. When the marketing concept is properly implemented, marketing will have a positive effect on the process of economic growth.<sup>16</sup>

An appropriate level of revenue will be generated and technological economies may be achieved through improvement of the marketing system employed by organisations involved in the process of production which will lead to expansion of their existing markets and to an increase in mass production output.

#### **4.2.4 Improving The Standard of Living**

Professor McCarthy states that effective marketing institutions are necessary and sufficient conditions for economic growth, that is he explicitly regards marketing as the major means of achieving economic development.<sup>17</sup> This objective and others mentioned above, may be achieved to some extent through the establishment of organisations responsible for the provision of shopping centres, and residential areas.

Improvement of the marketing system may bring subsistence producers into the sphere of an exchange economy. This will contribute to the expansion of the economy and to the achievement of economies of scale. Within such an active environment, accompanied by the introduction of new products or improvements in existing products which are designed to meet by consumer requirements, marketing can increase elasticities of supply and demand.<sup>18</sup> This will enhance people's general well-being which will be conducive to the economic development of these developing nations.

#### 4.2.5 Problem of Scarcity

The effective performance of marketing depends in some measure on the prevailing environment in the economy concerned. In most developing countries for example, the government's policy of imposing high tariffs on imports to protect local industries, and the scarcity of resources change the nature of the marketing function. Both of these factors help to create a sellers' market. Obviously, marketing in a seller's market is different from marketing in a buyer's market. In the latter, supply exceeds demand for goods and services, or there is a choice of buying imported goods which may compete with the local products. Therefore, marketing efficiency contributes greatly to minimising the problems caused by shortages, and the marketing function is clearly helpful for such items by using a strategy of productive marketing and successful manipulation of the marketing mix elements.<sup>19</sup> Thus marketing is even more important in a situation characterised by shortages of services and goods. At such times, developing countries need market research as an essential input to the planning of future development. They need greatly improved distribution methods to ensure that the limited goods available are delivered for consumption in the most efficient manner possible and, they need greater control over distribution to eliminate distortion of the price mechanism through the operation of a black market. Accordingly, they have

proportionately much less need for promotional and selling activities than is the case in advanced economies where supply and demand are closer to equilibrium.<sup>20</sup>

The heavy burden of administrative control and the restraints imposed by having to conform to economic policies will impede effective marketing activities. Thus the core of marketing performance consist of reducing wastage of inputs by channelling them in the right direction and reducing output wastage, while the product is being distributed to consumers.<sup>21</sup>

#### 4.2.6 Additional Demand.

Professor Livingstone divided markets into four categories, each of which has its own special characteristics. Each market represents particular opportunities for producers. The worst prospects in the world for producers are in the underdeveloped countries markets. Low incomes, and consequently low standards of living, have created a situation in which there is less potential demand for their products. This applies to both industrial and consumer products.

Such socio-economic elements have adverse effects on marketing . People with a high income will have increase discretionary spending power. When such people are offered products that cater for their needs and wants, their demand for these products is likely to increase. In turn, production will rise, more opportunities for increasing income will emerge and, finally every aspect of business will benefit. The function of marketing is to discover the potential buyer, discovering wants and satisfying them.<sup>22</sup> Drucker and other writers have asserted that Sears and Roebuck by using modern methods of marketing, have had an important impact on economic growth. Such methods had a simultaneous effect on the distribution process, progress in industry, because of increased demand, the creation of employment opportunities, farmer's prosperity and life expectancy and generally widened the circle of prosperity. In this

situation consumers have a wide range of produce to choose from and as a result of innovation generated through new ideas, businessmen may have more faith in the future and be prepared to invest more. People themselves will develop capabilities and money-earning skills to meet their day-to-day needs and increase their purchasing power.<sup>23</sup> Such activity will generate a cycle of progress, and consequently constitute a source of employment. The take-off stage will have an effect on all sectors of the economy including the marketing sector.<sup>24</sup>

Such expected progress should continue over the long-term and not simply last for a short period of time, this is crucial for any real economic development. In developing nations, it has been argued that aggregate consumption must be restrained in the interest of greater capital accumulation to ensure better output organisation. Udelle and Glade asserted that not all possible demands registered in the market place should necessarily be ratified by corresponding shifts in the pattern of production. It is true to state that in many of these developing countries, social constraints help to determine what production should cater for. For example, catering for an unnecessary antisocial type of consumption is hardly justifiable.<sup>25</sup>

#### 4.2.7 Management Growth

Adequate and appropriate management is very important. Lack of it can be considered one of the major causes of low productivity and other problems. Most of the economic studies have stated that management has an essential role to play in the countries studied, giving various reasons for the acute shortage of competent managers. As with machines, management techniques have been developed in the advanced countries to suit their characteristic features, for example the introduction of labour-saving technology and technical innovations, standardisation and mass production, and a high degree of mechanisation.<sup>26</sup> However, the presence of highly skilled and educated managers has a positive contribution to make through the recognition of the

importance of the marketing concept in business and its effective role in achieving economic growth. Some governments are at present taking steps to deal with management shortages in general. Drucker indicated that marketing is the most important contributor to development for reasons mentioned above, such as knowledge, and a good image. <sup>27</sup> Thus, the presence of highly educated managers and supervisors irrespective of whether they are locally or foreign trained, could make a positive contribution to creating new production possibilities and introducing innovations to match the country's rate of economic growth.

In chapter one the marketing problems in the developing countries including Iraq were outlined with special reference to their importance of marketing. One might conclude that the development of marketing would reduce or solve these problems which are closely related to the question of economic growth. To sum up the present measures are unrealistic to a great extent and the problems are mostly managerial, economic and political.

The researcher believes that such problems could be tackled in a separate study, using a different approach. However, the examined sector in our study (i.e., agricultural and food products), without efficient management and a far-seeing outlook by planners is likely to collapse. The researcher's experience during eighteen years of employment as a government official in Iraq, is that the marketing system is not based on a thorough analysis of the salient factors. Hopefully, the present study may shed some light on the subject of agricultural marketing, and provide data which may fill the existing gap caused by the passive attitude to the marketing role in the Iraq's economic development.

In general, the most important contribution, marketing can make to the economic growth of developing economies, is to induce improvements in the production and consumption units as well as causing other marketing firms to do their best in the economy. Marketing is a catalyst in the field of research, which helps to identify consumer's needs, and to provide resources in the right place in an effective manner.

When products attract potential consumers, other effects are produced, such as increasing employment, increasing people's purchasing power as their income increases, and providing a higher standard of living all of which stimulate economic growth. Achieving these beneficial results is important for both developing and developed nations.<sup>28</sup>

### **4.3 Developing Countries Characteristics**

Marketing is the key factor for industrial growth and expansion. However, such a concept is unlikely to be found in the developing countries, which are unable to achieve the full benefit, wants and capacities when allocating these scarce resources in their efforts to organise their economy. Austen argues that these charges are true. He characterised the developing countries by reference to the following features.<sup>29</sup>

- 4.3.1 Fast Changing -- The rate of growth in national income is very rapid , and the change in balance between urban and rural areas is taking place at a staggering rate. This is also true of the growth of cities.
- 4.3.2 High Military Expenditure: Developing countries usually spend on armaments twenty times the amount they receive in aid. This statement is a reflection of national insecurity and the influence of Military Leaders . (Gerofo Dalton in Economic Systems and Society - Penguin 1974).
- 4.3.3 Badly Administered: Fast growth, plus major, often frequent political changes, combined with a desire for state control and little administrative experience, have almost univerally overstretched the capabilities of administration. Tribal and family influences cause the leaders and executives to have priorities which are out of line with good practices or optimum effectiveness.
- 4.3.4 Segmented -- In the advanced countries genuine skill is exercised in dividing consumers into groups according to their attitudes and purchasing power, whereas in the developing counties there is a straightforward division of people



into rich and poor, town dwellers and peasants. In some of these countries the divisions is by tribes who speak different languages.

- 4.3.5 Monopolistic: In developing countries competition is the exception and monopoly or oligopoly is the rule in the production process. This situation is the result of import restrictions, small fragmented markets and the associated complex problems.
- 4.3.6 Poor Infrastructure: Communication systems, hospitals, and other social facilities, and the private or public sector networks in the transport field are poor. All these factors produce a completely different pattern of requirements and opportunities.
- 4.3.7 State Dominated: The public sector plays a vital role in the economy irrespective of the country's political complexion. This role of the state stems from such causes as problems associated with a balance of payments deficit, the lack of competent commercial management and an appropriate infrastructure, and political ideology. The economies of such countries are state-oriented, conducted through a series of five-year plans. The foreign aid provides to some of these countries is normally transmitted through various Government channels.
- 4.3.8 Inadequate Documentation -- In a subsistence economy with a population which is largely illiterate, worried about tax implications and with no general traditions relating to the reliability of information and the importance of accurate data, one cannot expect good primary statistics, nor is it easy to gather secondary statistics. It must be appreciated that because of cultural differences, it is often almost impossible to find urban, numerate people who can communicate with the predominantly rural peasant population. Despite rural differences in the developed countries, they do not affect the provision of published consumer data.
- 4.3.9 Vulnerability of Export : Innovations rarely exist in the developing countries. Thus their products are less differentiated or varied. Most of the products

remain unchanged, involving dependence on a few products, so in the long term balance of trade appear to be moving against developing countries. In the meanwhile sophisticated changes in the produced goods to a tune the line of market valuations.

From the above discussion, it appears that the application of appropriate management procedures can most effectively integrate and utilise whatever assets and productive capacity are available by ensuring the most productive relationship between inputs and outputs over time (ie marketing is the most important multiplier of such development).

#### **4.4. Reasons For The Neglect of Marketing In Economic Development**

In the developing nations as was pointed out earlier, marketing's role in achieving economic growth has been neglected whereas in the developed countries its role is a very important one, meriting special consideration. This situation which has been referred to frequently in various textbooks has an adverse effect on the development of marketing in developing countries.

Since marketing can make a huge contribution to the growth and development of the economy, and the effective use of capital resources, there is no excuse for any delay in considering the marketing role in the economic growth process in the developing countries.

The first issue which arises when examining the role of marketing in economic development is whether marketing is an dependent or independent variable in a study of economic development, or if marketing development is the cause or the effect of economic development. But the aim of this discussion is to examine marketing to establish whether it has a positive or a negative effect on economic development. In both cases is its merits in examination of an economic sector the conclusion that little value may be gained from a policy which influences one sector only, caused by giving

second attention and interest to the other sectors. Professor Rostow states that down to the present day it is difficult to get development economists and policy makers to accord to problems of efficiency in distribution the attention they give automatically to problems of production, investment and finance.

Developing countries are characterised in general by their production and exporting of agricultural raw materials, and importing manufactured and industrial products. Such economies are characterised as agricultural rather than industrial.<sup>31</sup> Thus, in economic terms, industrialisation is the process of changing from an agricultural to an industrial economy so that the nature of the economy changes from the primitive to the more complicated and from rural to urban in the manner required to meet the nation's needs and wants. This implies adopting the appropriate technology needed and recruiting the skilled labour required to use that technology in the production process. The marketing function in the system is concerned with channeling these products from production units to consumption areas

Despite the actual importance of marketing in the industrialisation and economic development process, a negative attitude is displayed by economic planners towards marketing in the developing nations, because they lack the necessary understanding and knowledge of the extent to which the marketing function is required at different stages in the process of development.

We stressed in the third chapter that marketing is regarded as complementary to production. Similarly, within the industrialisation process it is a function which is highly relevant. Government central planners main concern is to find ways of increasing both agricultural and industrial production. Government planners are consequently passive in respect of marketing infrastructure which leads to general stagnation in the overall marketing system, as we shall see in the following chapters. They also adopt a passive attitude towards private sector activities and towards any attempts to improve the marketing system in general.

Anderson believes that marketing is regarded by some as a passive, self-adjusting mechanism in the economic system which can safely be ignored in a nation's somewhat frantic efforts to raise the level of well-being of its citizens, while others consider that the marketing system is so complex and so intertwined in the private lives of every citizen that it is better to left alone. However, when marketing is fully understood, changes in the marketing structure should follow.

Again McCarthy suggests that the availability of marketing institutions is a necessary and sufficient condition for maximising economic development benefits. He argues that a negative effect on economic development plan is related to the lack of such marketing institutions.<sup>32</sup> However, although effective marketing institutions constitute a necessary condition for economic development, they are by no means sufficient as we shall see later.

Many factors have probably contributed to the neglect of marketing in these countries. The intangible nature and the complexity of marketing may constitute one factor. The economics of marketing is perhaps not an attractive subject for the economists because in many instances marketing is conceptually "messy", one cannot easily measure its physical output. Marketing, as mentioned earlier is not regarded as a very noble calling, and finally most firms involved are often multi-product firms. In addition, there is a scarcity of relevant marketing data and information concerning demand, consumption, and market trends generally. This view is supported by Hancock and Padolecchia.<sup>34</sup>

Data is also scarce concerning the financial benefits to be gain from marketing. When there is a free choice for entering the market system as a last resort of employment in these countries the difficulties of evaluating and assessing the workforce proportion, and how much absorbed within this system and the resulting net income originating from marketing activities. Within our survey, the economics of the marketing mix will be discussed to some extent.

Again, the scarcity of skilled and technical managers has contributed greatly to hindring the development of marketing . This shortage of skilled and trained managers is deep rooted in the developing countries.<sup>35</sup> One of the serious problems is the lack of trained manpower capable of doing this kind of work. Developing and planning manpower takes a considerable time to bear fruit. Evidence derived frmm studying international business, agreements, whether through joint venture, licensing or exporting , indicates that no attention is paid to marketing. In this context the foreign firms operating in the developing countries have not clearly devotd serious attention to the problem of marketing. Moreover, ensuring that adequate attention is paid to this by local managers takes a long time.

Hirsch emphasises two basic reasons for the neglect of the role of marketing in economic development. One of these is related to the difficulty involved in transferring marketing techniques in the form of a specific programmes, such as can be provided when new technology is to be introduced and the other factor which is frequently mentioned is the lack of understanding of the marketing function in developing countries. He points out that the basis of any attmpt ot improve the efficiency of the marketing function in these developing nations is achieved by understanding how the existing marketing system in these economies operates so that marketing can assume a key role in maximising the use of scarce resources in these countries. <sup>36</sup>

Some politicians assert that part of the reason for political unrest in most of the developing nations lies in the wide defferences between rural and urban areas. Emphasis is placed exclusively on the needs of cities and urban areas while the rural areas grow poorer so that those who suffer, see revolution as the only solution.<sup>37</sup> What is relevant to this discussion is the lack of awareness concerning the need for appropriate interaction between rural and urban marketing activities. Integration of these activities is required to produce an effective marketing system.

Another reason could be related to background and attitudes of planners, policy-makers and executives. The situation in most developing countries is that the economic development plans are drawn up by economists, who typically have a specialised interest in industrial organisation, transportation development, or public resources utilities, but are not interested in marketing system despite the importance of this function. As a result the national planners are reluctant to include consideration of the marketing function in development plans, and ignore the possibility that improving the marketing system may lead to increasing people's standard of living.<sup>38</sup> The long-held belief that an effective marketing system will evolve automatically which at the dubious represent ill-management approach to marketing. Moreover, business schools and marketing specialists have concentrated on managerial marketing, as it is the current fashion among the academicians to emphasise the managerial approach to marketing.<sup>39</sup>

In chapter five we shall see that the lack of a consistent marketing system in agriculture leads to the middlemen or the private sector distorting the market by their unscrupulous activities. Such behaviour by private intermediaries has resulted in direct government supervision being introduced in the field of distribution and in various forms of price control. Likewise farmers lack access to credit facilities, and other vital services they required to enable them to improve productivity. Such a situation is a clear indication of the officials belief that only production activities add value while marketing services add little.

The inefficient marketing system in the developing countries provides opportunities for employment for the otherwise unemployed. When levels of unemployment are generally high in most of these nations, marketing is accepted as a job which is relatively easy to obtain and at least allows people to escape from the circle of unemployment. This was encouraged in these countries where no roles or legislation

regulating the entry to marketing activities. This is obvious in the retailing system in these countries.<sup>40</sup>

A further reason for the neglect of marketing development is derived from one of the characteristic of the developing countries. We have mentioned that these countries rely most on imports for industrial and consumer products. This phenomenon is the core of international marketing, and international business thrives on the volume of its exports. But this is not favourable in the long run to importing countries. Such imports increasingly make people in developing countries aware of the products supplied by exporters and local middlemen, in fact, prefer this situation because imported products sell at a higher price, thereby providing considerable profits because imported products sell at a high price, thereby providing considerable profits with less effort. But such a situation prevents scale economies from being achieved in the domestic market. Most developing economies wish to develop their domestic industry in order to create employment opportunities as well as conserving foreign exchange. Therefore incentives are offered to persuade foreign firms to establish subsidiaries which would reduce the need to import finished goods,<sup>41</sup> since it would then be possible to produce the product locally. In other words, the transformation of trade capital into production capital would meet the existing market potential which is crucial for the development process.

Before closing this section which has some relevance to the next section of this chapter, it is necessary to mention that the above account of the neglect of marketing in the developing countries should not make us feel over concerned about marketing. In fact during the last 25 years, many of the writers have begun to reverse the above beliefs through their contribution to the marketing literature concentrating on the economic influences, and the positive aspects of marketing in both developing and developed economies, such as problems, issues and research concerning individual consumer buyer behaviour, how firms determine products, how firms determine channels of distribution and if the existing channels are efficient, and whether the marketing concept is consistent with consumer interests, etc.<sup>42</sup> There is evidence pointing to the success of such writing in supporting the crucial role of marketing, encouraging its use in developed countries, although more time is needed to prove its worth in the developing nations.

Mellor shows how channel structure rationalisation in developing countries could lead to economic development through income equalisation which could lead to increased domestic consumption, demand and capacity utilisation.<sup>43</sup>

Also with reference to the marketing channels, which are too costly in developing countries, Rosenbloom suggested that when marketing channels are improved in terms of cost and speed of operation, more goods might flow through them.<sup>44</sup>

Finally Kaynack with reference to agricultural marketing in less developing countries discussed the role of marketing in the process of economic development. He concluded that marketing institutions have a role to play in forecasting technological change in order to reduce risks as well as dealing with the traditional problems of distribution.<sup>45</sup> The location of marketing institutions presents another problem. Most economic activities are concentrated in the urban areas. In most developing countries this situation is exacerbated by the lack of physical facilities between consumers and producers. The lack of storage facilities and cold stores hampers marketing efforts. Under such conditions marketing costs tend to be high. Thus the government and other organisations must create a favourable environment in which marketing institutions can operate more effectively on a nationwide basis. The government through its legislation, its information system, and its various departments and the necessary infrastructure, is more capable of achieving national objectives than the private sector. Government investment, however, is directed towards the provision of physical facilities, little attention being devoted to bringing about changes in the marketing system.<sup>46</sup> For example in Egypt 48% of all wholesale establishments are located in Cairo. In Turkey, 35% of all wholesalers are concentrated in Istanbul.<sup>47</sup>

Although there is no up-to-date data about wholesale establishments in Iraq, the researcher estimates that about 52% are located in Baghdad alone, which accounts for 70% of the total workforce. Such estimates are based on the 1978 Ministry of Planning



Annual Report, and on the researchers' interviews with officials in the field of agricultural marketing.

#### **4.5. The Role of Marketing in Agricultural Development**

When production is at subsistence level or just above it, the need for related services is limited as farm production almost exactly meets existing demand. Thus farmer's needs for associated services such as storage, packaging and processing will be correspondingly limited. As development proceeds and the process of urbanisation increases, the proportion of economic resources which should be devoted to marketing and its infrastructure becomes crucial for the distribution, storage and packaging requirements involved in moving produce to a particular market. With reference to what we stressed earlier about the need to provide incentives for farmers, when farmers feel that a fair price for their products is available in a particular market, their enthusiasm for the marketing process will be increased, and naturally, they will then be encouraged to adopt a commercial orientation rather than simply aiming at self-sufficiency. Thus marketing and production cannot be separated from each other. In fact they are by nature, interdependent. This fact should be recognised during the process of economic growth, when one is anxious for agriculture to participate in such growth. Thus the marketing process, fair price levels and increased sales will work together in the process of development and achieving such integration is crucial for most developing countries in relation to the success of marketing projects.<sup>48</sup> Therefore, food marketing systems in the developing countries including Iraq must be analysed as interdependent managerial and behavioural systems. Such analysis is imbedded in the study of interorganisational management.

The food industry in Iraq depends for its raw materials mostly on the local output of agriculture. This contribution is also vital for the survival of other parts of the agricultural sector which provide other raw materials required by industry, such as the

packaging, and paper industries. As we shall see, for example, in the marketing of dates, date palms are useful for manufacturing packaging material, and for other industrial uses, and this has an enormous impact on the national economy. Kuznets referred to this as "product contribution."<sup>49</sup>

The continuous decline of agricultural output which characterises most developing countries, including Iraq, has adversely affected their economy in the long run, and recognition of this trend should be taken into account in the development process. Attention should be concentrated on the importance of the agricultural sector in the short run in order to promote rapid growth and development, and in the long run to benefit both agriculture and related sectors and the economy as a whole. Thus it is necessary to ensure that development in the agricultural sector goes hand in hand with expansion of the industrial sector.

The importance of local agricultural produce should not be ignored for the following reasons. As mentioned earlier the food industry in Iraq, for example, depends particularly on domestic production for its raw material sources, and this also affects other industries. Consequently, the rates of economic growth will be influenced by the rate of growth in domestic agricultural output. This, in turn, will inevitably lead to an increase in the income earned by farmers and consequently to an increase in their purchasing power in relation to goods such as tools, fertilisers, and even consumer goods, such as furniture or other items for their personal use. This increased purchasing power applies to a high percentage of the population of rural areas and it creates a new demand for goods outwith basic agricultural needs. Consumption of goods of all kinds, therefore is increased through the adoption of modern agricultural inputs. Thus potential developments in other production sectors of the economy are derived from the agriculture markets' contribution to the process of economic development.

Through the application of appropriate new inputs required to modernise agriculture, local production can make a contribution to improving the country's

balance of payments in respect of foreign trade. This potential advantage is vital for both developed and developing countries, especially the poor countries. Such a contribution can be affected in two ways, either by reducing imports of these products from abroad, thereby saving foreign currency or by exporting which brings in more foreign currency.

Up to 1980, agriculture's contribution to Iraq's GNP, declined within five years from 0.04% to 0.01%, as a result of greater attention being paid in industrial expansion.<sup>50</sup> Agriculture can only affect the balance of payment in foreign trade positively when there are surpluses. A surplus can lead to a series of inter-related events. Farmers produce not only for basic purposes, but also to provide surpluses that can be marketed. By doing so, farmers themselves will be net savers since they consume less than they produce and they are encouraged to invest more in agriculture, which enables them to use more modern methods and this allows production to increase, which again favours the balance of payments. Thus the increased purchasing power of rural people will open up potential markets for other consumer products and in the long run the economy will benefit. This reduces restrictions on the level of development, that can be achieved in most developing countries, especially the poor ones, and encourages them to import the industrial goods that are urgently required to accelerate the process of development and the diversification of industry. On the other hand, to maintain these conditions, domestic production must continue to meet local food requirements so that the government will be able to supply essential industrial goods, this being the initial step towards industrialisation.<sup>51</sup>

Apart from foreign exchange savings and a reduction in imports of a food stuff, marketing encourages the search for a comparative advantage and can enhance the image of the country in the foreign market and also provide raw materials at low cost to the food industry, which thereby contributes to the required objective. In the long run,

this will encourage an increase in the utilisation of existing resources and of currently untapped resources.

In most developing countries most farmers are poor, so they attempt to improve their financial circumstances by moving from the agricultural sector to some other sector of the economy to enable themselves and their families to survive. Shortage of money therefore encourages them to migrate from the rural areas to the urban areas, and no one is left to take over the agricultural work sector they have abandoned because such work doesn't pay. But when the process of development succeeds, agriculture will be regarded as a source of capital to be invested in other sectors of the economy. Accordingly, surplus capital may be transferred to other non-agricultural sectors in the economy. Kuznets refers to this "agriculture's factor contribution."<sup>52</sup>

The integration between agriculture and industry and industry may enhance the country's economic position in relation to foreign trade. Thus, a country may benefit from its comparative advantages by being able to import the products it urgently requires, such as consumer or industrial products which can be purchased in return for his agricultural exports. Although in the real world, attempts to achieve self-sufficiency and eliminate reliance on foreign products are not wholly practicable, nevertheless the relevance of this issue to our study is that agriculture has a contribution to make to the economy, and to the process of industrialisation in the developing countries. But the importance of the link with industry lies in the fact that any increase in production and the income generated by one sector will lead to a similar increase in other sectors. Production linkages are complemented by income multiplier effects.<sup>53</sup>

Overall, when integration between agriculture and industry is achieved, farmers then produce above subsistence level, that is they produce for personal consumption and for the marketing of surpluses which helps industry, and the country simultaneously. This trend in the long run will create a substantial change in farmer's

attitudes and traditional practices will change from subsistence level farming to commercial agriculture. The policy of most developing countries at the present time is to improve both agriculture and industry to provide a rapid solution to the problem of their stagnant economy. This policy in the long run will increase the potential effect of both sectors in the economic growth process, and enable some goals to be achieved in the short run. The contribution of agriculture to the country's development will increase when its importance is recognised.

In Iraq, as in most developing countries, the local agricultural output represents the main sources of the requirements of the food industry, and the country as a whole. Thus, when farmers produce above subsistence level, they are making a contribution towards feeding those employed in other sectors, and this represents potential diversification of the economy. Again, it may be argued that food imports are the only solution in the case of shortages. This is true, but in such circumstances, more hard currency must be paid for these imports. Such imports make a negative contribution to the development of the economy, in contrast with the effect of imported industrial products, which may enhance economic development as they represent one of the productive factors in the process of industrialisation. In this context, the opportunity cost of funds for imports is high as it reduces the level of economic development because it does not represent a resource investment, and as industrialisation and urbanisation continue, more food has to be imported to meet increased demand.<sup>54</sup>

It is relevant to recall here the aims of government intervention and its agricultural marketing policy. First its wishes to pursue a cheap food policy in which production meets the growing consumers which is also regarded as essential for the agricultural industry. A second aim is to achieve stability of prices, since farmers cannot utilise their existing sources effectively in an unstable price environment. Therefore, stability is regarded as essential for the agricultural industry. A third aim is equality, supporting as far as possible the level of income enjoyed by all farmers, an important

aspect of which including distributing of non-farm inputs to them, and lastly, efficiency, which is regarded as a highly desirable objective. Through the process of economic growth it is not easy for individual farmers to keep abreast of developments without assistance being provided by the government or the appropriate officials, in order to promote an efficient marketing system. The overall objective is to achieve a state of economic security.<sup>55</sup>

In Iraq, as we shall see in the next chapter, the intervention of the government takes the form of exercising control over the marketing and trading of agricultural produce by means of farming cooperatives, or appropriate government departments. Although the success or the failure of this policy is not a subject to be discussed in detail at this point as we shall deal with it later in another chapter, a point that must be stressed here is that the objectives of government intervention are price stabilisation and control for the benefit of the farmers and consumers, and maximisation of the economic growth rate. It should be pointed out that price stabilisation in economic terms will occur through a system in which supply is organised to meet existing demand. But the full economic efficiency of a marketing system demands technical as well as pricing efficiency.<sup>56</sup>

#### 4.6. New Outlook

In the literature of economic development, the shift from the view of industrial expansion as a key to economic growth to the need for integration between the agricultural and industrial sectors is obvious. This economic approach has been developed during the last three decades, and has been applied by some developing nations. The emphasis is on the balance between agriculture and industry in order to achieve a corresponding balance between rural and urban areas, a need which is widely understood by economists in developing countries. The Puerto Rican economy, for instance, is based on a combination of agricultural reform and increasing productivity,

industrialisation being regarded as the means of achieving for economic development.<sup>57</sup>

A closer relationship between rural and urban areas will reduce and help to bridge the gap between these areas leading thereby to favourable social consequences as information is freely exchanged between both sectors. This is crucial for developing countries including Iraq, as the raw materials required by the food industry are supplied largely by local agriculture. With two-way communication, farmers will be in a better position to produce food for consumers and for the industry, and the industrial sector production will be organised according to consumers needs and wants, so that overall the best use will be made of scarce resources. The marketing system in effect controls the inflow of both the products and information required by agriculturists and industrialists, providing incentives to increase profitability, and above all, to improve the country's economic situation.

To gain the full benefit of the industrialisation process, production output must flow to the consumer. Thus attention should be paid to the role of marketing, which is largely ignored by central planners in the developing countries, although the importance of increasing production in both the agricultural and industrial sectors is well understood. By and large undue emphasis is placed on production in general, and complementary marketing function is neglected.

The continued concentration of wholesaling institutions in a few large metropolitan areas, means that there are potential buyers whose needs are not met. This situation seriously affects any efforts to improve the standard of living of consumers in remote rural areas. This might cause many people to move from such areas to urban centres, which in turn has serious implications. Other social considerations have to be taken into account, such as the pressure the educated people exert on their families to move to the cities where they are employed. When this happens additional massive burdens are placed on the cities services and, the

infrastructure. As a result those who were previously producers become consumers and demand for housing units increases.

In Iraq, this problem has been exacerbated during the last ten years. Those who left rural areas live in unhealthy houses in or near the cities. Recent developments in the capital and other cities involving the demolition of old houses have created a serious problem for the government. This situation created pressure which affected the prices charged for rented houses, and indirectly affected the original inhabitants of the urban centres. Generally speaking, efforts to modernise and mobilise, marketing activities to provide a planned marketing system for both rural and urban areas in the developing countries, have become vitally important and are inextricably linked with the need for continuing economic development. Marketing is one factor in the whole development process, including improvement in the economic growth potential. With increasing market size and increased opportunities for satisfying overall consumer demand, a vertical disintegration takes place and channels of distribution lengthen and specialist firms appear in the marketing system.<sup>58</sup>

We know from the previous section that the developing countries economies are importing industrial and manufactured goods, although western and luxury goods are not encouraged. These are largely for urban areas, so the gap between rural and urban areas is widened. Such practices hinder economic growth, and encourage the migration from rural to urban areas. This cause of distortion of the social structure is relevant to our subject in that the improvements to the marketing system may bring a better balance between rural and urban growth. This imbalance in itself raises the level of migration to city centres which further accentuates the backwardness referred to above. The first step to be taken by developing countries is to attempt to remove such social distortion, to effect integration of industrial and agricultural activities, and to expand and create market opportunities, instead of operating in a restricted market, and this encourages an exchange of products between these two sectors within these nations.



As a result of the above discussion, the answer to the question posed in section two of this chapter is, whether the marketing structure is the result of economic development, or is itself a force which initiates change, marketing contributes substantially to development in many ways. The marketing sector may frequently provide an essential element in business education so that both production and consumption are adapted to cope with the widening possibilities made available by the development process.

Kindleberger and Drucker support the view that advanced marketing concepts and know-how are capable of being used as effective factors in stimulating the economic growth of the developing nations. To Kindleberger the need for marketing is inescapable and, although it absorbs resources which could be used elsewhere, it plays a vital role in increasing living standards and promoting economic development.<sup>59</sup> To Drucker, the most vital sources of any social system consists of its people who through their managerial ability operate the whole system and allocate the rest of the resources in the most effective way to promote economic development.<sup>60</sup>

To conclude, it is our view that marketing know-how, and the marketing concept are capable of being used effectively to stimulate economic growth. With reference to the possible transferability of this concept this depends on whether marketing is culture-based or capable of being assimilated by another culture with appropriate modification to make it compatible with a new environment. It can be argued that the role of marketing in economic development must be examined country by country, so that necessary modifications may be proposed. All the socio-economic and cultural factors affecting marketing must be taken into account. The institutions used in a country, at a given stage of its development of production, distribution . . . . are more effective when they fit the economic needs and culture of the country.<sup>61</sup> In view of the differences between foreign and national markets failure to adapt the marketing concept may be interpreted as unsound business practice.

Government, with its available resources should recognise the importance of marketing as well as other sectors, such as production and finance in its efforts to promote economic development. Marketing planning should involve estimating selling prices, obtaining the required marketing data for efficient planning, using the most appropriate marketing methods and structure, and identifying the market for products.<sup>62</sup>

The development of a coordinated marketing system evolves with increasing production. With such coordination, the quantities produced will be disposed of more efficiently. By using an effective marketing system, more incentives are created for producers, because their basic production process will be based on information reflecting consumer needs and wants and market conditions. Thus producers will endeavour to maximise consumer satisfaction. However, very few understand this relationship, yet the provision of information to producers is crucial. Economic progress is likely to be achieved through production based on producer's awareness of market conditions, and using relevant information to introduce the type of specialisation which will enable scarce resources to be employed in the most productive manner.

Bartles states that whether achieved by micro or macro marketing management, or through private or public initiative, economic development through marketing is dependent upon someone's knowledge of marketing theory. It is not a question of who owns marketing institutions or systems, nor of who does the planning. Public administrators must be as knowledgeable about marketing as private entrepreneurs. Perhaps more effort should be directed to the marketing orientation of officials in public administration, and perhaps more macro marketing-policies should be formulated in developing countries.<sup>63</sup>

Governments in developing countries have the ability to achieve their national objectives through becoming involved in marketing. There are many reasons which

support the case for such involvement. Government has the power to impose the required policy over any local authority or interested parties in a particular country, though such a policy should be capable of implementation the available resources must be provided. In the long-run, as officials gain experience, they may come to realise that their first duty is to serve the community in an economic and political context, as well as understanding that the market needs a sound infrastructure such as transportation, communication and other facilities which only the government can provide by virtue of its monopolistic character. Financial, technical and other services can only be provided by the government.

Progress may not be achieved unless government officials are marketing-oriented. Such orientation facilitates the adoption of the modern marketing concept and leads to its implementation. Employing effective marketing techniques would defeat the arguments of those opposed to government intervention in the planning of a developing economy. In Iraq, for example, the productivity level achieved by the private sector is much lower than that which can be achieved through government action. A proper understanding of the marketing system may be achieved by studying successful economies in developed or developing countries and borrowing any ideas that appear to be relevant to the economy under investigation, to be used as a guideline for achieving a higher level of economic development.

### **Conclusions:**

In the foregoing discussion, the relationship between economic development and marketing was examined. We concluded that marketing has a role to play in the economic development of the developing nations, and a positive contribution to make towards raising living standards.

One conclusion is that the role of marketing in economic development must be examined country by country, and that any kind of proposed marketing reform must be

based as far as possible, on consideration of all the socio-economic and cultural factors influencing marketing, as economic development is a multi-dimensional process. Marketing and economic growth are inter-related, although in these nations certain adverse conditions reduce the potential benefits to be gained from this relationship.

The contrast between conditions in rural and urban areas in the developing nations is exemplified by the different life-styles of the people in these areas, in terms of their per capita income, their needs and wants, and above all the availability of the products and services offered to them. Wholesalers and middlemen have reacted to these differences by improving their facilities, and the cheap services they provide have increased their influence in the marketing system, especially in relation to food.

The discussion revealed that marketing can contribute positively in one way or other to the stimulation of economic growth in developing countries. We concluded that marketing is the area most neglected by planners in these countries compared with other sectors such as industry which receives more attention in the process of promoting development. Marketing is regarded as a passive element in the economic system.

The lack of basic information concerning consumers and market conditions adversely affects both farmers in the agricultural sector and manufacturers in the industrial sector so that they are both prevented from producing each other's needs, and this situation is aggravated by lack of managerial skills, marketing know-how, and the spirit of enterprise in these developing countries. As a consequence, activities relating to production, market research, and forward development are incapable of achieving the desired results. However, despite this unfavourable situation, there has been some recognition of the value of marketing. Government has an important role in enhancing the importance of marketing at national level. This will be discussed later in another chapter.

This chapter discusses the importance of agriculture in the process of economic growth. The need for most developing countries including Iraq, to produce farm surpluses as an initial step towards industrial diversification in the process of economic development is demonstrated. Even those developing countries which have the comparative advantages of being able to export other natural resources such as oil or chemical products pursue the wrong policy if they ignore the importance of agriculture during the process of industrialisation particularly in the long run. The most obvious benefits that can be derived from producing surpluses are, first, that the agricultural raw materials thus produced contribute to the development of the local food industry, second, farmer's purchasing power is increased, which enlarges the market for produce by other sectors of the economy, and thirdly, the country's balance of payments position is improved through increased exports. There are also other advantages related to the country's economic environment, and the balanced structure of the economy.

Another conclusion from the discussion in this chapter is that an agricultural surplus will contribute to the economic development process, and the greater the surplus achieved the greater the impact of the agricultural sector on economic growth. But the question that arises is how to generate the required surplus to enhance the contribution of agriculture in this context? Some answers to this question will be suggested in various parts of the present study, and will also be presented in the recommendations proposed in the final chapter. However, account must also be taken of certain other economic factors which have a part to play in producing agricultural surpluses, such as the availability of labour, are outwith the scope of our study.

We began the discussion by mentioning that the marketing concept had been broadened to include with the development process and referred briefly to the contribution marketing can make to economic growth in developing countries, and the means by which such a contribution can be effected. Thereafter, a brief outline of some

characteristic features of these countries was provided, and an assessment of the status of marketing was given, including a review of its status as perceived in the relevant literature. Also we stressed how the farming environment and the agricultural structure affect farmer's behaviour. Reasons for the passive attitude to marketing were outlined.

In the following chapter we shall examine the institutional frame work relating agricultural production and in particular, the development of the land system, in order to assess how far it has influenced changes in the planning of production. The effect of the introduction of cooperatives in agriculture will be discussed when details relating to land Reform are considered.

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## **CHAPTER FIVE**

# **LAND REFORM AND COOPERATIVE MOVEMENT IN IRAQ**

## CHAPTER FIVE

### Land Reform and Cooperative Movement in Iraq

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## CHAPTER FIVE

### Land Reform and Cooperative Movement in Iraq

#### Introduction

From the previous chapters we may conclude that in Iraq, as is customary in developing countries, agriculture is the predominant sector apart from oil in terms of its substantial contribution to the national income, the value of the country's exports and employment figures. Table (1) shows that the contribution of agriculture to the national income increased from ID 70.6 million, in 1970 to ID115.5million in 1978.

**Table 1**  
**Contribution of Agriculture to National Income**  
**(ID Million), From 1970-1978**

The Year	NNI	NNI Excluding Oil	Contribution of Agriculture	Share of Agrt. as a percentage of NNI	Share of Agriculture as a percentage of NNI excluding Oil
1970	245.85	124.64	70.61	28.72	56.65
1971	285.84	144.41	83.75	29.29	57.99
1972	291.24	138.88	64.35	22.09	46.33
1973	337.64	194.49	88.07	26.08	45.28
1974	355.42	251.83	110.32	31.03	43.80
1975	378.74	212.64	91.45	24.14	43.00
1976	396.07	214.90	80.73	20.38	37.56
1977	449.72	250.35	96.52	21.46	38.55
1978	485.72	287.08	115.51	23.78	40.23
Average	358.47	202.13	89.03	25.21	49.1

Source: *Compiled figures of different years in the 1970's.*  
*Annual Reports, Ministry of Planning*

Agriculture occupying such a dominant position, has an important role to play in continuing or accelerating the growth rate of the economy. Increased agricultural output is essential, not only for meeting the rising demand for food and raw materials for the food processing industry in order to mobilise and expand the economy, but also for achieving other objectives such as maintaining price stability, and helping with the balance of payments, as well as establishing an effective home market for the agricultural products of the country's growing industries, particularly since a major part of the population derive their livelihood from agriculture.

Recognising the importance of agricultural development, successive Iraqi governments have undertaken a number of serious steps to promote success in agriculture, ranging from building dams to providing a regular supply of water through irrigation, to establishing cooperatives as a means of improving the marketing system. The desire to set up marketing cooperatives is generally produced by the feeling that existing marketing channels do not provide an adequate service or are changing too much for it. If they are able to operate at a lower cost, then there is a direct gain in marketing efficiency. If they can provide a better service at the same or even a slightly higher cost, they once again achieve greater marketing efficiency. But the initial steps taken by the Iraqi government were (a) the introduction of the Land Reform Law (LRL), partly to get rid of the deep-rooted land tenure problem mentioned in (a) chapter one, and (b) establishing cooperatives.

In most developing countries there are three categories of marketing enterprise. The first category is the private sector. The second category is the cooperative, founded on the principle of equal participation by its members, and in Iraq, operates according to the Land Reform Law. The third category is marketing through the Marketing Board. In this chapter, we shall concentrate on the last two categories (namely, cooperatives and the Marketing Board), with special emphasis on the cooperative movement in Iraq, due to its influence on farmers, consumers and the economy.

Our objective in this chapter is to highlight the advantages and disadvantages of the (LRL). Details of (LRL) evaluation, its implementation and achievements are outwith the scope of this study. This introductory section is intended to explain and highlight the problems which still have to be solved, with particular reference to farming incentives and to the need to link market potential with the new institutional framework of reform. Light will also be shed on the cooperative movement in Iraq which was set up immediately in accordance with the law. The problems associated with this movement will be outlined and possible solutions will be proposed. Accordingly, this chapter will be divided into two sections.

The first 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. It also considers the hypothesis that agricultural growth was slow in the period immediately following land reform because the bureaucracy involved found it difficult to deal with the peasant producers. The argument put forward is that if the Iraqi cooperative movement has failed, then it is as a result of incompetent management rather than extreme individualism exhibited by farmers. Some ways in which the system may be improved are also considered.

The second section highlights the role and importance of credit in rural areas. It analyses the forces affecting the supply of and demand for credit. From the study, it is made clear that farmers need credit for both production and consumption purposes. This was mentioned in chapter one as constituting a problem. Most farmers, having no access to government sources of credit, are forced to turn to private sources, the cost of which is higher. This section discusses major questions, such as why farmers need credit, who the private lenders are, the terms of their loans, the problems involved in obtaining credit from the state, and the characteristics of the state channel loans to borrowers.

## SECTION ONE

### 5.1. The Institutional Setting

Having outlined in chapter two, the main problems facing agriculture in Iraq, we now turn to examine the institutional framework of agricultural production, with particular emphasis on the land system, its development, its predominant features and the prevailing conditions associated with it in order to ascertain the extent of this influence on changes in planning production.

#### 5.1. The Agricultural System Before the 1958 Revolution

The origins of the land tenure system and land ownership in Iraq developed gradually over a period of more than a thousand years and the system therefore became very complex. Even before the days of the Ottoman Empire, the land problem attracted the attention of government officials who devised various plans for land redistribution. Successive governments, however, were slow in implementing the land system they adopted.

Until the end of the Ottoman Empire, the basis of land ownership was the tribal dirah--a large area of which a tribe exercised a customary right of occupation. The system evolved into a feudalistic structure a main characteristic of which was absentee landlordism. Extensive tribal holdings were appropriated by the Sheikhs. These tribal lands, which had no legal basis, were regarded as state lands, with the tribal occupants as tenants-at-will.

Under this tribal system, the Sheikh organised primarily political functions while functions such as canal clearance, irrigation, allotting seeds and organising sowing, harvesting and threshing were managed by lower tribal authorities. Only a small proportion of the dirah was cropped and cultivation shifted as canals silted, or the land salinated. For the most part, there was no individual ownership, since occupancy of a



specific plot of land for a long period was not customary. Livestock grazing was a more important occupation for the tribesman than crop production.

In 1932, when it was economically and politically favourable to the government, these lands were officially transferred to the Sheikhs who became the legal owners. The Sheikh's representatives, the Sirkals, then became the estate managers while the tribesmen who were settled there became sharecroppers, without rights or status but legally tied to the land. This was intended to be an improvement but, as stated in the FAO Country Report of 1959, there was probably no single greater cause of abject poverty than this system which divided agricultural land into large holdings, which were subdivided into small and inefficient units. Thus, just as the Ottoman Land Law of 1857 failed to correct the land distribution problem, so the "Land Settlement Law" of 1932 also failed. It was, however, the beginning of the land classification (ownership) system still in use. This recognises four basic categories:

1. Mulk -- Land which is held in absolute private ownership.
2. Matraka--Land reserved for public purposes (e.g. roads, public gardens).
3. Waguf--Land held in trust for religious or charitable purposes.
4. Miri--Land which is state-owned and consists of three sub-categories:
  - (i) Miri-tapu--land held in permanent tenure from the state, with the holder able to sell, mortgage, or bequeath his right to this land.
  - (ii) Miri-Lazma--Land similar in tenure to Miri-tapu land, except the state may veto any proposed transfer.
  - (iii) Miri-Sief--Land which belongs absolutely to the state which has sole right of disposal. (See table 2).

The economic and social problems associated with land ownership and land tenure conditions have therefore always been important in Iraq, large feudal holdings and small operational units may not have allowed the most to be extracted from available cultivable land. For centuries, landlords imposed harsh sharecropping conditions on

**Table 2****Area Covered by Land Classes in 1958 (All Regions)**

<i>Land Class</i>	<i>Kind of Ownership</i>	<i>Area (000 Acres)</i>	<i>% of Total</i>
Mulk	Private	159	0.8
Matruka	Public Urban	2,288	11.52
Waquf	Religion	271	1.37
Miri-Tapu	Tenant of State	7,711	38.82
Miri-Lazma	Tenant of State (Veto)	6,541	32.92
Miri-Sirf	State Owned	2,894	14.57
Total:		19,864	100.0

Source: The Ministry of Agriculture and Land Reform. *Land Reform Law, 1958.*

the peasant farmers and production generally remained close to subsistence level. Also, the land tenure system has resulted in an accumulation of large holdings by the state. Redistribution through legal means has been so complex a procedure that peasants have been discouraged from trying to acquire this (meri-sief) land from the state. Mobility of the share tenant was further reduced by laws favourable to the landlord-legislation prohibited peasants from leaving the land they cultivated while they were indebted to the landowner. Since most peasants were in debt to middlemen or state banks this tied them to the land they cultivated.

### 5.1.2. Agrarian Reform Law, 1958

The term 'Land Reform' is commonly applied to the redistribution of land taken from original owners to new tenants. This action is usually taken by the authorities in order to achieve economic political and social improvements on behalf of these tenants whom are usually farmers. Thus the term 'Land Reform' is defined as the redistribution of property or land rights for the benefit of small farmers and agricultural labourers.<sup>1</sup>

The objectives of the government in most developing countries, including Iraq, were to implement this system for social and political purpose, economic purposes constituting secondary objectives. The main general objective of the economic planner was to improve the quality of life of those farmers who suffered from poverty, and lack of human dignity, although farmers are unaware of that objective. For Iraqi farmers, owning a piece of land (Mulk) is a matter of the utmost importance as this represents social dignity and high status for peasant farmers. Thus one may regard the practice of redistributing as a grass-roots inspired policy.<sup>2</sup> Overall, the general aims of land reform included economic goals, represented by a fair distribution of wealth, social goals represented by ownership of land by farmers, thus conferring dignity and independence, and political goals represented by the reduction of feudal power.

Following the revolution of July 14, 1958, the LRL was enacted on September 30, 1958 by the Military government which had assumed power. The speed with which this law was introduced reflects the government's conviction that urgent action was needed to introduce changes in the existing agricultural conditions. On the other hand it is clear that a law introduced so quickly could not be based on deep study and careful preparation, therefore many problems arose with regard to its implementation. The major purpose of this law was to impose a limit on the size of privately owned agricultural holdings.

The limit imposed on ownership of agricultural land by one person was fixed at 1,000 to 2,000 donums where rainfall is adequate and between 30 and 60 donums where irrigation is required. Any holding which exceeds the limit set by law would be subject to expropriation by the state. The government decreed that the initial period within which expropriation was to take place was five years, this period being extended in 1963 to ten years. According to the law, there had to be a direct relationship between tenants and landlords, and employing any kind of intermediary between the two parties was prohibited. The law therefore introduced important provision relating to security of tenancy and the apportionment allocated to different types of produce.

The responsibility of both tenants and landlords was defined. The duties of the tenant were defined as the clearing of pests from land prior to sowing and planting, ploughing the soil, harvesting the crop, winnowing it and preparing the surplus for transporting and marketing. The duties of the landlord, on the other hand, included responsibility for providing some production elements and cultivation facilities such as the land, irrigation facilities, appropriate machines and so on, also he is responsible for providing the tenant with agricultural credit until the end of the season at a fixed cost, seeds and chemical fertilizer, the cost of which may be shared by all parties. Table 3 shows the allocation of produce according to the LRL. Such sudden changes in the

Table 3

Ratio Production Cost According to the Agriculture Reform Land

Apportionment to the (percent) in land irrigated by: Contribution Cost of:	Proportions		
	Flow	Pump	Rainfall
Land	10	10	7
Water (Irrigation)	10	20	-
Tenant's Labour and Seed	53	43	53
Ploughing	5	5	10
Harvesting	10	10	15
Management	12	12	15
Total:	100	100	100

Source: *opcit.*

agricultural structure which had lasted for hundreds of years created difficulties and undesirable results, which even affected the social structure.

However, farmers who were subject to the conditions mentioned in Chapter Three would hardly responding rationally and positively to the new ideas. Certain doubts existed based on uncertainty about the potential success of such reform since the vast majority of farmers operate small and fragmented holdings in which the bulk of production is subsistence-oriented and they cannot, in general, be expected to be sensitive to price changes and economic incentives. Ignorance and laziness on the part of the farmers, moreover, would render ineffective any agricultural policy that is based on economic incentives. Thus, failure to increase production during the period following the announcement of reform measures is not surprising. The first explanation of this decline is the lack of organisation of economic activity previously arranged by landlords. During this period, there is a decrease in economic activities related to agriculture which the authorities did not undertake to provide, such as the economic protection of farmers. Indeed, there was a negative reaction from farmers rather than a marked increase in their output of produce. That was the direct result of the reform measures which reduced land rent and introduced other changes. Such a situation is clear evidence of farmers' lack of appreciation of the need for economic changes.

We have learned that the absence of incentives for farmers constitutes one of the most important problems affecting agriculture in Iraq and this is exacerbated by the vicious circle of poverty - a condition experienced by so many farmers. These interrelated factors act as a deterrent against forward planning and weakens motivation on the part of farmers to try to enhance their financial position and achieve greater independence in the long run, thereby reducing both their economic and political influence.<sup>3</sup> The provision of appropriate incentives result in an increase in the level of production output and produce surpluses for local industry and perhaps even for export through the efficient utilisation of agricultural resources and greater control over the use of land. The resulting increase in local agriculture output would have the effect of stabilising prices in the domestic market, helping those industries which use farm products as raw materials, and reducing import requirements thereby saving foreign currency. The researcher would make the following observations concerning the achievement of land reform objectives.

The prevailing economic conditions affecting the majority of producers in Iraq, prior to the land reform, appear to suggest a strong possibility that individual producers had a backward-sloping effort curve. Farmers in Iraq, of whom the vast majority were share-croppers, led a hand-to-mouth existence, which was forced upon them by the exorbitant rent they had to pay for the use of land and water pumps for irrigation purposes. This, combined with the small size of holdings and very low yields, meant that what the producer and his family were eventually left with, after all their work, was often insufficient to subsist upon for a whole year,<sup>4</sup> with the result that he had to resort to borrowing. The amount owed rapidly increased due to the very high rate of interest usually charged. This created a cycle of poverty from which most farmers suffered. Producers trapped in such a circle were in fact completely dependent on loans from landlords or even from private sources. If they are continued to be in debt to the landlord, he would be reluctant to provide additional loans. This would deter producers from continuing cultivation in the absence of the facilities or services previously provided by the landlord, but now withheld in spite of the LRL.

It is evident that this law was nothing more than a compromise between the interest of the landlords, linked with the country's bourgeoisie who had taken power after the revolution and the farmers' desire for agrarian reform. Most of the landlords had acquired their property by illegitimate means because they were able to circumvent the laws passed by earlier reactionary governments. Adherence to the limits of ownership accords such ownership the required legitimacy but if we consider that prior to the issuing of the law, many landlords used to subdivide their properties into small units registered under the names of their son or their wife, then in most cases observance of these limitations in this fashion afforded these means of reinforcing the feudalistic domination of the countryside. Moreover, this neglected an important matter concerning the classification of land and the types of produce cultivated and the differences in available outputs. To compare one donum of land subject to irrigation with two donums irrigated by rain is not a fair or scientific method of comparison.

Nevertheless, the Agrarian Reform Law of 1958 was based on the same principle as before, concerning the area of the units distributed among farmers. The government later took note of this weakness but took no action to rectify the situation.

In addition to the negative effect of the LRL, other factors contributed to the failure of agricultural production during the period following the introduction of that law. These factors have already been referred to in Chapter 3, but to complete the list of factors affecting agricultural production, attention must be drawn to a number of important climatic and administrative features. In Iraq, production of crops throughout the country suffered greatly because of its dependence on sufficient rainfall. Delays occurred in the redistribution of the land requisitioned by the government, which also failed to ensure a regular supply of agriculture necessities such as credit, seeds, and irrigation facilities. All of these factors were significant causes of the decline in the areas under cultivation and the fall in agricultural production, as some of these facilities are the responsibilities of the State. Some of these factors still operate at the present time.

These objectives have not been achieved at national level although benefits may

have been obtained in individual cases. The criteria for successful land reform is increased productivity in the long run, therefore short-term results may not be reliable for a number of reasons. The argument is that land reform in Iraq, for example, led to a break-through in the structure of the peasants' social life and suddenly freed farmers from the strict control exercised by their feudal superiors, but the farmers' experiences was inadequate since they had previously relied on their landlords. Thus, more time is needed before a judgement can be made concerning whether or not a particular reform has been successful since a new system requires time to achieve its objectives. The Land Reform Act is now thirty years old, therefore it has been in operation for a considerable time. However, the original objectives have not been achieved to an adequate extent by the authorities. Indeed, a decline in farmers' productivity and reduced agricultural production has been a major characteristic of the land reform period. This decline experienced in Iraq continued even after the establishment of the cooperatives. Therefore land reform has so far been relatively unsuccessful.<sup>5</sup> In Egypt, on the other hand, land reform has been successful, output has increased, agricultural productivity having reached a high level under the ownership of independent farmers.<sup>6</sup> The failure of such reform in Iraq is clear evidence of the danger associated with delaying reform and implementing it without effective planning. However, while recognising the serious decline in productivity, the attempts at reform should not be the subject only of criticism. It should be remembered that the reforms introduced did succeed in bringing to an end one of the world's worst feudal oligarchies.

Iraqi LR was based on the pattern introduced in Egypt, but proved to be more difficult to implement. Egypt is a fairly advanced agricultural country, which for a considerable period before LR had a system of irrigation controlled by the government, an established framework of agricultural credit, some experience of cooperative farming, and an ample supply of officials with an agricultural background. Iraq had none of these advantages, nor did it have the highly skilled cultivators Egypt had or a comparably large proportion of land held by small landowners. Thus the problems that would arise in implementing an integrated policy would prove to be not purely



political, but would have their roots in the general backwardness of the Iraqi agricultural sector.

Successive regimes since 1963 have continued to pursue the general LR programmes of the Qasim regime with varied degrees of vigour. During the period up to 1972, the process was slowed down, but thereafter more grants were paid than in any single year since 1962. Iraqi landlords very soon found themselves with little or no political influence under the new regime. They also found themselves rapidly divested of their excess holdings, at least in part, because the Ministry responsible, namely the "Ministry of Agrarian Reform" was under the control of the Communist members of Qasim's coalition.<sup>7</sup>

Although the reasons for the slowness of land redistribution as opposed to land expropriation were mentioned in an official report issued in 1972, referring to factors such as the political problems in the Northern part of the country which prevented land distribution, and the political unrest in the country as a whole following the 1958 revolution as reflected by legislation introduced by successive governments,<sup>8</sup> other reasons have also been mentioned such as the lack of technical knowledge by officials and inadequate irrigation facilities. But the most crucial problem from the researcher's point of view is that all Arab countries at that time looked to Egypt under Nasser's regime for the fulfilment of the national aspirations of all the Arab nations and this affected every government in the Middle East region, including Iraq, since they all wanted to copy the Egyptian experiment relating to political and economic reform. The 1958 revolutionary government followed Egypt's example when the LR was introduced without any attention being paid to Iraq's basic requirements. The government was also influenced to a great extent by Communist ideology. By and large, reform in Iraq was Egyptian-inspired and Communist-controlled. Eventually this contributed to the failure of LR after 1958. Warriner,<sup>9</sup> in his comment on the LR experiment in Iraq, stated that "The reasons for the economic failure of the reform should not be over-simplified. The trouble lay much deeper, in conflicting political aims, technical obstacles and the sheer magnitude of the administrative tasks beyond

the power of an inexperienced bureaucracy. How can responsibility be assigned for all these things? It would be inept to believe that experts could have avoided failure; there have been plenty of experts, offering contradictory and often inapplicable advice. To quote E.H. Carr: 'It is no use regretting the French Revolution', and no use deploring that when it came to Iraq on Bastille Day in 1958, the inspiration of the law came from Egypt and the power of its execution from Moscow".

This view was supported by other writers who discussed the Iraqi economy. It appears to be generally agreed that the cause of failure was the government's ideology. The Iraqi government was weak at this time and its first priority to gain the support of the poor which in the case of Iraq meant gaining the support of the farmers for the new regime. Basically, Iraq's policy was based on the ideology of the communist party. Raup<sup>10</sup> for example, stated that "from July 1958 to early 1963, reform was dominated by Communist political ideology. Expropriation of land was precipitous and some times foolish, land was given in the South to new owners who could get no water and who had no access to credit. The initial intent had been to develop collective farms, but no farms of this type were developed. After 1961, new landowners received the land free. Given occasional free use of machinery from hastily created machine-tractor stations, and disbursements of non repayable 'loans', the new farmers understandably developed a "welfare attitude" and neglected the business side of their enterprises".

In general, the decline in the level of agricultural production is increasing, so that radical steps to improve the situation must be taken. This decline now constitutes a problem that must not be underestimated. If Iraq continues to be a poor country, the quality of life will be seriously undermined and living conditions will be miserable. Statistics reveal that the rate of decline has increased by about two-thirds since 1950. The problem is exacerbated by the fact that the population is still increasing. To meet the shortages caused by this decline in production, the authorities began importing.

Details of the volume of imports will be discussed later in Chapter 7. Table 4 shows that the yield per hectare drastically declined between 1950 and 1985. For example, the respective decline in the production of wheat and barley during this period was about half to two thirds.

The statistics for the period between 1950 and 1971 which are shown in Table 5 fully illustrate the above situation. After the introduction of LR, the decline in production is obvious. In fact, the decline in yield per donum eventually contributed to the decline in overall production. The decline started in 1961, that is, after the LRL was enacted, whereas there was a surplus of production between 1950 and 1960. Thereafter, the decline continued and there was no surplus after 1960, although to some extent public sector expenditure on agriculture alleviated part of this problem.

## **5.2. Land Reform Implementation**

### **5.2.1 Agrarian Reform Law No. 69**

Instead, in 1961, issued Law No. 69, which called for the classification of land in ten different ways, depending on the degree of fertility, the type of irrigation, and to some extent, the type of produce being cultivated. This aimed only at ascertaining the approximate value of these lands, whilst the previous principle of sequestration and distribution remained unaltered. Moreover, this law gave to the landowner whose property exceeded the maximum, the right to choose which land he would keep. This, of course, meant that the law gave him the right to keep the land with the highest yield, abundant supplies of water, proximity to communication networks, cities, and so on, leaving the land which lacked even the most basic services such as roads and water, to others. Again, certain aspects of the law were rendered ineffective by the bureaucratic machinery, which allowed priority to be given to the interests of the landlords.

**Table 4**

**Comparative Yield of Some Major Crops, 1950-1985**

Crop	Percentage of Cultivated Area in Crop.			Yield (Kg./Hectare)	
	1971	1950	1960	1971	1985
Wheat	46.4	480	513	761	224.3
Rice	2.0	1110	1373	2742	607.0
Barley	17.8	910	777	1082	229.8
Chick Peas	0.3	600	537	647	191.0
Lentils	0.1	587	617	484	176.0
Seasams	0.3	360	553	721	118.0
Cotton	1.6	140	233	248	167.0
Tobacco	0.4	720	900	716	257.0

Source: 1. FAO, United Nations, *FAO Production Book*, 1973.  
2. Ministry of Planning, *Annual Report*, 1985.

**Table 5**

**Annual Production and Net Production Surplus  
Of Selected Major Crops (in 000 Tons)**

Crop	Size of Production	Year 1950	1960	1971
Wheat	Production	545	657	822
	Surplus	+ 10.7	- 31.4	- 116.2
Rice	Production	242	92	307
	Surplus	+ 2.6	- 57.7	- 31.5
Maize	Production	21	2	16
	Surplus	+ 8.1	0	- 12.5
Barley	Production	851	733	432
	Surplus	+ 54.3	- 0.3	- 57.4

Source: Askari, H. and John, T.C., *"Middle East Economies in the 1970's"*. Iraq. Praeger Publisher, U.S.A., 1976, p. 96.

### 5.2.2 Land Reform Law No. 117

The Agrarian Reform Law, No. 117, was issued in the first quarter of 1970. It dealt with the basic issues, the weaknesses of which had been overlooked by previous laws and determined the means of taking corrective action. It introduced the principle of land distribution on the basis of fertility, the method of irrigation and the type of produce cultivated and abolished the ceiling which had been established earlier. It also gave due recognition to the rainfall-line which allows a distinction to be made between land receiving an average of 400 mm. of rain per annum and land with a lower average rainfall and specified that the agency titles of landlords, investors, land agents and other influential persons should be transferred from the countryside to areas where they used to hold title deeds, provided that holdings subject to agency titles were located in the same area. The purpose of this ruling was to reduce the possibility of such people impeding the implementation of agrarian reform in their locality.

The new law stressed cooperation between farmers, taking into consideration existing conditions in the area. It constituted an important step forward in terms of solving the country's agricultural problems.

Thus, the July 1968 Revolution finally succeeded in achieving the long overdue changes which should have been effected by the revolution a decade earlier, namely eliminating feudal and semi-feudal ownership in the Iraqi rural areas. Thereafter, the general feature of land ownership in Iraq became that of small and medium-sized holdings,<sup>11</sup> putting an end once and for all to the control of landlords.

Table 6 shows the amount of land requisitioning and redistribution up to 1985. The total area of lands redistributed from the beginning of the Agrarian Reform system in 1958, until 1985 is about 9 million donums. These figures reflect the extent to which the LRL has been implemented, and provide the opportunity to evaluate its main achievements and its shortcomings. By 1969, eleven years after the law was introduced over 7 million donums had been expropriated, of which 42% was actually redistributed, a total of just over 3 million donums. The total land area subject to expropriation,

Table 6

Total Areas of Distributed Land and Number of Beneficiaries until 1985

<i>Governorate</i>	<i>Number of Beneficiaries</i> (00)	<i>Average Area for Beneficiary</i>	<i>Total of Distributed Area</i> (000 Donum)
Nineveh	418	7.7	3223
Salah Aldeen	66	4.6	308
Taameem	83	1.7	142
Diala	70	4.6	323
Baghdad	99	2.8	280
Anbar	36	2.3	81
Babylon	165	3.1	517
Kerbala	11	1.1	21
Najaf	39	0.5	20
Qadisia	90	3.3	299
Muthana	29	3.7	106
Thiqar	365	2.3	838
Wasit	87	4.7	406
Maysan	263	1.8	474
Basrah	17	1.4	23
Dohok	196	2.4	469
Arbil	213	3.3	700
Sulaymania	372	2.3	855
<b>Total:</b>	<b>2619</b>	<b>3.5</b>	<b>9085</b>

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

according to the official figures, is over 11 million donums. Including the State Domain, the total amount available for distribution to farmers is over 17 million donums. These figures show that in practice, the progress achieved in implementing the law has been very slow. There was a contrast in the speed with which the land was expropriated, and the low rate of land distribution. Of the total land area expropriated by 1970, over 98% was achieved within the first six years of the reform policy, and over 36% during the first year alone.<sup>12</sup> However, by the end of the first year, although 2590,365 donums were requisitioned, only 38,402 were distributed. The absence of qualified management to cope with the heavy responsibility involved in disposing of such a huge amount of land largely affected the implementation of the LRL.

Moreover, the lack of trained personnel prevented the appropriate authority from providing the state tenants with adequate supervision, guidance, and necessary help to satisfy their needs for the customary services which are required to maintain production. Because of failure by the authorities to satisfy tenants' needs and the basic requirements previously provided for them by landlords, farmers suffered greatly and accordingly, many left their holdings and moved to the cities.

Moreover, because of the speed with which land was requisitioned, there were no adequate land surveys so that little heed was paid to such problems as soil salinity and irrigation. In addition the political unrest due to the fighting in the North of Iraq at that time occupied much of the government's attention, so that further problems arose which interfered with the process of land distribution. All of these factors created special difficulties.

In 1975, seventeen years after the reforms were first proposed, some 40% of the land subject to expropriation had still not been requisitioned, and over 80% of the total area still awaited redistribution among impatient farmers. The number of beneficiaries rose from 60,802 farmers to 2.5 million by the end of 1985.

On the other hand, the LRL has an effect on the farmers' community structure and on their social life. Despite failing to achieve its stated objectives in relation to agriculture in Iraq, the LRL had some good points. That part of the reform programme, which regulated the relationship between tenant and landlord resulted in rent reductions which provided a measure of security for the tenant whereas formerly the landlord was able to dismiss a farmer at any time without previous notice, with no respect of social relationships and there was no official authority which could prevent a landlord from acting in such an inhuman fashion.

There is continuing benefit for the landless farmer who still lives in his community and continues to derive his livelihood from agriculture through tenancy.

The greater degree of security of tenure helps to ensure continuity of cultivation. Such a favourable environment no doubt encourages farmers to utilise their resources in a more productive manner and to make improvements to the land. By improving farming standards in this way, higher incomes can be earned, possibly resulting in tenancy agreements being maintained by both parties. Moreover, landlords may be encouraged to renew tenancy leases instead of terminating them. Such financial improvements may be regarded as incentives for those farmers who previously had land but insufficient capital to invest on their own behalf. Equally important is recognition of the need to provide some essential requisites to farmers to provide the motivation for making changes. In addition, the farmer must be convinced that he himself will share in the net increase in wealth that accompanies his acceptance of new methods so that he will thereby be better off.

The idea behind controlling public land was not a new one. After a successful policy of land settlement had been completed, the government could take steps to ensure skilled agricultural management, for example, through the cooperative movement. Flexibility would be allowed with regard to the planting of arable areas, according to needs that might arise.



However, following the sudden removal of landlords, who controlled the activities of the peasants, combined with the inability of the government to provide adequate substitutes, shattered the social structure of the farmers in the rural areas. But it is important to note that the Iraqi economy experienced rapid growth in the 1970's, after the nationalisation of oil and the rise in its price. Growth brought with it social and economic transformation. It is therefore difficult to calculate in any precise manner, the specific effect of land reform on Iraq's agricultural structure, so that it is difficult to agree with the hypothesis that it may have weakened them.

Up to the present time, the programme of agrarian reform is still being implemented as land expropriation and redistribution is still taking place. However, it is difficult to assess the effect of this policy on agricultural production. Statistics issued relating to the application of LR referred to above revealed that there was a decline in the agricultural production which still continues, and Iraq has become an importer of certain staple foods which it had for a long time exported such as wheat, rice, barley, tomatoes, potatoes and onions. Before the enactment of the LRL, Iraq exported annually 300,000 tons of these crops, whereas in 1968 and 1985 respectively Iraq imported 206,000 and 40 million tons of grain. It is relevant to end our discussion of LR and its effect on the structure of agriculture quoting Warriner, who stated "Because of (1) the extreme uncertainty caused by delay in the redistribution of requisitioned land, landowners did not cultivate more than they expected to retain, while the cultivators did not know and for the most part still do not know what land would be allocated to them. (2) It reduced production in the irrigated zone through the failure to replace the landowners' function with regard to pump maintenance. Apart from the irrigation pump, so little capital was used in agriculture that production could not have been much affected by its withdrawal. In the North, where tractors were generally used, the shortage of machinery was a drawback since imported machines were largely unsuitable, the unique cooling system on the tractors did not stand up to the climate,

spare parts took several months to obtain while service and repair facilities were inadequate".

Warriner in other words emphasises in general the absence of appropriate conditions for the application of the LRL although the situation varied from time to time. The researcher believes that the above statement provides accurate explanation of the decline in the agricultural production. Therefore our hypothesis concerning the decline in agricultural production after the LRL enactment is valid.

The aim of this discussion was to show how, through the cooperatives, government intervention might lead to increased agricultural productivity. Law number 117 was quickly implemented, without considering means by which productivity could be increased or the social structure of the people living in rural areas. Finally, it was also necessary to ensure that full citizenship was granted to the excluded masses in both economic and political terms and to arrange for their full integration into society by forming a new relationship with the government.<sup>13</sup>

Across the Middle East, land distribution has historically displayed both similarities and differences. Many of the former are rooted in the common heritage of Islam, which has spawned a number of institutions common to all its major political subdivisions. The differences are frequently rooted in the diversity of agricultural conditions found in fertile river valleys, sparse deserts or terraced mountain sides.

## SECTION TWO

### 5.3. Cooperative Movement

Because of failure on the part of the authorities, such cooperatives as has been established have not, through adverse condition, been able to fulfil farmers aspirations and to provide for such needs as credit, agricultural services and marketing assistance. The LRL intended to establish cooperatives which were regarded as the cornerstone of a new agricultural system by which government objectives would be met. Raising the production level to a high standard, which represents the main objective of the law, largely depends upon cooperatives carrying out their role effectively and becoming directly and constructively involved in all aspects of agriculture and distribution.

#### 5.3.1 Justification of Cooperatives

The use of a cooperative system, particularly at the farm level, can be justified on three main counts. It is beneficial to farmers to people employed in agriculture, and to the nation as a whole.

#### 5.3.2 How Farmers and the Nation Benefit

Productivity is not the ultimate criterion by which cooperatives can be judged, but it is an increasingly important one. Joint activities in respect of such functions as buying, production, machinery utilisation and marketing, can contribute to improved productivity, and in some cases they may be the only available options.

Capital for machinery and equipment is often more easily acquired by a group than by an individual. More importantly however, group production and joint use of marketing equipment should greatly reduce the capital input per partner, thereby ensuring a better return on capital and a greater spread of risk. In this context, grant

aid and loan guarantees which are available for producers help to reduce the initial outlay.

Marketing is the most important area in the cooperative scene. The whole process of marketing farm produce can be improved if it is carried out on a sound cooperative basis. Through cooperation, the farmer can understand his marketing better and can gear production to suit it. Marketing administration, processing, packing, transport and publicity are also much more efficiently organised through a cooperative than by the individual farmer. Yet the farmer still retains a share in the overall control of these operations.

Cooperatives also have social implications. Naturally, each farmer has his own problem, and he builds a relationship with others, some of whom he may not know, grappling together with new ideas and new techniques and trying to learn to formulate plans in an "Us" situation not an "I" situation. One of the big social advantages brought about by cooperatives is that of improved communications which in turn lead to more effective cooperation. Group discussions have a great value, even if they never get further than the problem of distribution. They provide access to people to whom one can turn in times of difficulty. Thus one of the real joys of being members of a successful group is that they can now work towards group objectives instead of towards the interest of individuals.

Once this position has been reached in a group, the real social advantages begin to be appreciated and these constitute an absolutely essential element in achieving economic and commercial success. This is because the most basic requirements for a group member is to feel committed to the group's improved methods of communication, which are essential to good group development. This applies whether the group is large or small. The members will also plan more effectively together once they see and understand the common aims of the group and start to work together to achieve them.

Cooperation can provide a broader source of interest and a chance to develop new skills in marketing, finance and leadership. It provides opportunities for involvement in larger, perhaps more rewarding organisations. And it can give the farmer more satisfaction on his own farm because he feels he has more control over inputs and outputs. It helps to reduce his worries and to spread his risks. It may well constitute his or his family's lifeline in times of real stress.

Rapid and marked increases in efficiency can be achieved by means of cooperatives, which can help to overcome the difficulties facing small farmers and enable them to organise themselves in order to take advantage of the economies of scale which occur when a wide range of activities is involved.<sup>14</sup> This is not to deny the important contribution made by the smaller farmer, but it does show that he faces formidable odds and must select his strategy carefully if he is to survive. The use of contractors can help to provide scope for increasing cooperation, not only in marketing, but also in such areas as machinery utilisation, staff training and financial management in order to give the smaller farmer access to the advantages of large scale operation. The use of cooperative methods, particularly in relation to machinery and labour-sharing devices, and buying basic necessities, can bring very significant savings to the small farmer. Such practices can also be used to maintain a flexible approach to formulating farm policy and may help to spread the risk inherent in many farming enterprises. It is increasingly difficult for small farms to make economic use of expensive and high capacity machinery, unless this is done through some form of cooperation or by using contractors. Furthermore, the supply of smaller types of machinery has been decreasing in recent years, possibly because of rationalisation in the machinery industry and international trade specialisation.<sup>15</sup>

#### 5.4. Historical Background

The LRL as we stated earlier, provides for the establishment of land beneficiaries to join such societies. These societies are intended to be multi-purpose, providing a variety of agricultural and social services. Their duties include the provision of agricultural loans, seeds, fertilisers, water pumps and other basic agricultural implements, in addition to selling major products of the members. These societies are also required to organise their members in combating pests and crop diseases, digging and maintaining existing canals, and drainage channels, as well as providing help and guidance to members as a means of improving land cultivation and utilisation.

The success and failure rate of these cooperatives could be regarded respectively as indicating the advantages and disadvantages of the LRL. But to what extent have these cooperatives achieved their objectives? We shall consider that topic later in this chapter.

The cooperative movement in Iraq is regarded by the government as a means of increasing agricultural output, speeding up the settlement of farmers, and increasing their income following the introduction of the land reform policy. The cooperative movement has been supported by the Iraqi government as a part of its ideology and as a means of ensuring economic gains for the farmers and improving overall agricultural performance.<sup>16</sup> These cooperatives have been supported by the government who have used them as agents for handling products under government control. Other examples of the support these organisations receive include exemptions from levies on profits or income or the imposition of property taxes.

As in Egypt and Syria this aspect of reform has been viewed as essential if the overall economic programme is to succeed,<sup>17</sup> but its progress, as we shall see later, has nevertheless been even slower than that of land redistribution.

Already, before 1958, an informal agricultural cooperative movement comprising sixteen units had developed in Iraq. The formal cooperative movement began with LRL number 30 which was enacted in 1958.<sup>18</sup> The establishment by the government of the

"Higher Agricultural Committee" in 1960 stimulated general interest in agricultural cooperation throughout the country. Cooperation in those years was largely concerned with the supply of basic necessities. During the last twenty-six years, however, there has been a considerable increase in the amount of on-farm cooperation. During that time, although progress has been spasmodic, the number of cooperatives has increased, and membership has grown.

To stimulate agricultural cooperation in general, the government established the "Central Council for Agricultural Cooperatives" in 1965. Its remit was to help farmers and growers throughout Iraq to cut costs, increase profits and create market opportunities through working more closely together in one or more areas of their farming business. This was backed by a supportive loans scheme which has had a major impact on cooperative development.

This council is the central organisation in Iraq for the promotion and organisation of cooperation in agriculture, horticulture, and rural industries. It gives advice on the constitution, formation and organisation of cooperative associations, and encourages and helps farmers and growers to use cooperation in all aspects of their work. Particular regard is paid to the development of projects in production and marketing and the coordination of these activities with established cooperative societies. The council also provides a business management consultancy service for established units and producer groups and improves housing and living conditions by raising social, educational, cultural and welfare standards in the country by reducing the differences between rural and urban areas. We shall not examine this function further at this point, but, because it is important, we shall return to it later. The council does not trade on its own account, but is supported by individual members, affiliated societies, and corporate members. It also receives financial aid from the Ministry of Agriculture and Agrarian Reform.

There are just under two thousand cooperative societies in Iraq, with a total membership of around 500,000. There are a few cooperative machinery syndicates located in the three main provinces, these being the only ones to supply member's needs for machines in the North, South and the Middle of the country. Table 7 provides some

**Table 7**  
**Membership of Cooperatives by Type (1985)**

<i>Details</i>	<i>Members</i>	<i>Number of Cooperatives</i>	<i>Average Number of Members</i>
Local Cooperatives	377868	786	481
Collective Farms	288	7	41
Specialised Cooperatives:			
Poultry	1341	3	477
Bee Breeding	220	1	220
Fishing	2883	4	721
Livestock Husbandry	7734	25	309
Birds and Tropical Fish Nurseries	61	1	61
Horticulture	8272	24	345
Agricultural Machinery	11	1	11
<b>Sub-Total:</b>	<b>20522</b>	<b>59</b>	<b>348</b>
<b>Total:</b>	<b>398678</b>	<b>852</b>	<b>468</b>

*Source: ACB, Annual Report, 1985.*

membership and turnover details of these societies in Iraq up to 1985. According to the annual report of the Agricultural Bank, issued in 1985, the number of cooperatives has steadily increased from 473 in 1968 to 786 in 1985.

Membership has grown from 63,225 to 377,868 in the same period. These statistics indicate the situation in the country at the time when these figures were issued (i.e. number of cooperatives in 1981 totalled 1,885 units). It should be noted that although the numbers of cooperatives has increased, the number of members has not increased in proportion. A report about the cooperative movement in Iraq, published in 1971 with the collaboration of foreign experts, mentioned that the number of farmers registered with cooperatives represented only 30% of the expected number which itself represented only 10% of the whole farming community.<sup>19</sup>



A cooperative has been defined by the Central Council, as 'an association of producers who together can achieve some commercial objectives more successfully than they can as individuals'.

The principal commercial objective is usually to make more profit than could be achieved if the farmer operated as an individual in the market. There is no indication that the distribution of these units has removed the key obstacles to land reform, i.e. the political and economic power associated with landed interests. Galbraith explained the complexities and political nature of the process of land reform: "Unfortunately, some of our current discussion of land reform in the underdeveloped countries proceed as though this reform were some thing that a government proclaims on any fine morning in the same way as it might give pensions to old soldiers, or reform the administration of justice". In fact, land reform is a revolutionary step.<sup>20</sup> Agricultural loans totalled 59 million ID in 1985 although only 10 million ID or about 15% was repaid in respect of previous loans. The success and prosperity of these units depends on their operational efficiency. A cooperative society may be engaged in providing a common service for its members but, like firms in the private sector, it must look constantly to its costs in order to make the maximum contribution to the welfare of its members.<sup>21</sup> It is not uncommon for cooperative marketing associations to fail. Inefficient management, differences in degree of management skill, lack of interest by members, and insufficient credit support are all causes of failure.

The distinguishing feature of the cooperatives is that they are owned by those who use the services and they are entitled to share in any profits they make. Furthermore, cooperatives are managed democratically by the owner members. A committee elected on a one-member, one-vote basis directs their affairs. It can appoint a manager who is responsible to the committee. The main issue regarding cooperatives as a form of enterprise is how far, and under what conditions, they merit special support in the developing countries.

From the definition given above, the conclusion is that the major objective of the

cooperatives is continually to exert independent pressure on the market for the benefit of its members. By so doing, farm cooperative marketing associations perform an important function in the marketing of many agricultural products, through their methods of control and operation, and their attitude towards organisation for profit which distinguishes them from other organisations dealing with the marketing of agricultural products. Cooperatives, by maintaining a market share, operate at a profit level for their members, which enables them to provide their members with a source of strength and independence.

Official recognition of cooperative societies as a means of achieving social and economic transformation has been granted recently. Such belated recognition, despite their formation at the same time as the LRL is probably linked with the problems involved in establishing cooperatives in practice, particularly the socio-economic factors. This explains the small size of organised cooperative movements in the 1960's, the instability or non-viability of a considerable number, and the persistent lack of interest and absence of recognition in the country as a whole. The absence of government supervision during that period means that the cooperatives had no effect on the farming community or even on the economy generally. However, during the last ten years, significant changes began to take place and the future of cooperatives seems promising, particularly among rural communities.

The support for cooperatives generally stemmed from the ill-feeling directed against middlemen, and the fact that the existing marketing channels either did not provide adequate services or imposed a high charge for them. Thus, carrying out jointly such marketing operations, packaging, storage and transportation could eliminate these unsatisfactory features, and both farmers and consumers would set up an alternative marketing agency to replace the existing ones.

What is known as a "farm problem" exists, the rate of return in farming being lower than in other major industries.<sup>22</sup> Consequently, a long-term effort is being made to stabilize prices of agricultural products at a level which would secure a favourable farm income and a healthy agricultural industry. Through cooperative effort, it may be

possible to overcome most of the problems caused by marketing inefficiency.

The cooperatives were encouraged by the government as a means of achieving market reform so their numbers increased sharply between 1971 and 1979 (see Table 8). Agricultural loans increased from ID3 million to 14 million ID during the same period.

The cooperatives were regarded by many Iraqi people as vehicles for transforming and modernising agriculture and the economy as a whole. They imagined that the first steps towards establishing a cooperative should come from the farmers themselves, which is reasonable in a country at this stage of development. In many cases, however, the initiative has to be taken by the government. The latter's prestige is high despite the

**Table 8**  
**Growth of Agricultural Cooperative Movement, 1971-1979**

	No. of Local Cooperative	No. of Members	No. of Collective Farms	No. of Members	Specialised Cooperative	No. of Members
1971	831	125610	-	-	31	221
1972	986	160288	-	-	71	389
1973	1271	201490	48	7286	132	818
1974	1373	212361	62	10369	148	996
1975	1651	239644	74	10381	173	1218
1976	1810	288165	77	9372	206	1554
1977	1891	322905	78	8981	220	1600
1978	1935	331973	79	7719	245	1721
1979	1923	345029	77	7326	262	1795

Source: ACB Annual Report, 1979.

fact that the benefits derived from those units with regard to the economy on the whole were insignificant.

The government support for cooperatives based on the fact that certain economic activities can be performed more effectively by these organisations than by the private sector. One of the main agricultural activities undertaken by cooperatives is to increase sales and expand the market for agricultural products, and this government's belief in the ability of cooperatives to carry out this function was confirmed by both Yamey and Bauer. They stated that cooperatives were socially and politically desirable as they encourage producers to be self-reliant, thrifty and prepared to put the greater good of a

community of producers before individual interests. Participation in cooperation activities is particularly useful since producers thereby become acquainted with markets and business organisation problems.<sup>23</sup>

The conclusion is that when cooperatives operate more efficiently than agencies already in the market place, they intervene in the market as a significant alternative to the private trader in the marketing of agricultural produce.

#### 5.4.1 **Reasons for Promoting Cooperatives**

In most developing countries the purpose of the cooperative movement is two-fold, being either economic or political. In Iraq, political purposes rather than economic have been responsible for promoting the development of cooperative societies. On the economic side, the cooperative societies were unable to increase the prices charged for their members' products in keeping with the prevailing demand situation. Product prices are fixed according to the levels set by the government through its departments (i.e. The Marketing Board), the cooperatives having no say irrespective of the supply and demand situation. For example, if demand exceeds supply, the cooperatives are not allowed to increase the price, they are powerless to do so. On the other hand, when supply exceeds demand, cooperatives are not willing to reduce the cost of marketing. In this respect, they are regarded as no better than the middlemen in the private sector whom they replaced. It would be a matter of common sense for cooperatives to be able to help in the propagation of new ideas or planning their agricultural activities for the future, after taking into account the demand situation and consumer needs and wants. Through the interaction of suggestions proposed by members, farmers could provide a useful pool of ideas which would lead to improvements in utilising existing resources and in methods of cultivation and finally the members would be better off, for example, through encouraging increased production of standardised products and introducing more efficient grading of products. Such agricultural improvements would benefit farmers as well as the consumers of agricultural products. Consumer satisfaction can be achieved by identifying the products preferred by consumers, excluding what is not

wanted and thereafter maximising the potential return by concentrating on supplying the goods for which a preference has been expressed in terms of both quantity and quality. So grading is particularly important if the produce of a number of farms is pooled and marketed collectively by cooperative societies, as this will provide a basis for improved marketing intelligence.

The point which the researcher wishes to emphasise is that cooperatives lack the power to achieve these interchangeable benefits (i.e. between farmers and consumers). Cooperatives in Iraq have to carry out the terms of an annual programme prepared by the appropriate government department, usually the Ministry of Agriculture, and they have to observe the conditions laid down, despite prevailing circumstances. The procedures followed by the government are likely to aim at the achievement of political rather than economic purposes.

Participation by a larger number of producers should lead to the creation of a large, central financial pool, thereby raising the overall level of capital, helping them to utilise their labour force more effectively and to improve marketing infrastructure in their farms. But in the researcher's experience, nothing like this has happened. Their marketing tools and infrastructure are still primitive and no important advances have occurred in relation to their members' financial situation. Cooperatives still have to rely on government assistance and without such assistance the cooperative movement would collapse, although at the present time cooperatives operate only at subsistence level. Table 9 shows the heavy reliance of the agricultural cooperatives on government assistance. The Table shows the increasing number of loans granted to these societies by the Agricultural Cooperative Bank.

At national level, cooperatives, as will be seen from the results of the survey carried out by the researcher with many cooperative executives in a number of Governorates are not familiar with the marketing concept. Consequently they engage in production without devoting attention to the need for consumer satisfaction, or even utilising their

**Table 9**

**Amounts of Loans Paid By The Agricultural Cooperative Bank To The Agricultural Cooperatives by Type, 1973-1975 (ID Million)**

Year	Agricultural Supply	Machines Loans	Agricultural Services	Animal Wealth	General Total
1973	0.832	0.517	0.549	0.300	2.198
1974	1.056	0.617	0.619	0.492	2.784
1975	1.142	0.671	0.376	0.718	2.907
1976	1.586	3.076	0.336	0.922	5.920
1977	2.005	3.447	0.831	2.514	8.797

Source: *ACB Annual Report, 1975.*

available resources effectively. Accordingly, in the area of international trade there is no possibility of such societies competing abroad, by marketing produce overseas, or pursuing a monopolistic approach for the benefit of both their members and the country, with the help of government departments and organisations familiar with foreign trade (i.e. in conjunction with Marketing Boards).

Consideration of other factors will support our hypothesis that cooperatives in Iraq are regarded as political instruments rather than economic ones. The government has attempted to assume the control over farmers previously exercised by landlords, and also to replace middlemen or any private agencies which had a poor reputation and performed unsatisfactorily in the traditional marketing system. Producers may regard the cooperatives as offering the best opportunity for them collectively to increasing their bargaining power in relation to their produce. As changes occurred in the particular structure of the country, the government looked upon the cooperative movement as a method of practising socialism for the benefit of the large proportion of the population in the lowest socio-economic class. Such support by the government did not require a direct government involvement in marketing and it contained a strong

democratic element. Moreover, the leadership could accept cooperatives within the marketing sector without committing themselves to one political system or another since the commercial cooperative structure was such that marketing could be practised with either a capitalist or socialist system being based on the price mechanism.

The integration of a range of marketing activities in one enterprise can offer advantages by encouraging adequate supplies and outlets, thus reducing business risks and the cost of purchasing and sales, enhancing bargaining power either through handling a larger volume of business or having more alternative markets and service opportunities as well as by making full use of management, buildings or equipment, e.g. transport vehicles that are already available, thereby obtaining greater returns from the money spent on advertising and sales promotion. It is often suggested, for example, that farmers' marketing cooperatives should integrate with consumers' cooperatives. They rarely do so in practice because the selling patterns pursued by the farmers' cooperatives do not often coincide with supply needs of the consumers' cooperatives.

#### 5.4.2 Problems faced by Cooperatives

The researcher met twenty-five executives representing the cooperatives in the middle part of the country. These executives are responsible for the direct supervision of the societies in that area. The researcher believes the findings resulting from his discussions these are also typical of the situation in the Northern and Southern parts of the country. In practice, all cooperatives have faced certain problems and those in Iraq are no exception in this respect. Using a questionnaire, the researcher asked those executives to define marketing. Five of the twenty-five (i.e. only 20%) defined marketing as synonymous with promotion and publicity. The other 80% indicated that they viewed marketing in the narrow traditional sense. They regarded marketing as selling and distributing the products already produced by them. These answers show that most of the executives did not possess a proper understanding of the full meaning

of the term, and did not realise what modern marketing is. The conclusion is that there is a lack of appreciation of the marketing concept among cooperatives. Thus the importance of satisfying consumer needs and wants and viewing marketing as an integrated business activity is still far from being recognised by them. Marketing is more than selling. It involves identifying a market in the first place, and when this has been done, it requires that this market be supplied with a product of the right quality, at the right time, at the right place and in the right form. To do this may involve the producer in grading, processing, storage and distribution. Thus, marketing can even be extended to packaging and promotions related to a trade name. The overriding objectives, however, must be to maintain quality standards, to guarantee continuity of supply and to provide high quality salesmanship.

Cooperative production is aimed at increasing sales and expanding markets. But this type of development strategy requires a bureaucracy capable of making decisions concerning allocations, but this did not exist. This resulted in backwardness rather than progress in the economy. It also led to an increase in bureaucratic control of the agricultural economy, thus exacerbating the problem by leading in turn to a misallocation of existing resources and failure to mobilize additional means of production. Arbitrary bureaucratic decisions bore little relationship to economic efficiency.<sup>24</sup>

Government control resulting in bureaucracy at the top of the hierarchy led to the appointment of managers in name only, low in prestige and with little responsibility. The consequences were disastrous as bureaucrats fought energetically to prevent reform, thus preventing the public sector from providing sufficient primary resources to ensure prosperity. For example, the elected manager was one of the farming community with little or no knowledge about the cooperation movement and principles.



In the marketing of produce, the aim must be to create the maximum possible negotiation strength by removing as many weaknesses as possible. Respondents were asked to list in order, the weaknesses from which they suffered. Table 10 shows the results.

**Table 10:**

**Executive Respondents Perceptions of Main Cooperative Weakness.**

<i>The Weakness</i>	<i>No of Executives</i>	<i>Percentage %</i>
1 Inadequate Infrastructure	10	40.0
2 Cash flow	8	32.0
3 Lack of control over deliveries	5	20.0
4 Lack of knowledge concerning quality.	1	4.0
5 Poor knowledge of outlet	1	4.0
6 Consumer satisfaction	0	0
7 Managerial skills	0	0
8 Training Programme	0	0
9 Lack of spirit	0	0
Total	25	100

The first impression derived from the Table is that cooperatives are not aware of the need to practise the marketing concept in terms of consumer satisfaction, managerial skills, the education of farmers and the provision of training programmes. Most of the answers concentrate on the need for agricultural facilities, financial problems and the lack of control over deliveries. 72% of respondents referred particularly to inadequate facilities and financial problems. Finance was considered the principal cause of most of their problems. The majority of cooperatives wished to expand but they were

severely constrained from doing so by lack of finance. A consequence of this problem is the failure of these cooperatives to pay their members for their produce on delivery. This is not convenient for farmers, the majority of whom are poor. They are unable to wait and are impatient to receive payment for their produce. This may create disloyalty towards cooperatives, produce being sold to those who can pay in advance, especially in remote areas outside the main cash crop regions. Such practices seriously impede cooperative development.

The problem of control over delivery is widespread in the agricultural industry, and is characteristic of both developed and developing countries. but its impact in the developing countries is greater partly because the environment in the developed nation is more systematic and better organised.

Ironically, only one executive, a person who had experienced higher education, stated that inadequate knowledge and information (a topic we discussed in detail in Chapter One), is a problem for cooperatives. This, together with the points mentioned above supports our hypothesis that the cooperative movement in Iraq is not marketing-oriented. This conclusion is also supported by our finding in the previous section where we concluded that in developing countries, cooperatives are political rather than economic instruments. Thus, it is not surprising to see that executives did not mention the lack of consumer orientation as an obstacle; the marketing concept is simply not practised. In addition, no reference was made to the effect of management, education, and training programmes.

The researcher believes that executives did not mention management, because they are not directly conscious of the fact that they represent a particular political viewpoint. The researcher's opinion is based on two basic facts. The first is that those executives over estimated their own importance, and regarded themselves at the most appropriate persons for the posts they held. The second is that they are appointed by the relevant government department and are therefore unable to criticise themselves.

The major problem in Iraq is the lack of skilled management, and it is a problem we shall concentrate in testing our hypothesis concerning cooperative management. Iraq has a poor record in the management field and can benefit greatly from the experience of other countries. The efficiency of the cooperative movement depends on determining exactly what functions it should perform and when these are numerous, its management tasks then become more complex and accurate accounting becomes more difficult. But its principle function is to increase productivity in order to meet increasing demand, resulting from population growth and to reduce concern about the future. A study for the FAO in 1966 predicted that a doubling of the population in several Middle East countries between 1962 and 1975 would double the amount of grain consumed.<sup>25</sup> Iraq was one of the countries included in that study.

The fundamental difference between cooperatives and private business is that the farmer is operated in the interests of its patrons, as an agency for marketing their products, while the latter is operated in the interest of the stock holders or the owners, as a means of making profits on their capital investment. The cooperatives are run by and for those who use it rather than by those who own it.<sup>26</sup> The promotion of cooperatives is looked upon as a means by which farmers may benefit from economies of scale. Any policies introduced with regard to a cooperative should benefit the farmers in those cooperatives.<sup>27</sup>

Because the impetus to start a cooperative movement has usually come from the government rather than the farmers themselves, they are to a large extent administered by public officials. This is true for all developing nations whose governments use them as a means of implementing official economic plans. As stated earlier, the problem in Iraq seems to be the failure to attract sufficient numbers of competent people to the government services dealing with cooperatives. In spite of the high managerial salaries paid by the government and high wages paid for operating these units, both management and labour do not demonstrate the necessary motivation for developing

work inside the firms on a collective basis. The inadequate organisation of such units and excessive centralization are partly a result of a lack of planning. This in turn results from the fact that government officials are not educated or accustomed to thinking in terms of the future. Its members should be elected from those who understand the many ways in which greater efficiency can be achieved. The influence of planning on production is often insufficiently recognised. They should also be able to understand how credit can be used for production purposes and be capable of supervising and scrutinising the use of loans. There is an urgent need to improve training standards in modern methods, in order to increase the number of well-qualified personnel familiar with management techniques. These obstacles can only be overcome by greater coordination between Ministries and other related government departments on the one hand and the officials and members of cooperatives on the other. The relationship between the Iraqi government and the cooperative movement is quite clearly one of support, as is indicated by the financial assistance it gives through, for example, exemption of taxes on profit. So the lack of success by the cooperatives is due to incompetent management rather than to a government policy of bureaucratic obstruction which is regarded as being the case in most developing countries.

The researcher's opinion is that management problems have been a major cause of the high rate of failure, which is underestimated, especially by those handling perishable products. Bad management has had an adverse effect on the morale and the loyalty of members. Lack of experienced cooperative managers and agriculturalists invariably means that most of the newly created cooperatives are too poorly staffed to be effective in implementing the many and various duties assigned to them. Attempts must be made therefore towards greater participation by members in the process of decision making within the cooperatives. This would result in greater progress than

can be achieved through the imposition of armchair decisions and solutions from the top.

Fundamentally, cooperatives in Iraq have an inherent weakness in respect of management. This problem is aggravated by the high level of illiteracy among the farming community in general, so that it is difficult to find a manager whose level of education distinguishes him from others or one with a book-keeping qualification. Generally, there is a lack of ability to think in business or commercial terms which might have compensated for this deficiency.

Lack of spirit among farmers is another crucial problem which must be considered. This problem is usually related to the extent to which they can actively participate and their position is weakened from the start when competing with other traders, due to lack of capital. Lack of spirit undermines the belief that cooperatives may become an efficient instrument replacing the unwanted existing system, which is, after all, the main purpose of cooperatives. Cooperative marketing on a voluntary basis has not been very popular or successful in some countries, whether developed or underdeveloped. This is because farmers have tended to behave rather badly towards their cooperatives, marketing through them when prices were low but ignoring them when prices were high. Consequently, the cooperatives have suffered from an uneven flow of supplies and have been unable to enter into and fulfil contracts with food processors and retailers.

An inherent limitation restricting the growth of cooperatives has been the lack of cooperation from farmers themselves. They value highly the freedom to sell to whom they like, in the quantities they choose and at prices achieved through the bargaining process. It is unfortunate but true that many members of cooperatives are not entirely loyal to their association. They are often enticed away by private businessmen, some of whom make attractive offers for products simply to disrupt the cooperative organisation. This is a serious matter, since the successful operation of the

cooperatives depends on a satisfactory volume which is reduced through loss of any of its members.<sup>28</sup>

Only one executive mentioned lack of knowledge relating to quality or market conditions as constituting a problem. In fact, it is a crucial problem. The researcher believes that among other cooperatives, problems concerning basic strategy are common, particularly for those engaged in manufacturing food processing. This conclusion is reinforced by responses referring to lack of knowledge about the market and to inadequate market research. If these are both given sufficient attention, then cooperatives can develop a general understanding of their markets and the strategy they should adopt. The large majority of cooperatives believe they have problems with marketing, related primarily to a lack of market knowledge and strategy, lack of resources and inadequate advertising. They are far less concerned about external constraints on cooperatives than they are about their own internal weaknesses.

The low level of education among farmers is another reason for the slow development of the cooperative movement in Iraq. Improved education can produce results by promoting the use of some scientific methods in agriculture such as the application of fertilisers, and consequently it can be said that cooperatives, despite having been established for sixteen years, have achieved some success in transferring agricultural know-how and scientific methods to agricultural cultivation or in encouraging growers to use these methods. It will usually be considered more useful to direct the energy and time of staff and farmers towards functions which are related to what are thought to be the more important aspects of their member's business. There is a need to consider the extent of each farmer's knowledge and stage of farm development, before introducing even the best of aids to farmers.

The potential value of such farmers should not be ignored. There is a need for the government to embark on a systematic programme of training for supervisors who will be needed to educate the illiterate farmers and teach them how to use fertilisers and

explain their value. A publicity campaign is needed to convey the importance of the modern approach to the farmers without causing them unnecessary embarrassment. The inadequacy of farmers' education creates a lack of understanding of corporate objectives and the attitudes required to achieve them. This creates uncertainty in relation to individual beliefs and behaviour concerning cooperatives. The farmer might, for example, consider that growth and size were the principal corporate objectives, or he might see an increase in size as a means to achieving economies of scale, greater competitiveness, but an increase in growth could adversely affect the level of profit deemed essential.

Moreover, conservative attitudes can lead to slowness in adopting certain changes. The importance of and the need for appropriate food and nutrition policies, including training, education, expanded services and appropriate research in the context of rapidly changing social conditions and economic levels, has been recognised in the developing countries. The improved living standards in these countries, and specifically, the rapidly increasing urban population, together with the growth of wages and incomes and increased migration from rural areas to town, has produced a continually increasing demand for agricultural products as well as changing food and nutritional patterns.

In Iraq which is subject to the above trends, there is a great scarcity of personnel with appropriate backgrounds and qualifications and particular attention must be given to the training of agriculturalists and other related specialists to enable them to become familiar with human and food economies using various sources, especially those which provide appropriate programmes and curricula within the framework of specialized agricultural development. In order to solve such problems, training, education and relevant programmes should be given their rightful place in appropriate institutions and receive adequate attention. Qualified personnel are needed to evaluate and offer advice on existing and future methods of food production, as well as providing

assistance in the formulation of national, regional, or world food policies. Also needed are improvements in food marketing and processing methods at both industrial and domestic levels and new products must be carefully examined from the point of view of consumer protection and health considerations. Through educational and other kind of improvements, effective methods of supplementary feeding for the whole population can be introduced.

The economic rationale of such training and education is intended to achieve the following objectives: to increase agricultural productivity through technological progress and to ensure the rational development of production and the optimum utilisation of the factors of production, particularly labour, to ensure a fair standard of living for the agricultural community and in particular to increase individual incomes to stabilise markets, to maintain regular supplies and to ensure that supplies to consumers are made available at a reasonable price, and finally, that finance for implementation this policy is provided.

With regard to training and education, the researcher believes that part of the cooperative failure in Iraq is related to the high level of illiteracy in the rural community and also to the fact that officials have not introduced any programme to inform farmers about the philosophy, benefits, aims and characteristics of cooperatives. In general, government policy in respect of cooperative development has not been pragmatic and realistic, although cooperatives can in fact produce tangible benefits. In addition, inexperienced management are asked to undertake tasks that are intrinsically difficult. The counter arguments used to justify the policy pursued by the government are generally based on the following point.<sup>29</sup> New cooperative systems can only learn from experience. This will provide solutions to problems that arise; a better understanding of the principles of cooperatives will be achieved in the course of time, with appropriate education, and the continued support provided by government services, the potential benefit will then be realised more fully. Finally, staff problems



arise in all types of enterprises that extend beyond the immediate family and thus merit attention.

The researcher attempted to ascertain whether executives are in fact aware of their method of doing business and whether they evaluate their own performance. But since cooperatives do not apply the marketing concept, the result was only to be expected (i.e. focussing on internal problems rather than attempting to achieve consumer satisfaction). The results shown in Table II support the researcher's view.

**Table (11)**  
**Executive respondents perceptions of most important Cooperative Priorities.**

<i>Criteria</i>	<i>No of Executives</i>	<i>Percentage %</i>
1 Profit	14	56
2 Loans Pay back	7	28
3 Services Provided	2	8
4 Performance	2	8
5 Conduct	0	-
Total	25	100

Making profit and repaying loans is their first priority, these constituting 84% of the responses - 56% for making profit and 28% for repaying loans. Both answers despite the variation in percentage, reflect the same aim, namely preferring to secure their member's advantage without considering consumer satisfaction. As far as the producer is concerned, it is true that the prevailing prices should reflect a profit margin which is sufficient to reward investment at the growing rate of interest, to compensate for risk-bearing, to provide an incentive for introducing new ideas, to save costs or improve services, and to enable loan repayments to be made.

On the consumer side, the quality of services should be neither too high nor too low in relation to cost and consumers' wishes. There should also be a range and variety of services to match the variety of consumer incomes and preferences, in so far as this is consistent with the economies made possible by large scale operations. The factors that contribute towards efficiency can also be evaluated by examining marketing enterprises in respect of structure, implementation and level of performance. Only two respondents, or 8%, perceived the level of services provided as a priority.

Implementation could be assessed in terms whether cooperatives search for new techniques and the extent to which they apply them in practice as soon as is possible. Are they looking for new investment opportunities or are they disinvesting and transferring funds elsewhere? From the researcher's interviews, it was realised that these aspects are far removed from the thinking of respondents for some of whom it is difficult even to grasp these concepts. Those respondents who mentioned these aspects have completed some kind of agricultural course as part of their education. Performance is assessed in terms of how well the process of marketing is carried out and how successfully its aims are accomplished. Is produce assembled and delivered on time and without wastage? Is it well packed and displayed in attractive assortments? Is its quality reliable and are contracts with wholesaler, for example, honoured? There are many such practical indicators of how well a particular marketing system is being operated by the cooperatives. Not surprisingly, implementation and performance was placed third criteria as was specified by only 8% or two respondents. The respondents' answers are in keeping with the research finding that only five respondents, 20%, expressed the view that lack of control or unsatisfactory delivery are problems for cooperatives (see Table 10).

The researcher asked the executives to state the most important element for the success of cooperatives. Table 12 presents the executive's answers. The researcher arranged the answers as they appear in the Table, without introducing any bias or manipulating the respondent's answer.

**Table 12:**  
**Executives Perceptions of main cooperative success.**

<i>Factor</i>	<i>No of Executives</i>	<i>Percentage %</i>
1 Number of Partners	15	60
2 Structure of Organisation	8	32
3 Clear Objectives	2	8
Total	25	100

Fifteen of the respondents, 60%, mentioned that size of membership is the most important criteria for success. The researcher considers, however, that although membership may be an important indicator, members' inner conviction is the true criterion. The basis for the researcher's opinion is that since membership is made compulsory for farmers by the government, their number is less important than their attitudes. An assessment of compatibility between members should take into account not only the number of members, but also their distribution, the size of their farms, and the types of farming systems.

A sound organisational structure was given second priority by eight respondents, or 32%. The researcher concluded from the answers regarding this element that this soundness of structure is possibly achieved by devising a well thought out membership

agreement with records being maintained of all decisions made, and matters relating to administration and finance being agreed by all members of the cooperative. Two respondents, 8%, regard a soundly formulated policy as the third element required for success, in other words, identifying the goals of the cooperative, and standardising the system of operation. The discussion provided the executives with a clear picture of the factors that lead to the success of cooperatives, and the researcher hopes that the cooperative movement will ultimately succeed in Iraq.

### **5.5. The National Farming Crusade**

Agriculture, apart from its primary function of feeding the nation, should also be viewed by the governments in developing countries as a prerequisite both for more general economic development and for providing other basic needs of the people. In addition, governments may also have to assume responsibility for making available a large variety of marketing services, such as providing fertilisers, organising processing and grading methods, providing storage facilities and above all, promoting the use of scientific methods in agriculture. An important aspect of government policy relates to the encouragement of local initiatives. Such a policy is essential to enable the rural community to develop its own human resources, to provide trained personnel, to participate in every activity, and in time to take over the whole operation. It is hoped that the successful achievements expected of such farms as are now being established, will help to accelerate the process of collectivisation of farms throughout Iraq. Such steps as those already taken by the government are steps in the right direction. Moreover, it is of equal importance that such steps should increase government awareness of the task facing it and lead to recognition of the great efforts that will be required to yield the projected results of its long term agricultural programmes.

The purpose of the government in launching the National Farming Crusade was to increase the output of each acre of cultivated land by using scientific methods in place

of the traditional methods. There was also an attempt to encourage farmers to practise experiments in the future, when it had been demonstrated that such experiments were successful. This is an important aspect of government policy in relation to the encouragement of local activities. Table 13 shows the 1985 per donum production yield for grains using traditional methods compared with the yield achieved using Crusade programme methods. The statistics show that productivity increased considerably for wheat, barley and rice, from 178,206 and 614 kg/donum by traditional methods to 381,406,865 kg/donum respectively using Crusade programme methods.

**Table 13:**

**Comparison of Production results using regular methods and Crusade Programme methods In agriculture during 1985.**

The Item	Total Area Cultivated (100 Donum)	Regular Methods		Improved Method		Average yield Kg/Dm
		Production (100 Tons)	Average yield (Kg/Dm)	Total Area Cultivated (100 Donum)	Production (100 Ton)	
Wheat	52034	8098	178	4515	1658	381
Rice	35736	6491	206	852	333	406
Barley	1081	612	614	1313	1057	865

Source: Ministry of Agriculture And Agrarian Reform, Annual Report 1985.

The researcher shares the government's point of view and believes that such a deliberate policy results in growing recognition of the importance of using fertilizers, employing competent management and making other facilities more readily available to farmers, as opposed to farmers acting individually. Moreover it is of equal importance that such steps demonstrate government awareness of the extent and magnitude of the efforts required in its long term agricultural programmes in order to yield the projected results. With reference to intervention by any government, the

researcher's view is that the purpose of such intervention is to promote the welfare of the rural population and provide economic benefits through its agricultural policy both of which are dependent on an adequate food supply.

In these new experiments which were introduced first in selected governorates with reference to specific crops, the government provide support by preparing the area under cultivation, supplying irrigation facilities, high yield seeds, chemical fertilisers, and above all, arranging for trained officials to undertake supervision. In other words, it was a process of planned agricultural development.

It was unrealistic to assume that farmers living in a frustrating environment would all accept such changes at the same time. Indeed most agricultural workers who were frustrated assumed an uncooperative attitude. Furthermore, it must be realised that some ideas and innovations are accepted more readily than others. The introduction of new ideas and the practice of new techniques designed to achieve increased agricultural productivity and income, will not necessarily be readily adopted by individual farmers. The strong effect of social and cultural factors must not be underestimated. Uncertainty and risks are closely associated with the question of the level of return or profit that the individual farmer may derive from adopting such innovations. Nonetheless, the government does support agricultural development, and the farming community and accordingly has become involved in promoting improvements.

Remarkable progress has been made in the above areas. Tables 14 and 15 show the return from and the cost of fertiliser used per donum in rice and cotton respectively in selected provinces where this experiment was introduced. Although different rates of return were obtained in different provinces, the evidence indicates that the return per donum at least doubled. For example, in Kerbala province, the use of fertilisers increased the return from ID4380 to ID16,575. For cotton crops, a high return was also achieved there. In Diyala province, the return from cotton increased from ID6,950 to ID32,288. Generally, the smaller return was one and a half times the previous figure, the return increasing in this case to ID13,059.

**Table 14:**

**Return Before And After Using Fertilizers Per Donum of Rice  
In Selected Province According To Field of Experiments.**

<i>Province</i>	<i>Return Before Using Fertilizers Per Donum (ID)</i>	<i>Return After Using Fertilizers Per Donum (ID)</i>
Emara	4600	13650
Kerbala	4380	16575
Diwania	4500	10858

*Source: AbdulNabi, A.M; Ministry of Agriculture, Unpublished paper ( in Arabic),  
1978.*

**Table 15**

**Return Before And After Using Fertilizers Per Donum of Cotton In  
Selected Province According To Field of Experiments.**

<i>Province</i>	<i>Return Before Using Fertilizers Per Donum (ID)</i>	<i>Return After Using Fertilizers Per Donum ( ID)</i>
Mosul	6950	19475
Kirkuk	6950	15435
Dalla	6950	32288
Baghdad	6950	13059
Latifia	6950	15418
Hilla	6950	16275
Musaib Organisation	6950	18274

*Source: AbdulNabi, A.M, opcit p4.*

It appears from the results achieved that managers with technical training and a background in production tended to be more successful in adopting technology and techniques to suit local environmental conditions than those with little appropriate knowledge or non at all. This conclusion is simply based on the assumption that managers with education and a skilled background have greater knowledge of available alternative strategies. This supports our hypothesis that returns in terms of both money and productivity are higher with efficient management than without. The wide differences in performance demonstrate that the quality of management is of considerable importance.

Moreover, the fertiliser industry is now accorded top priority by the Iraqi government and a fertiliser factory has already been established in the South of the country. But figures show that although there has been an increase in fertiliser consumption in Iraq from 7,000 tons in 1976 to 23,300 tons in 1981 (see Table 16), the country's consumption of fertilizers is far below that of other Middle East countries.

Table 16

Fertilizer consumption ( $P^{2}O_4$ ) In Selected countries for the years 1976 - 1981 - Consumption in ( Thousand / Tons)

The Country	1976	1977	1978	1979	1980	1981
Iraq	7	8	8.3	13	25.8	23.3
Iran	142.5	161.5	163.1	119.4	197.8	297.2
Turkey	388.6	521.9	613.5	654.1	671.4	492.2
Syria	15.6	20.5	29.9	33	43.3	44.1
Algeria	64	85	68.7	86.7	8.2	115.9
Egypt	83	66.4	80.8	86.9	97.5	102
Morocco	67.3	72.4	70.4	72.3	77.9	95.5
Tunisia	25.7	26.9	23.3	27.7	29	33.8

Source, AbdulNabi; A.M, opcit, p4.



Steps should be taken to encourage farmers to make greater use of fertilisers in their cultivation. Investment in such experiments for the purpose of agricultural development is still a fairly new concept to some governments, and few are properly equipped to identify the need for such projects and thereafter to implement them. If it is assumed that the use of fertilisers can be regarded as a rough measure of the use of purchased inputs of all kinds, Table 4 gives some idea of the scope for increasing the use of such inputs. Although fertiliser consumption in developing countries is very low in comparison with developed countries, it is expected to increase considerably in the near future. But even with such an increase, the application of fertiliser per unit of cultivated area will remain relatively low. The actual availability of modern inputs such as pesticides and fertilisers can, of course, be an important determinant of increased productivity. On the international level, without fertilisers, the present level of food production throughout the world could not be maintained. In many parts of the world where there is insufficient food, fertilisers for crops are either unavailable or their supply is very limited.

The fastest way to expand the country's food supply is by treating land and crops with suitable chemicals. The application of fertilisers enriches spent soil to such an extent that it produces more than it did when crops were first sown in it. But adopting such a policy requires some preliminary steps to achieve the desired level of success if such a policy is to be promoted throughout the country. In the first place, as well as fertilisers, pesticides should be used against pests that ruin crops, as well as poison, to control vermin which consume stored grain. Plant diseases and voracious insects take tremendous toll everywhere. Even in the developed countries, chemical sprays are in common use. In the U.S.A. pests and diseases claim more than 20 percent of the annual

grain crop. In countries where sprays are not widely used, losses are often as high as one third of the entire crop. It is estimated that proper chemical treatment could give the entire world an extra 200 million tons of grain a year without requiring one extra acre under cultivation.<sup>30</sup>

The National Crusade Project, combining effective pest control with the use of appropriate fertilisers would achieve dramatic returns. An obvious example in Iraq is the success in planting rice in the South of Iraq by the Japanese, where equipment especially adapted for use in small fields was introduced. Farming methods were improved and agriculture modernised, and the application rate of fertiliser was increased, and production increased from 145 pounds per acre of arable land to 270 pounds. If such projects continued in Iraq she might recover her previous position so that she became as in the past, the main agricultural producer and exporter in Asia to other Middle East countries. The transformation of farming operations from their traditional state to a modern scientific state, all of which operate to increase rice output in East Asian countries.<sup>31</sup>

The problem of how to get the seed to farmers in time for planting should also be considered. In the early stages the distribution of such material to potential purchasers may involve direct contact with producers or cooperatives. Now that even small-scale farmers have been made aware of the benefits to be derived from fertilizers, the adoption of new ideas, methods and techniques to achieve agricultural productivity and income may be readily pursued by individual farmers. It is highly probable that farmers in the same environment will accept changes at the same time. With regard to the use of fertilizers, the main tasks involved are concerned with forecasting the seasonal demand for various types of fertiliser and arranging transport, storage facilities and distribution, and ensuring financing of supplies, encouraging use on a wide scale, providing demonstrations and offering advice at farm level. As we know from previous discussion, small-scale farming presents a number of problems in the

agricultural industry. Distribution presents difficulties and there are other problems such as the high cost of servicing, the existence of a large number of small scattered markets, and difficulty in obtaining credit, all of which adversely affect many businesses. To reap benefits on a commercial basis, a number of steps should be taken. Without repeating in detail the possible solutions to some agricultural problems (see Chapter 3, it may be pointed out briefly that a sound policy requires the government to take the initial step by distributing through its specialised departments, establishing special fertilizer organisations as demand increases, arranging for products to be bought by the Marketing Boards, and supporting integrated development in the form of cooperative structures.

Willingness to accept modern techniques may require interest, and awareness on the part of the farmers who will require proof of the satisfaction to be gained through their use. Persuasion will therefore be necessary before farmers will make a positive decision for themselves. More fertilizer would be used if the farmers could be convinced that the additional cost would be justified by increased yields.

With reference to cooperatives, there is a need to consider the extent of each farmer's knowledge and the stage of his farm development before deciding the form of aid which should be provided. Moreover, the farmer's own qualities and management ability should not be overlooked.

The researcher believes that an important principle of the National Crusade Programme is that such a programme should be carried out throughout the country wherever possible, by local research and scientific teams to achieve both short and long term objectives. A short term objective would be to provide the food required to sustain the rapid growth of the population, and long term objectives would include:

- (1) Taking steps (a) to reduce the present shortage of food caused by the unsettled conditions which affect agricultural production and leave the

- community in a state of uncertainty, and (b) to provide raw material for the food industry.
- (2) Reducing the heavy dependence on imports by increasing the volume of internal as well as external trade. Concentration on scientific methods of planting and effective supervision would demonstrate that cooperatives could prove profitable in farming as in other types of business.
  - (3) Providing the traditional provision of incentives and stimulating the production of agricultural produce generally, which would encourage farmers to produce more and persuade others to participate positively which would have the effect of reducing the unemployment level. By and large, this would improve the balance of payments position by reducing imports or even exporting such surpluses as might become available.
  - (4) Ensuring that support was available from the Ministry of Agricultural and Agrarian Reform, not simply from Universities or other research institutions.

It is difficult to assess the impact of government intervention on agricultural marketing in Iraq since it is not possible to judge accurately how far the increasing oil revenues and the government's emphasis on the petroleum industry reduced the amount of attention paid by the government to other sectors of the economy, including agriculture. In fact, the figures provided in Chapter One emphasised the government's attention to other sectors while the development of the agricultural sector was slower than for other sectors of the economy. However, National Crusade projects were launched by the government at different times, the amount of lending through official channels increased, and the government's participation in agricultural marketing are all indications of the fact that the government recognised the importance of agriculture to the nation and to the economy as a whole. Thus the sub-hypothesis we introduced in

Chapter One, namely, that the revenue from oil may have led to agriculture being ignored at official levels, is not valid. Also, the direct control exercised by the government of some types of agricultural produced as discussed in Chapter 7 in our case studies, also weakens the ground for this sub-hypothesis.

#### **5.6. Possible Solutions of the Problems facing Cooperatives**

Government policies for cooperative development must be pragmatic and realistic. To some extent, government support for cooperation is a recognition of the fact that many farms are too small to market efficiently as individual units. Organisation and discipline in the distribution of seed and fertiliser, the provision of credit, ensuring the reliability of services, even specialisation in production - all these offer additional scope for increasing bargaining power, and cooperative transport and selling can lead to the achievement of long term objectives. A number of steps must be taken at the same time and a number of services must work together efficiently if the expected benefits of change are to be realised. Such steps include the establishment of marketing organisations that use methods aimed at protecting the interests of buyers and sellers. The recent success of marketing cooperation among farmers has stemmed from the introduction of what are known as producer groups. These groups share with the cooperative movement, the basic principle of strength through unity. However they differ in having restricted membership, so that farmers who deliberately fail to fulfil contracts may be excluded. Because of this, they are not tied to the standards and performance of the least efficient. The objectives of each group normally include some or all of the following: to obtain higher, or more realistic, stable prices; to maintain or increase their share of the market and relieve farmers of their individual marketing responsibilities; to reduce the cost of providing some marketing services, and to ensure that marketing efficiency is provided, in short, to be able to exploit all the advantages of cooperative marketing.<sup>32</sup>

Another step which should be taken is to reduce the rate of migration to the city centres. Migration from rural to urban areas has very marked effects on the cooperative structure in so far as it weakens the power of cooperative groups, and may reduce support for cooperatives in the long run. To offset this possibility, credit systems should be provided that enable farmers to obtain funds when needed to meet product costs and essential consumption requirements. It is also important to determine exactly which functions will be performed, when organising a cooperative. The more functions that are involved, the more complex are the tasks of management. In Iraq, experience shows that the best way to organise a cooperative is around a single function which is an end in itself, for example, providing machines for harvesting instead of attempting to organise too many services simultaneously. The provision of multi-purpose units at present needs further investigation, and this approach is left for further study.

Iraq's experience of the cooperative movement indicates that Iraqi farmers are very responsive towards it when functions, purpose and methods are properly explained to them. The role of training centres in this context is vital. In the capital, Baghdad, only two agricultural training centres are in operation with the collaboration of the FAO. Many aspects of agricultural development depend on the development of a broad range of educational institutions. The critical problem concerns the need to staff training centres with a small nucleus of trained personnel, and to convince as many people as possible that it is necessary to replace the traditional agricultural methods by a more systematic structure of rational decision-making. The problem in Iraq is not based on the farmer's inability to increase production so much as on motivating his desire to do so he must be given adequate incentives. The researcher's experience enables him to make an assessment of the role of the government department responsible for training farmers and improving their knowledge (namely, "The General Establishment For Training And Advising Farmers"). That assessment is not an encouraging one, and in evaluating the work of that department, the researcher has found much to criticise. For example, he found that the improved agricultural samples are distributed by officials to only a few farmers, instead of distributing them to a large number to achieve maximum benefit, due to the careless attitude of these officials. Above all, the researcher believes that a successful programme of training should be accompanied by farmer's Settlement Programmes, to achieve long term benefits on the one hand, and on

the other, to reduce the level of migration from rural areas which has an adverse effect on such training courses. The following statistics support this view. In 1957, the percentage of people engaged in agriculture who live in the rural areas was 61% of the total population engaged in this sector, but this percentage declined to 36% in 1983. This decline represents a high incidence of migration from the rural areas. Between 1956 and 1976, only 6% of the Farmer's Settlement programme had been carried out in the rural areas. In 1980, only 1,389 houses were built.<sup>33</sup> These statistics reflect the slow implementation of the farmer's Settlement Programme proposed by the "Agricultural Cooperative Council". Thus the council did not serve the interests of its members particularly in its capacity as the representative and coordinating organisation for these units, both at the national and international level.

The success of the cooperatives in Iraq has become an important element in the potential growth of agriculture and hence in the development of the national economy as a whole. A most important requirement is willingness on the part of farmers to build up their organisations and increase their profits thereby affording them access to technical input. The problem of raising agricultural production to match the requirements of an increasing population may well stem firstly, from a lack of effective demand and secondly, the difficulty experienced by farmers in attempting to earn enough from their surplus production to be able to purchase the inputs necessary for raising their output.<sup>34</sup> Efficient management is the key to success. The advantages to be gained from large scale production depend upon a high level of managerial skill.<sup>35</sup>

In Iraq, the cooperative movement was introduced by the government in an attempt to improve the standard of living of the community but unfortunately, most managers of these cooperatives have not achieved a degree of progress worth mentioning. Land reform replaced the feudal owner with an administration lacking loyalty to the village community. The result has been failure in many cases, rather than increased efficiency and productivity, but its progress has nevertheless been even slower than that of land redistribution.

One of the initial requirements for agricultural development is the creation of new institutions with a new way of thinking, capable of providing new inputs which are more effective. Government initiative is again crucial in this context. As a matter of

urgency, the government having access to tax revenues, should speed up managerial training and widen the spread of innovation in the agricultural sector. Iraq suffers from a shortage of skilled manpower, particularly in the agricultural sector where equipment has consequently remained unused. It is unlikely that any spectacular progress will be achieved unless the cooperative framework is rooted in the life of the community and is accepted by the community as part of its heritage and tradition.<sup>36</sup>

Cooperatives could provide more efficient marketing operations by constructing large storage facilities very close to the wholesale markets to help members to store their agricultural input such as seeds and to store any output surpluses. As cooperatives usually serve the local market with grain, fruit and vegetables, feeder networks are essential to improve the distribution process. Such services are largely neglected and efforts should be intensified at official level to achieve the aim of moving products easily from production to consumption areas. Official figures shows that 35% of the main roads throughout the country in 1985 are not adequate,<sup>37</sup> and it may be assumed that the road network required to link rural areas with the main roads represents an even higher percentage. The need for other modern inputs was mentioned in Chapters 2 and 3.

To bring home the advantages derived from cooperative effort and organisation extension services should be staffed by personnel who are equipped with the knowledge of how to implement improved farming methods, and who also have the knack of getting such knowledge accepted. It is essential that they should have good administrative ability because the real challenge comes when integrated production and marketing are considered. In these circumstances, the constitution of the organisation becomes an important issue, as does the financial and managerial structure. In nearly all aspects of production and marketing, costs can be reduced and efficiency increased through the judicious use of cooperation. This is not to say, however, that the individual farmer should lose his individuality. On the contrary, by the use of appropriate skilled management, which is a major factor in the struggle for improved profitability, farmers can maintain even more positively their strong individualistic position.<sup>38</sup> Adequate and appropriate management is very important.



Lack of it can be considered one of the major causes of low productivity and other problems. The researcher believes that in Iraq the success of the cooperative movement must be based on the trust between government officials and member of the cooperatives. To avoid any mistrust, government officials should understand the psychology of the village people if they are to gain their confidence. Emotional as well as logical considerations are important but this aspect has been completely neglected in Iraq. Cooperation in agriculture must grow from the ground floor upwards and not from the penthouse downwards.<sup>39</sup> We need more farmers' cooperatives integrating forwards into agricultural progress.

Government management of agriculture in most developing countries is weak, weaker than that in most other sectors of the economy. This is partly a result of past attitudes which gave low priority to agriculture. Although attitudes have been changing, government activities affecting agriculture suffer from insufficient funds, and a lack of skilled manpower and sound economic policies often militate against agricultural development. However the Iraqi government is at present striving to overcome the problem of the general shortage of competent management personnel.

Overall, the most important requirement apart from the management factor is the need for the government to devote attention to the integration of urban and rural areas. The long term solution lies in improving both living conditions in rural areas and communications between these areas and the cities. Evidence from various developing countries support this point of view. In Egypt for example, a combination of better conditions, the opportunity to do a creative job, and an increase in the number of agricultural graduates has enabled each village cooperative to engage one or more managers.<sup>40</sup> To encourage those people to practice their knowledge on the farm, incentives must be given to those working in remote areas or in difficult conditions by increasing their monthly wages. Corst,<sup>41</sup> referring to working conditions, stated that "Cooperative field staff of all grades have to undertake a great deal of travelling, often

under difficult conditions, and their hours of work are likely to be extremely inconvenient and disruptive of a normal home life. This should be recognised by the grant of travelling allowances at the most generous rate payable for their grade in the country".

Increasing productivity in agriculture is at least closely related to, if not dependent upon increasing productivity in manufacturing.<sup>42</sup> Urban workers need food and industry needs raw materials. These two requirements provide a market and a stimulus for better methods of agriculture, which should motivate the peasants to make the decisions to increase production and the government to invest in public services. Government intervention in agricultural development and marketing can assume many forms. Expansion of the services provided by the government can stimulate the requirements for economic growth. The provision of such facilities has made an important contribution towards the success of cooperative and marketing organisations which was the government's original intention (these services are discussed in a different part of this thesis).

The idea of a rural-urban integration programme should be given serious consideration and indeed should be implemented by the Iraqi government. Agricultural graduates are reluctant to work and settle in the rural areas where they could do useful work, preferring instead to seek employment in government departments away from active farm business, due to what they regard as the low level of the social environment in farming areas. This can retard the progress of the rural community in general, prevent the full implementation of government projects like the National Crusade Programme and even encourage migration. Other steps such as the provision of clinic centres, and other social services may help to establish a more stable economic balance between rural and urban areas.

It should be pointed out that government financing for schemes to enhance production and improve the economy and government activities in relation to the

economy in general, fall into three main categories. First, there is the creation and/or maintenance of an institutional framework that is conducive to social stability and economic progress; second, the general management of the economy; and third, the provision of public services and investment particularly for purposes unlikely to be performed by the private sector. In agriculture, these public services and investments typically include research, technical extension services, the general supervision of the cooperative sector, and the provision of major parts of the infrastructure.<sup>43</sup>

We stressed in Chapter 3, that the absence of incentives is one of the problems affecting agriculture in Iraq. The record of achievement has been marked by certain failures because of the lack of appropriate incentives for farmers, a weakness which constitutes a major drawback suffered by the cooperatives in Iraq, resulting in low rewards for members of those units. Personal income derived from sale provide an important incentive which should not be overlooked. Cooperatives pay in the first instance, their debts to the Agricultural Cooperative Bank, and then distribute any surplus from total sales to their members, and a crucial point emerges here. If a farmer has received sufficient credit he is given a larger proportion, since his output is thereby greater than that achieved by others, but if he receives less credit, his revenue is much less and may be trivial compared with what he requires for living expenses or even for next year's input, although he will receive a new grant for the following season. Accordingly, when a farmer is short of money, little incentive remains and he may have to turn to a private moneylender. Thus a fairer distribution of credit may be regarded as necessary to achieve a better distribution of resources. Therefore, in these circumstances the amount of credit available to farmers should be based on criteria which are fair to all.

Each cooperative has a balance of funds in the Agricultural Cooperative Bank which is decided by the "General Council for Cooperative Farmers" to support it in its agricultural activities within its local region. Any maldistribution of this amount by

management will directly affect its members' activities. Some will benefit and others will suffer. Those who receive a large proportion of the available money will be better off and those who receive less will be correspondingly worse off. The researcher believes that improvements in the method of allocating credit among members will increase the degree of competition between farmers, as each one will try to produce more.

Since Iraq was a grain exporting country until 1972, and still exports some agricultural produce such as dates - a branch of agriculture which is mainly operated by private farmers - which represent in the latter 57% of the non-oil sector, it is clear that the role and the contribution of the private section of the agricultural sector is a positive one. Farmers in that sector are financially secure and are usually rich. Before the LR system was introduced, those producers provided the required agricultural input and services, so that farmers who are now members of cooperatives were at that time dependent on them. After the LR was implemented cooperatives or more precisely, the central authority, became responsible for providing these necessary inputs and services. In general, primary production costs, the cost of land preparation, and later, the transportation cost, were previously borne by the producers but now responsibility for these activities must be undertaken by the cooperatives or by the central authority. Thus an obvious breakdown in the cycle of agricultural activities has taken place. The implementation of these functions at the present time is inadequate, but the aim is to create a new agricultural system, the establishment of which implies the provision of modern inputs and an adequate infrastructure. For example, as we mentioned earlier, farmers themselves are responsible for transporting their produce which generally involves the use of private transport.

Technology of an intermediate type such as tractors and harvesting machines is required by the Iraqi farmers. Technology at this level is suited to the need of the farming community in Iraq. The researcher bases his opinion on two important facts. The first fact is that technological improvements of this kind were adapted by some

private farmers or producers years before the LRL was introduced, with widespread intervention by the government in the marketing and distribution system. These inputs have been employed successfully despite the illiteracy prevailing among farmers. Thus, the attitudes of farmers are such that these improvements would be accepted without difficulty. The second fact is that the use of some of these modern improvements such as tractors should have been encouraged by the government itself and the capital resources required have been made widely available. Thus, mechanisation could lead to greater prosperity in the future. An urgent need at the present time is to improve the after sale services to maintain such equipment, as reports have indicated that there is a shortage of the necessary services. Table 41 in Chapter 7 shows that the total number of agricultural machines used by the private sector only in 1985 increased to 32,774 from 10,280 in 1968.

A comprehensive plan for cooperatives is usually submitted annually by the "General Council for Cooperative Farmers" (GCCF), detailing the quantities and types of agricultural produce that cooperatives should be responsible for in each area. Thus, cooperative managements cannot make decisions based solely on their members' capabilities. These plans, which are produced at ministerial level, are based on those required in the previous year, with the addition of an estimate which may depend on the new acreage which is expected to be planted in the coming year. The researcher believes that such plans will not be accurate and will not represent the interest of most of the farmers. Officials may overestimate the available resources and use inaccurate figures to impress the authorities. When such plans end in failure and targets are not achieved, they blame natural causes. The researcher believes that farmers should participate in drawing up plans and the responsible government departments should provide the coordination required to implement the plans. Decentralisation is crucial for successful planning, because it would give cooperatives the opportunity to explain their difficulties, and give them the necessary motivation to achieve their objectives. If

they feel that they have participated in making the decisions, their morale will be strengthened. The researcher believes that these advantages are gained through greater flexibility in decision making, and when this happens, two other advantages ensue. The first is that members may be more active in pursuing the interest of their cooperative since they have a better understanding of the potential benefits which have been defined in advanced and approved by a majority of the members of the cooperative. The second important benefit is that they will become more loyal to their organisation than they are at present and therefore they will remain more attached to their farm base. This will motivate them to achieve the agreed targets by improving the quality and increasing the quantity of their produce and they will be inspired to work harder to overcome any obstacles they encounter. Decentralisation measures are therefore necessary to make cooperatives more effective by tackling the confusion caused by the management problems which characterise their existing structure. The implementation of such measures does not seem an impossible task in the long run.<sup>44</sup>

A cooperative structure developed in this way would allow some choice concerning the crops to be grown, and at the same time, the bureaucratic tendency would be largely eliminated and in the course of time more democratic procedures would be introduced. Such a change would be in the interest of the nation as a whole and in addition, cooperatives would be able as a result, to serve not only the national market, but also international markets. It is also important that this change should be achieved under government supervision, and that cooperatives should not operate independently of government procedures, for the simple reason that the government can decide the country's needs and wants with greater accuracy. For a long time farmers in the North, including those who were members of cooperatives, believed that producing wheat was more profitable than producing dates or cotton, this view was supported by the fact that most of Iraq's exports in the past consisted of wheat produced in these areas. Moreover, farmers in the North region are reluctant to approve or adhere to the central plan

because they are satisfied with their current performance. Their dependence on the Agricultural Cooperative Credit is less than that of farmers elsewhere, so they can be independent in deciding which crops they will cultivate, and they choose those which are more profitable. The loans granted to Northern agricultural cooperatives appear to support this view. Table 17 provides the details of loans granted in the Northern region of Iraq in 1983. Total loans to these cooperatives in that region amounted to ID703,707 or 0.09% of the bank loans borrowed by all cooperatives, whereas the private sector's share of loans in the same region was ID1,913,575 or 13% of all bank loans to private farmers. These figures show that private farmers are richer than those in the cooperatives, or even in the private sector in the country as a whole. As a result, they have greater independence.

The annual plan specified the kind of crops to be produced and the areas to be cultivated. The number of cooperatives or members are not important as their activities are restricted by the amount of credit allocated. Therefore cooperatives in each region will have to carry on their activities irrespective of their number or size. In each governorate, cooperatives are informed by the appropriate department about the details of the annual plan relating to their own region. Each cooperative has to achieve its target using the resources that are available. As far as marketing information is concerned, they are told only about the quantity they have to produce, but they receive no information about market demand, estimated prices or imports or exports, and therefore they have no idea concerning what their return will be. Again, in the case of private farmers, the majority of whom are in debt to moneylenders, their decision concerning which crop to cultivate will be based on the previous year's crop prices and in most cases, in the process of decision-making, they will ignore what they are supposed to cultivate. But a farmer may produce a particular product which has a shorter growing season, without affecting his final decision to produce a crop that brought high prices in the previous year. For example, a farmer may produce large beans

Table 17:

Distribution of Agricultural Loans In the Northern Region in 1985. (ID)

Branch	Cooperatives Loans		Private Loans		Institution Loans		Total No of Tran.	Amount Loans
	No of Transac	Amount Loans	No of Tran.	Amount Loans	No of Tran.	Amount Loans		
Duhook	11	358465	104	367749			115	726214
Zakho	6	78155	51	163144			57	241299
Sersank	1	3180	5	22700			6	25880
Arbil	2	4250	144	615878			146	620128
Shaqlawā	-	-	29	116184			29	116184
Makhmoor	-	-	67	123190			67	123190
Sulymanīa	10	37673	120	302530			130	340203
Jamjamal	2	3570	26	80100			28	83670
Halabja	7	218414	41	122100			48	340514
Sub Total	39	703707	587	1913575	-	-	626	2617282
Total	450	7914682	4147	15217995	7	220500	4604	23353177
% of Total		0.09		13				

Source: ACB, Annual Report, 1985.  
 N.Bt. The Institutional Loans was endowed by other Branches.



previous to cultivating wheat. But this decision will not reduce the shortage of the first item, namely large beans, because his main objective was not to grow beans.

On the other hand, the moneylender is very anxious to keep farmers from knowing what is happening in the market. Further, he may ask farmers to produce particular crops, namely those which are likely to produce the greatest amount of profit. Thus, all farmers know about is the quantity required of specific produce, nothing about intermediaries' profits prices, consumer wants and consumer behaviour. As mentioned in Chapter 3, the inadequacies of the communication network helps to prevent the farmer from discovering exactly what is going on in the market.

In general, sellers and consumers have a common interest in the need to have access to market information. Buyers are concerned about the quality and prices of products whereas the sellers need information about possible purchases and whether products will be available at the right time, place, and price. In Iraq, this kind of information is known by wholesalers and middlemen, whereas farmers know very little about it. Moreover, such information is not accurate enough for planning their subsequent activities. All these factors have an adverse effect on the domestic market, and prevent farmers from making decisions which will enable them to improve their level of production. Farmers' knowledge of pricing is restricted to official announcements, but they know nothing about price variations, for which as we know, there are many reasons such as certain factors affecting the domestic price, e.g. product quality or the long distances between production and consumption areas.

Marketing information, then, is vital for farmers to enable them to make decisions relating to their future activities. When such information is reasonably accurate, it will be of assistance not only to farmers but also to the authorities as well, by helping officials to make decisions in drawing up the plans concerning imports of agricultural produce. Further, inaccurate information adversely affects the people's interests. For example, in 1980 when available information indicated that Iraq would be self-

sufficient in grains, the government was later forced to buy these staple products at unusually high prices to ensure that the country had adequate supplies. In the developed countries, there is a wide variety of sources of market information available to people involved in the agricultural industry. In the British agricultural industry, for example, there is a wide range of official sources, such as the Ministry of Agriculture and Fisheries, and various food publications, and information is also provided by bodies such as Marketing Boards. There are also many semi-official sources such as the press, radio and television and commercial bank publications, as well as unofficial sources such as reports by university departments. Consequently, farmers in developed countries have access to a large number of information sources. In Iraq, the situation is far from satisfactory. We have already mentioned that farmers for example, only know the selling price of their produce when they come to the wholesale market to dispose of it. In fact, information about prices is withheld from farmers to ensure that the produce will go through the official channel and not elsewhere. Information is available from the official sources such as the press, radio and television. Prices which are determined at official level by the Ministry of Agriculture and Agrarian Reform are announced daily through these services. The researcher believes that prices are announced mostly for the benefit of consumers rather than farmers. This is done to inform consumers of the different products available in the local market rather than to help farmers. The researcher's opinion is based on two important facts. Firstly, the farmer knows the prices at the time of selling and not before. Therefore, if he does not regard the official price list as satisfactory, he must either incur extra costs in taking his produce to another market or sell it by some other means. Secondly, the farmer does not know the prices of similar products in other wholesale markets. If he did have such information, he would be inclined to dispose of his product in a different way.

What is needed concerning prices is to take steps to ensure that the agricultural sector produces what is needed, so that prices will be known in advance and production programmes can thereby be adjusted with reference to price. Information about prices should be sufficiently clear to allow farmers to apply this information to their own situation.<sup>45</sup> When the level of illiteracy among farmers is as high as 70%, newspapers would not provide an effective method of communication, although one might argue that the remaining 30% could inform the others. In addition, the ineffectiveness of this section of the media may not be very important, since radio broadcasts reach most people nowadays, and this medium is more informative than the newspaper. In any case, farmers should be able to benefit from the provision of the type of information which can help them to make decisions about their future business activities.

It is reasonable to assume that prices for farmers, producers and consumers are fair when they are at a level which enables an appropriate quality of produce to be available in the market for a longer period of time. Prices are fair for consumers immediately after the harvest time, but not for farmers who are obliged to sell their produce at low prices at that time to allow them to make loan repayments. In this context, it is also fair when prices during the off-season are not subject to marked fluctuations, from the consumer's point of view there are considerable differences between market places, because of the cost involved in the storage and transport of produce by farmers. As a final consumer, the researcher does not wish to pay low prices for a particular product - especially if it is part of his daily diet - during a short period of time, and then be required to pay high prices for a long period thereafter. In fact the high prices cancel the economic benefit which is enjoyed for only a short period immediately after harvesting. Fairer prices could be achieved through a good marketing system by means of which, when the availability of produce is flexible, price variations would be less marked. In this way, market prices would represent a balance between consumers' needs and the need to provide an adequate return to farmers.

In the researcher's opinion, one of the prerequisites for a successful cooperation in Iraq, is that altruism should replace self interest. Altruism is the sacrifice by members of their own interests in the short term in order to achieve greatest benefit for all in the long run. In other words, what is required is loyalty to the cooperative movement, even if it conflicts with the personal interests of individuals. By and large, the aim is to achieve individual and collective benefits at the same time. Since this aim will probably be measured in terms of profit or cash in the long run, it is therefore necessary to adopt a commercial approach. Thus logically a cooperative's management should make its decisions on the basis of the benefits and costs associated with each member's farm.

As we mentioned above, the cooperative movement was introduced by the government in an attempt to improve the standard of living of the community, but unfortunately most managers of these units have not achieved any progress worth mentioning. The result has been failure in many cases rather than increased efficiency and productivity.

In fact, illiteracy and the farmers' lack of business experience were other deterrents against the success of the cooperative movement. These features are a characteristic of most of the developing countries (see Chapter 3). Herbert<sup>46</sup> observed this characteristic in Tanzania and stated that "The fact that relatively few farmers are literate in the generally accepted sense and still fewer have had business experience makes it extremely difficult for the members or patrons of cooperatives to comprehend the purpose of the cooperatives and their methods of operation to say nothing of their actual participation in management".

The low standard of education in the farming community, and inability to understand the benefits of joining a cooperative, give farmers a narrow-minded approach and lead them to regard the repayment of government loans as being of little importance. This point is underlined by the fact that only a small percentage of loan

repayments are honoured, and action must be taken by the 'ACB' against the farmers concerned. Thus farmers are ill-informed so that many of them regard cooperatives as being run by government officials whose function is to exploit them. Hough,<sup>47</sup> stressed this point when he stated that frankness in propoganda is crucial for achieving succed by cooperatives. His comment on this was, "Frankness in propoganda is absolutely necessary. To encourage ignorant villagers, for example, to accept unlimited liability without explaining its full significance and the risk they run falls from the point of view of moral, if not of legal responsbibility, not far short of criminal breach of trust. Those who paint only the bright side of the picture to prospective cooperators do them a grave disservice".

#### 5.7. Credit Introduction

Credit is generally regarded as the most crucial factor affecting agricultural activities in both developed and developing countries. Despite the fact that land is freely available for production purposes, the agricultural sector in general achieves only a low level of production. Credit has thus become an essential factor, especially in the developing countries including Iraq. Moreover, it has an effect on the marketing system, because credit for marketing purposes is restricted, despite the government's concern to improve farmers' standard of living. If more resources were devoted to marketing agriculture generally, this would lead eventually to an improvement in the conditions farmers experience, and their general welfare. The practice of selling the crop in advance is pursued in most developing countries, though the method of doing so may differ from country to country. The crop may be sold to a moneylender before or after the harvest. In either case, the result is the same for the farmer in terms of finance. But methods are practised in Iraq, the latter being more common, and the disposal of the produce becomes the responsibility of the moneylender. Some economists believe that the practice of selling the produce to the lender in advance

arises from the indebtedness of farmers to the moneylenders which create a form of non-ownership integration between the marketing agency and the agricultural enterprise and this integration restricts the farmer's freedom and his ability to sell his products at high prices. The result is the creation of monopoly conditions in the agricultural market.<sup>48</sup> On the other hand, other economists disagree, arguing that the farmer has a wider choice of credit since there are many moneylenders.<sup>49</sup>

Despite these opposing views concerning the effect of credit on the farmer's activities, the main objective should be to eliminate such practices in areas where they do exist and to make credit easily available to farmers so that they can take a more active part in the production process. This would result in an increase in the ratio of capital to labour.

Within this context, it is appropriate to explain why farmers might accept poor terms from one moneylender when another lender operating in the same region may offer better terms. Basically, farmers who are able to repay their debts are in a position to sell their produce at the highest price. But most borrowers, however, are in a state of chronic indebtedness and are unable to repay their debts after harvesting. Their production or their property is therefore mortgaged as collateral to the lenders. For loans made against this collateral, interest rates have generally ranged from 25% to 45% per annum, or even higher. Under another form of credit, the usufructuary, the creditor requires the right to the crop and markets it himself during the duration of the mortgage, which may be a period of several years. The effect on productivity is obviously an unfavourable one, since neither the borrower nor the lender has any interest in improving or maintaining the condition of the crops. Farmers who have nothing to offer as collateral to cover their debts are continually refused loans. Even when they are able to borrow, they are usually unable to improve the overall financial position because they find it difficult to balance their expenses against their income.

The flexibility of the moneylender and his willingness to take risks encourages farmers to borrow even though they may be already in debt. This only serves to exacerbate the situation even more. This prolonged circle of indebtedness increases the farmer's need for credit to support himself and his family, and when he has nothing to sell, he finds that he is unable to borrow from sources other than that lender to whom he is already in debt. New lenders need time to know the newcomer and are therefore too reluctant to accept the additional risks involved in new transactions. Thus, in this favourable situation, the lender is able to buy the products at low prices, with only perhaps a small proportion left for the farmer, and most of the profit is gained by the lender. If a proportion of the crop remains outwith the terms of the collateral agreement, the farmer himself may be free to sell it at a high price, but in practice he will sell to the money lenders as relationship between them is so close. In general, the prices paid for products bought in advance differ from one transaction to another depending on a number of factors such as the amount and importance of the produce, the extent to which credit is needed, much trust is placed in the lenders by the farmers.

The marketing system in Iraq is characterised by the absence of uniform prices, since transactions take place on the spot market. The multiplicity of prices resulting from the varying quality of certain commodities in the market-place, also influenced by farmers' financial indebtedness which as we have seen, restricts the producers' choice concerning the marketing of his produce.

#### 5.7.1 Credit Importance

Credit is crucial for poor farmers either as a source of income or as a means of increasing productivity, but access to credit does not by itself solve these problems. To bring about effective changes in rural conditions, the credit programme should be closely related to the provision of farm inputs, extension, marketing services and above all, to the need for price stabilisation. The latter will be referred to again in the next chapter.

As mentioned above, farmers need credit for consumption, production and marketing agricultural produce. Our next discussion will concentrate on credit for consumption and credit for production which represent a much greater proportion than marketing of the credit required, although marketing will be mentioned where necessary.

### 5.7.2 Credit for Consumption

Consumption needs represent one element affecting the demand for credit. Most farmers need enough to support their families from their production activities, and the extent to which this is achieved is a crucial determinant of the level of credit required in the rural areas. When productivity is low, most farmers will consequently live at or below subsistence level. Weber argued that with the rapid growth of population, the number of dependents per family and socio-cultural forces cause poor farmers to adopt consumption patterns which their level of income cannot maintain, a situation which exists in most developing countries including Iraq. Accordingly, the need for relatively high expenditure results in spending and hence a low level of savings which leads to a 'vicious circle of poverty', so that low levels of income are perpetuated. Professor Abbott, in line with what was mentioned earlier, stated that this situation is aggravated by the chronic indebtedness of the farmers who are forced to sell produce at low prices and consequently suffer a reduction in income.<sup>51</sup> These enforced sales are known as 'hunger sales'. Thus, what is required is an organisation which will provide credit to cover day-to-day expenses. Interest rates are high because of farmers' dependence on one source of credit and also because of a general lack of competitiveness. As a result, farmers are condemned permanently to live in the 'vicious circle of poverty'. In Iraq in 1985, it was found that 92% of rural income was spent on consumption each month (see Table 18). In an area where most farmers live at or below subsistence level, any idea of capital accumulation through savings must seem out of the question. As the government guarantees prices for agricultural products such as major food grains and



Table 18:

Monthly Expenditure On main Kind of Expenditure by region. 1985  
(Percentage).

Region	Food Stuffs	Tobaco & Alcohol	Clothes &shoes	Furni- ture	Fuel & Energy	Trans- port & Traffic	Recrea- tion & Educa- tion	Medical Care	Others	Total Expence
<b>Urban</b>										
Northern	44.5	2.4	11.9	4.7	24.2	5.8	1.1	1.6	3.8	100.0
Middle	49.3	1.4	9.7	5.8	20.2	5.6	1.1	2.1	5.0	100.0
Southern	48.1	1.6	7.5	5.2	28.2	4.1	0.8	1.2	3.4	100.0
Baghdad	38.1	1.8	9.6	6.0	32.6	5.8	0.8	2.0	3.1	100.0
All region	43.1	1.8	9.5	5.6	28.4	5.4	0.9	1.8	3.5	100.0
<b>Rural</b>										
Northern	53.1	3.2	16.8	7.9	4.1	9.1	1.0	1.9	3.0	100.0
Middle	53.6	3.4	10.6	6.0	11.3	8.2	0.7	2.0	4.5	100.0
Southern	50.4	2.8	11.1	6.7	10.6	15.2	0.3	1.6	1.4	100.0
Baghdad	51.5	1.9	14.4	6.4	5.3	8.8	3.9	2.9	4.9	100.0
All region	52.5	3.0	12.9	6.7	8.4	10.0	1.0	1.9	3.4	100.0

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

dates, the monopoly possessed by the middlemen decreases and there is less impact on producers' prices, but little benefit to farmers, because they are in debt to moneylenders. Also this may be due to the prevailing system of credit, therefore the farmer may not be able to escape from the circle of poverty by means of economic improvements in the agricultural sector.

Some economists think that the inability of farmers to recover economically is due to their own ignorance and their over-generous social behaviour. Social factors such as marriage and festivals are alleged to be the reason why there is a demand for rural credit. The researcher's comment on this view is that although such expenditures may be unavoidable, it is difficult to establish how many people borrow for such purposes. Moreover, since it is the custom for each farmer to repay the favours he receives on such social occasions, the total social effect on his financial situation is negligible.

An increase in the standard of living of the rural community can only be achieved through income redistribution policies, regardless of any monopoly of credit which may or may not exist. Any credit policy should be accompanied by policies that will reduce the traditional uncertainties in farming which agriculture as a whole has to accept, for example, by granting production subsidies aimed at stabilising prices and incomes.

### 5.7.3 Credit for Production

Credit for production purposes is another feature of rural credit needs. Credit to assist the production process usually covers only short-term outlays, including the purchase of fertilizers and pesticides and payment for labour services. The Iraqi government is particularly interested in expanding this particular type of credit. Misuse of such credit, however, takes the form of defaulting on repayments, this being a common practice in developing countries.

The farmer generally utilises this type of credit to produce something he is familiar with simply because there is a risk in undertaking the cultivation of a new variety because of insufficient knowledge concerning the suitability of that variety for the particular area.<sup>52</sup> In all cases, however, agricultural productivity can be increased by introducing better methods of cultivation or undertaking the risk of introducing some form of innovation normally ignored by farmers using a more traditional approach.

#### **The Lending Sources:**

In general, borrowing takes place through two channels. The unofficial channel, i.e. private lenders, and the official channel which is operated by the appropriate government department. The following discussion briefly explains the important positive and negative aspects of both sources.

#### **5.8. The Private Lenders**

Farmers borrow from unofficial or unorganised channels, including friends, relatives, merchants and money lenders, these being the common sources of private funds. The loan terms can vary greatly, and farmers regard moneylenders as the final resort. Credit which is extended by family and friends has become increasingly important. It is socially unacceptable under Quranic Law to charge interest on money borrowed. Such transactions are usually viewed as a favour later to be returned in the form of moral or physical help on family or social occasions such as marriage, illness or bereavement. This statement is linked with our earlier reference to the connection between credit and social festivals. In general, private lenders play an important role in many developing countries, especially in the village economy.

Obtaining credit from merchants and moneylenders has become a regular practice by farmers in every province, taking the form of the advance sale of specified amount of a crop at a given price which incorporates interest charges. The price offered is usually very low compared with prevailing prices. There is a strong element of unfairness in

such transactions since the price differential can range from 50% to 80%. The price offered depends to a great extent upon the product's importance in the local market, and the risk of market price fluctuations. For example, as we shall see in a later chapter, the Iraqi government authorised the GEMG (see Marketing of Grain) to buy farmers' produce at fixed prices. This measure of price control reduces risk in respect of agricultural products, consequently interest rates should be lower. Interest rates should also be considerably reduced if a loan is arranged shortly before harvesting time.

Usually loans are repaid in the form of farm products, according to the market prices at the time of harvesting. The lender is prepared to accept other agricultural products or even to postpone repayment until the following season if a particular crop is inadequate. Bargaining power is certainly weakened in this situation, due to a need to meet production, consumption, marketing and other costs. With the circle of poverty continuously affecting farmers in recession periods, the lender becomes more powerful, and sometimes works against the farmers' wishes, since with high interest rates, the lenders' monopolistic power increases. Accordingly, farmers can be forced to sell their produce at even lower prices. As we shall see in the next Chapter, when the produce could otherwise command a high price, the result will be that the farmers are left with little to survive on. Moreover, this cycle of borrowing by and large results in continued indebtedness on the part of farmers, consolidating lenders' monopolistic position, especially since social barriers help them to prevent outsiders from entering this sector of trade. The dual credit system parallels duality in the market structure. It could be argued that the reliance of farmers on private sources arises from the lack of an effective system of credit from government sources. The latter point will be referred to again in the next subsection.

## 5.9. Official Channel of Credit in Iraq

### 5.9.1 The Agricultural Cooperative Bank (ACB)

A study of ACB loans in 1981 shows that there are two kinds of loans available to farmers. The first is for private producers or farmers, and the other is for farmers who are members of cooperatives. The interest rate required to be paid by cooperative members is half of that required of private farmers. Loans to the latter are mostly supervised by the Bank and are paid in two or three instalments during which stages the farmer must demonstrate to Bank officials that the loan has been devoted to agricultural purposes. Loans are granted after the farmer's credit worthiness has been checked and approved. Thus the loans supervised in this way are more productive, and the misuse of credit facilities by borrowers is reduced. The researcher believes that it is vital to employ the same procedure for loans given to cooperatives. Such a step is even more important than providing material inputs instead of cash as part of the total loan requirements. This point will be referred to again later.

Although a number of organisations can provide loans within the Iraqi financial system, only the ACB is authorised to provide loans to farmers on condition that such loans are devoted to agricultural activities.

The establishment of the ACB was a major factor influencing the level of Iraqi agriculture. Indeed, it becomes the principal means of supporting the agricultural sector and must continue to play that role if agriculture in Iraq is to develop further. The government has attempted to provide farmers with credit on more reasonable terms through this official channel. It was established in 1963 to make credit available for both the private and cooperative sectors of agriculture. At the present time, the ACB grants loans without providing borrowers with technical and economic advice, simply keeping records of loan accounts. The system is operated by 47 branches throughout the country. It first began operating with a capital of ID6 million, this figure had risen to ID150 million in 1982. Its assets and funds are guaranteed by the government, and it has become the most important government credit institution in the rural areas. Table 19 shows the amount of loans since the establishment of this institution.

**Table 19:**  
**The Development of Loans (ID Million)**

<i>The Period</i>	<i>Total Lending</i>
1936 - 1967	18
1968 - 1979	114
1980 - 1985	448

*Source : ACB, Annual Report, 1985.*

The agricultural loans in general could be classified in three terms, according to the length of the loan. The long term loans last for more than ten years, and are given to the cooperatives for infrastructural constructions and for wealthy private sector farmers. The medium term loans last for between one up to five years and are made to both cooperatives and private farmers to cover, for example, buying machinery. Short term loans, usually for one year and not two years except in special cases, and normally used to relieve cash flow problems and for produce growing on a seasonal basis, like vegetables and grains. Small farmers and the private sector in general have a large proportion of such loans, usually used for purchases of current inputs such as improved seeds and fertilizers. Each year the bank addressed by a lending plan from the Ministry of Agriculture and Agrarian Reform reviews the government credit policy which determines the terms of loan conditions.

With reference to the purposes for which loans are granted, we find that most of them have been given to provide agricultural inputs to buy machines, to assist in horticultural development, the development of animal husbandry, while none have been given for marketing. In Iraq, the law prohibits the granting of any credit for the marketing of products.<sup>53</sup> The farmer has to assume full responsibility for this function. This, of course, has an impact on borrowing practices. Since farmers' savings are limited, they are forced to borrow at high interest rates to pay for distributing or marketing their produce and for clearing their land after the harvest.

That is why we pointed out earlier that private lenders have an important role to play, since by their personal contact, they know the farmers' needs and have a comprehensive knowledge of those borrowers limitations. Thus we can say that lenders have a monopoly over the supply of credit in a particular region and this prevents the farmers from enjoying the benefits of competition. Even when there may be more than one lender, they can collaborate with each other, forming a kind of oligopoly and agree to maintain high interest rates. Within such a system, lenders in the rural areas are linked with those in the cities. It is not to be expected that farmers will easily overcome this system or be able to repay within a short period. A successful economy in the long run is one which enables farmers to repay their loans and this can be achieved through the implementation of certain administrative measures which could solve the above mentioned problems, leaving producers with no alternative but to depend on unofficial channels to satisfy their needs is a clear indication of the fundamental weakness of the credit system which stems from failure to recognise and estimate the farmers' various credit needs.

During the researcher's interviews with officials in the Ministry of Agriculture and Agrarian Reform, an important point emerged which the researcher believes is one factor contributing to the failure of the credit system. Those officials were aware that farmers deliver their produce to private agents rather than to officially approved representatives. Through their experience and their contact with these farmers, they realise that their indebtedness is partly caused by the unequal distribution of credit when cooperatives borrow from their members. This inequality results from the concentration of political and economic power in the hands of larger farmer or influential members, which enables them to have credit allocated in their favour. Those latter farmers are regarded as creditworthy, and the degree of credit worthiness, being related to borrowers' assets, depends on the stage of agricultural development reached by a country and on the associated short and long term credit structure.<sup>54</sup> In

this context, effective organisation and administration of cooperatives is crucial to their viability, that is, farmers must be fully involved in providing support for social or political causes. Otherwise, such organisations will be inefficient and their progress insignificant. The researcher believes that such weaknesses may be due to inadequate official supervision and guidance and the excessive political influence possessed by a small number of powerful members. Consequently, the performance of the existing cooperatives has been a disincentive in mobilising participation by the farmers or keeping them loyal to cooperative activities.

With reference to cooperative success in terms of providing credit, the willingness of farmers to participate will increase when cooperative management, through more efficient handling of their finances, succeeds in curtailing the power of the moneylenders by reducing farmers' dependence on them.

Since Iraq is not a poor country, the problem of credit is not that there is a shortage of capital but rather that access to it is difficult. Farmers who are unable to provide collateral to guarantee the repayment of their loans are unable to take advantage of offers by the bank to provide them with commercial loans. The criterion of credit worthiness, produces a bias against the poor, a group which comprises most of the small farmers, and in favour of large farmers. So a large proportion of farmers are in a weak position, which forces them to borrow from private sources. Although no official records are maintained regarding the volume of such loans from private sources, the writer believes that about 70% of rural farmers have been obliged to turn to unofficial channels which cater for about 48% of total loan requirements, this percentage being based on the annual amount of credit made available during the last five years. That percentage could be reduced to a half if proper borrowing and credit facilities were administered efficiently. There is considerable need for developing flexible procedures for credit distribution, if a credit policy is to be implemented in order to break the vicious circle of indebtedness. Some of the measures required were mentioned in



Section One, but here it must be emphasised that there is not only considerable scope but a significant need for improving income levels by extending credit. The required increase in cash flow can only be made available by improving the various credit-related agricultural policies.<sup>55</sup>

Most farmers are faced with the high cost of borrowing from the official sources, along procedure being involved in each borrowing transaction. This has been calculated by the researcher to include thirty different steps, so it takes up a considerable period of time. The situation becomes even more complicated since most farmers are naive and illiterate. If the credit requested is not be wholly devoted to agricultural purposes, the application will be refused. The problem of providing adequate credit to meet farmers' needs is one that will persist. Farmers may desperately need more capital but do not have the necessary security to obtain loans or the means to repay them.<sup>56</sup> In this context, the researcher believes that what is required by the Iraqi agricultural community is the provision of credit in the form of material inputs rather in the form of cash. This would help to ensure a careful examination and adequate supervision of the use of credit by most farmers, to a greater extent than is customary within the existing credit programme, and reduce the need for sanctions relating to the misuse of credit or defaulting on repayments. This policy would help to develop an efficient agricultural credit system, the organisation and implementation of which would be made more effective.

Since the 1950's, governments have recognised the importance of credit and the need to replace informal sources with formal credit organisations. But the cooperatives and the ACB have had no significant effect on interest rates outside the area in which they operate. There is hardly any inter-village movement of capital. Consequently, any reduction in interest rates does not usually spread outwith the region. What is needed is for the public sector to establish credit organisations in every region, thus making the credit structure more uniform. The restricted bureaucratic structure, with its centralisation of decision-making, is ill equipped for this task. Moreover, a

requirement for receiving credit is a proof of ownership or of security of land tenure. In most cases, this requirement works against the small farmer and is very frustrating.<sup>57</sup> In Iraq, more than 30% of farmers' needs are met by bank loans.<sup>58</sup> Thus the banking system tends for the most part to support the wealthy rather than the poor farmers. Thus, due to an insufficient supply of credit, the level of defaulting by the latter tends to be high. Table 20 shows loans obtained by sectors from 1981 to 1985. The loans granted to cooperatives only are shown in Table 21. Overall, loans increased from ID2 million in 1969 to ID98 million in 1982 whereas loans to cooperatives increased from ID316,000 to ID21.5 million during the same period. The variation in the loans shown in the two Tables was due to the circumstances then prevailing in Iraq. Almost one third of the total sum went to the cooperative sector. Both Tables shows the amount of loans distributed between 1969 and 1985 increased at least twenty-fold. Appendix 2 at the end of this thesis, shows the value and conditions of loans to individual farmers

Table 20:

Amounts of loans Paid By The Agricultural Cooperative Bank To The Agricultural Cooperatives By Type 1981 - 1985 (ID Million).

Purpose	1981	1982	The Year 1983	1984	1985
Agricultural supply	20.0	10.0	7.0	17.0	16.0
Machinery Services	1.0	1.0	0.5	0.6	0.0
Poultry	71.0	42.0	8.0	18.0	15.0
Agricultural Machines	74.0	32.0	4.0	2.5	11.0
Orchards Development	17.5	11.0	3.0	2.0	6.0
Building and Structure	0.0	0.0	0.0	0.0	0.0
Other Purposes	2.0	2.0	0.8	2.5	5.0
Total	185.5	98.0	23.3	42.6	53.0

Source: ACB, Annual Report 1985.

Table 21:

Amount of Loans Paid By The Agricultural Cooperative Bank By Type  
1968 - 1983 (ID Million).

Year	Private Loans	Cooperative Loans	Government Institutions	Oriented Loans	Total
1968	1.6	0.3	-	0.1	2.0
1969	1.1	0.7	-	0.2	2.0
1970	0.8	1.7	0.3	0.2	3.0
1971	0.9	2.0	-	0.1	3.0
1972	0.9	2.6	0.2	0.1	3.8
1973	1.0	5.0	-	0.0	6.0
1974	1.3	4.0	-	0.0	5.3
1975	1.0	6.0	-	0.0	7.0
1976	1.0	10.0	2.0	0.0	14.0
1977	1.1	11.0	1.0	-	13.1
1978	1.0	16.0	4.0	-	21.0
1979	2.0	21.0	8.5	-	31.5
1980	59.0	24.0	15.0	-	98.0
1981	148.0	28.0	9.0	-	185.0
1982	75.0	21.0	2.0	-	98.0

Source: Ministry of Agriculture & Agrarian Reform, 1983.

Table 22:

Distribution of Agricultural Allocation And Amounts Withdrawn in 1983. (ID Million).

Loan Beneficiary	Voted Amount	Amounts Withdrawn	Percentage of Withdrawn	Amounts drawn Outside Plans	Total
Cooperative Peasant Societies	11.5	6.0	52%	1.0	7.0
Societies Spec. in Prod chickens	6.3	-	-	-	-
Feeder Societies	7.0	-	-	-	-
Amount Drawn By Soc On Acc of Previous Plans.	1.5	0.5	46%	0.0	0.5
Subtotal Spent on Cooperatives	26.0	6.5	26%	1.0	7.5
State Agricultural Enterprise - Albughraib	0.6	0.1	22%	-	0.1
State Agricultural Enterprise Musayab	0.3	-	-	-	-
Agricultural Body In Babylon	0.5	-	-	-	-
Agricultural Body In Nineveh	2.0	0.3	2%	-	0.3
Agricultural Body In Missan	0.3	0.1	4%	-	0.1
Agricultural Body In Salahuddin	0.0	-	-	-	-
Agricultural Body In Thiqar	0.1	-	-	-	-
Agricultural Body In Arbil	0.0	-	-	-	-
Agricultural Body In Duhok	2.2	-	-	-	-
Agricultural Body In Altaamem	1.0	-	-	0.1	0.1
Agricultural Body In Deyala	-	-	-	0.1	0.1
Sub-total spent on Organisation	7.0	0.0	2%	0.1	0.1
Sub-total Spent on Individual	30.0	15.0	51%	-	15.0
Total	63.0	22.0	35%	1.3	23.3

Source, ACB, Annual Report, 1983

and cooperatives during 1983. The total amount of loans reached over ID23 million that year.

Table 22 shows the distribution of credit allocations, the amounts withdrawn and the withdrawal percentage by various government departments and administrations for different agricultural purposes in 1983. These figures are the latest statistics issued during the period of the researcher's visit. They reveal a low percentage of withdrawals from the total amount allocated, an amount which did not exceed 39% in that year, as against 51% in 1978. Most of the department parties concerned recorded a low number of withdrawals. Cooperatives and private farmers recorded high percentages, namely 46% and 51% respectively in the year under discussion. Two important reasons account for this decline in the withdrawal percentage. The researcher believes that the lack of coordination between the relevant government departments in the agricultural sector is the most crucial factor underlying this phenomenon. This means that since these departments make their decisions separately without reference to the others involved, the implementation of certain projects is adversely affected and the materials required for some projects have not been available. The second reason, which follows from the first, is the inadequate planning and the inaccurate assessment of the actual project requirements, which are likely to happen when the decision-making process is centralized. Thus each department works on its own with no attempt at the necessary collaboration between the parties concerned which would have the effect of reducing administrative costs and achieving targets more quickly and with less effort. When targets are not achieved after the money has been spent improperly, each department claims that it carried out the work satisfactorily.

The percentage which borrowers had to repay has been too low for a considerable period and this percentage has declined during the last five years, not because of the prevailing conditions, but because of general defects in the marketing system. The researcher bases his opinion concerning the latter point on available statistics. For

example, both the amount of loans and the defaulting rate between 1966 and 1970 increased. Both the number of transactions and the value of loans increased more than the seven-fold over that period, while the defaulting rate increased from 1% to 20%. There are no signs that this tendency has decreased since then, indeed, in 1977 the total amount due during the year was ID7,654 million of which only ID3,781 million, less than half was repaid.<sup>59</sup> Legal sanctions had to be taken against those who failed to repay their loans. It took considerable time to get an order from the Court against the farmers concerned. The researcher believes that this situation benefited the farmers, since they might be able to repay long after payment was due. This kind of situation still exists at the present time.

Table 23 shows the proportion of repayments made in relation to the amount of credit loaned by the ACB in 1983, this being the information available to the researcher during his visit to Iraq. The total amount due over the year was ID56.3 million, of

**Table 23:**

**Compled Agricultural Cooperative Bank Balance in 1983, and Rate of repayment. (ID Million).**

<i>Source</i>	<i>Compled loans Balance in 1983</i>	<i>Total Repayment</i>	<i>Percentage of Repayment</i>
Cooperatives	12.5	6.1	33.0
Private sector	41.4	11.4	61.0
Government Organisations	2.4	1.2	6.0
Total	56.3	18.7	100.0

*Source , ACB, Annual Report 1983.*

which only ID18.7 million, or 33% was repaid. From this Table we see that 61% of the total due to be paid was owed by private farmers. Without entering into detailed financial discussion, the researcher believes that private farmers are more innovative than their colleagues in cooperatives. It is reasonable to assume that those farmers made even greater use of technological inputs than the public sector itself. However this came about, the researcher believes that certain steps should be taken by the government to increase the level of the loan repayments. The researcher has found that other banks in the financial system pay loans to farmers, the latter's product constituting the required collateral, i.e. the bank later receives the revenue from such produce. This usually happens in the case of private sector farmers who produce dates. The Rafidain Bank gives farmers an amount which represents all or part of the value of the produce and that amount is later repaid from the sale of the produce. This experiment may be applied to other agricultural products to ensure loan repayments. Further, the level of repayments by farmers in Zambia and Tanzania may be attributed to the compulsory delivery of farm products to the Marketing Board.<sup>60</sup> As we shall see in a later chapter, farmers deliver their produce to private agencies rather than to official representatives for the marketing of their produce, since the farmer is free to deliver his produce for marketing to whoever he chooses.

The above discussion reveals that a coordinated financial system can operate in such a way as to benefit farmers. In a country like Iraq, where private trading and processing systems are well developed and reasonably efficient, it may be highly desirable to coordinate the traditional marketing system activities by channeling credit and inputs into the agricultural sector. Other commercial banks might also play a significant role in channeling credit to small farmers as well as to large farmers.<sup>61</sup> These steps would not only relieve the excessive administration burden placed on the scarce cooperative and government resources, but will also provide healthy competition to these agencies, thereby helping to maintain the efficiency of the distribution system.<sup>62</sup>

## 5.10. The Marketing Board

With reference to the developments mentioned above, and the results expected from the implementation of the Land Reform Law, despite the efforts exerted, it is difficult to achieve the hoped for benefits because of the current state of agricultural marketing. It is surprising to note that the reform law neglected to deal adequately with the state of agricultural marketing, and it failed to pay sufficient attention to this function, as an essential part of the agricultural development programme. It seems that reform dealing with agricultural marketing is restricted to a limited area and takes account of only one activity, namely, selling. The Land Reform Law, when referring to the marketing activity practised by cooperatives is specifically concerned with cooperatives selling their produce on behalf of their members. However, marketing is a complex process including all those activities relating to the inflow of goods and services from the producer to the consumer. Marketing is a set of activities that leads to or helps to facilitate an exchange. These activities are performed by individuals, businesses, or even non-profit organisations that help to bring about exchange and thus satisfy the needs of the parties involved.<sup>63</sup> In addition to the exchange function, marketing includes other activities such as physical distribution, risk bearing, obtaining marketing information and adequate finance. These aspects of marketing constitute an important issue and land reform has been seriously criticised for neglecting these important aspects.

A marketing board can be defined as a "Producer-controlled, compulsory, horizontal organisation, sanctioned by governmental authority to perform specific marketing operations in the interests of the producers of the commodity concerned".<sup>64</sup> A drastic change in public agricultural policy, so far as it affected marketing, came as a result of the great economic depression which started in 1958. From this point began the modern period of State intervention, assistance, and control, although the objectives and the methods were quite different in the early days from those which followed. From that time, the fixing of farm prices for the whole country became the responsibility of one central government body.



The Marketing Board, since its establishment has continued to operate in the local market and each year guaranteed prices are set and these are the prices which the Board will pay for the crops offered to it by producers. Usually, these prices are higher than those in the free market, and this will encourage farmers to sell their crops to the Board, although farmers still have the right to sell their products in the local market. They can sell to the local middlemen or merchants without going through the Board. Thus, the Marketing Board is no longer regarded as a natural government agent, and it has to compete with private agents, having no monopolistic authority. The Board has come to be regarded as a safe option by both farmers and the government, bringing a measure of stability to markets which had previously been prone to instability. The Board's constitution grants it power to regulate the supply of a commodity or power to trade in a commodity, depending on its type. It can, for example, lay down very strict conditions regarding the quality of produce and it can also determine the price of the commodity, and control the channels of distribution. Only those powers can be used in the Board's operations. If the Board wishes to extend or change its powers, then a lengthy procedure has to be followed until recognition by the Ministry of Trade is obtained.

The major objective of the Marketing Board can be described as attempting to improve the long-term incomes of producers by taking steps to overcome of the inherent weaknesses of the farmers' position in the market. Although there are different methods the Board can employ to achieve its objectives in Iraq as a government organisation, the researcher believes that its objectives can best be achieved through two principal methods. The first of these is to reduce on-farm production costs. This can be achieved in two ways: either by encouraging greater internal technical efficiency, or by hard bargaining with suppliers of necessary inputs. The second method is to attempt to increase demand for their commodities. This can be done by controlling the quality of production, technique used by all marketing boards.<sup>65</sup>

Assessing the performance of the Marketing Boards may not be an easy task

without available data. Although it is important to identify the relevant areas to be considered in the performance evaluation of Marketing Boards, we shall leave this as a topic for further study. The criteria for Marketing Board performance should be profitability, productivity, market development, social responsibility, and innovation.<sup>66</sup>

Characteristic of agricultural products are their variation and the fact that output is not subject to control. Thus, the major difficulties faced by the Marketing Board result from the problem of not being able to regulate supply levels because of the immense variations in yields which are affected by external factors. Agricultural production varies greatly from one year to another, although some crops may be stored for a given period if special treatment can be applied to storage facilities, but crop infestation is widespread, due to lack of pest controls.

#### **5.10.1 Some Criticisms of the Marketing Board**

Some weaknesses of the marketing board may be deduced from the above discussion. Criticism of the Board are related to the economic and political environments in which its authority is exercised and it is also linked with the responsibility assigned to it in these environments (i.e. as a representative of producers, or as a governmental instrument). In both cases the weaknesses which lead to criticism of the Marketing Board are similar.

Price instability and its effect on the marketing organisation result from the operations of the Marketing Board in both cases, whereas bureaucracy and nepotism prevail when the Marketing Board functions as a government instrument, as in Iraq, for example.

The application of different prices and price stabilisation may both have an adverse effect on the distribution of income between regions and groups of farmers, and may result in misallocation of resources. Such adverse effects come about through delay by farmers in adjusting their production in order to provide produce favoured in the market by consumers, eventually reducing the country's total earnings. On the one

hand, a commodity may be subject to very marked price fluctuations so that permanent price increases are not available to farmers. On the other hand, a downward trend occurs in a particular commodity price, the amount of subsidies paid on the free market may delay a decision to divert resources to alternative produce. Moreover, most developing countries need skilled producers and entrepreneurs who have the ability to cope with uncertainty in the market by employing the experience they have gained through dealing directly in the market system, while farmers isolated from the world price fluctuation situation will continue to be unskilled producers.

At the beginning of this Section, we mentioned that most of the Marketing Board's effort is concentrated on price stability, although it is not an easy task to carry out successfully. Indeed, stabilisation of prices may create instability of incomes. Price changes do not follow one direction only in practice, they go up and down. But the crucial point is to be able to decide whether such fluctuations represent a temporary variation or a continuing trend. When price variation constitutes a trend, the total funds devoted to subsidies will be used, whereas when such variation is temporary this situation will be reversed later.

On the other hand, diversion of these funds towards public development agencies means the favouring of public over private enterprise. With reference to fluctuations in the price level, farmers adjust their consumption and their saving to be in keeping with that level. They tend to save in the better off years to compensate for less profitable years. Thus quite apart from diversion of incomes, price stabilisation may reduce the level of private savings.

Apart from the problem of prices, another criticism of the Marketing Board concerns its tendency to be ignorant of marketing organisation, recognition of the importance of which represents an immediate and desperate need. In most developing countries, the Board's monopolistic position in relation to the import-export position may be criticised, although the main purpose of its existence in these countries is to exercise the monopoly by the State in this area of trade. It is clear that such a

monopolistic position will remove the competition situation between traders and growers. Thus the Marketing Board will be regarded as a government agency rather than as an instrument for improving prices obtained by producers as its prices are fixed on a small margin of profit.

As a government instrument, the Board may suffer from being over-staffed, which results in tedious bureaucratic procedures employed to accomplish its basic function. This encourages farmers to sell their products to buyers at the arranged price or slightly less, rather than face boring procedures and tedious delays waiting for official payments. Moreover, farmers may have no time to spare as they are preparing for the next season's cultivation programme.

Moreover, the risks of the Board's usefulness being weakened and the incidence of nepotism due to misuse of marketing board power by a political group are permanent features in most developing countries.

Brief reference must again be made here to the fact that poor communication with rural areas is a great drawback for farmers trying to sell their products since they are far away from potential buyers.

Initiatives by the Marketing Board to overcome these obstacles encountered by farmers are minimal or non-existent. If greater efforts were made to assist farmers in this situation, seasonal crops could be sold at the right time, without the waste which results from farmers attempting to keep their produce in unhygienic barns pending sale.

### Conclusion

There is no doubt that the land reform law which was introduced in 1958 is changing the structure of the farming community. The LRL offered producers, whether owners or tenants, the main prerequisites for success, and gave them an opportunity to improve their performance, by introducing land requisitioning and redistribution, imposing limitation on the extent of land ownership, improving tenancy terms, and the relationship between landlords and farmers, and finally by providing more security for tenant farmers. However, the achievement of the LRL in terms of increasing productivity is much less certain. Unfortunately, lack of full support measures to provide the necessary motivation has not been forthcoming, as we found in our discussion of the cooperatives.

Generally speaking, during the period following the introduction of the LRL, the prevailing methods of production and ongoing operations continued even though they were not convenient for the poor farmers, as landlords still had freedom to dictate whatever policies they chose. Accordingly, the government, motivated by its strong desire to help farmers and release them from the poverty trap, introduced Law No. 117 in 1970, which is regarded as the country's second measure of Agrarian Reform. This law attempted to correct some of the defects of the original Land Reform Act. A new approach by this law lowered the ceilings of privately owned land holdings to between 1,000 and 2,000 Donums of rainfed land, and between 30 and 60 Donums of irrigated land. The aim was to reduce the inequality in land distribution by using a system linked with availability of various methods of irrigation. By the end of 1985, the total area of distributed land reached 9085,000 Donums compared to 3002,082 Donums distributed up to the end of 1970 (see Table 2). Therefore of all land distributed since the enactment of the original Land Reform Law of 1958, nearly 60% was accomplished during the period 1970-1985. This was accompanied by a corresponding reduction in

the area of land returned to individual farmers. Generally speaking, the LRL did not provide a substitute for the landlord, and did not assume control over farmers.

The cooperative societies as well as being established, need also to function effectively. Efforts should be made to ensure that these societies operate as instruments for agricultural purposes and nothing else. In other words they should be supported for economic and social rather than political reasons, as a means of promoting agriculture rather than political programmes. Such societies should operate on a commercial basis instead of keeping agriculture at a subsistence level, and should work more efficiently in the market place. The aims of cooperative work in terms of economic and social development, should include ensuring self-sufficiency in respect of the food supply, reasonable prices for farmers and consumers, greater stability in the agricultural markets, and a marked increase in the standard of living. Agriculture, apart from the idea of feeding the nation, should equally be viewed by the government as essential for more general economic development in that, properly organised, it can provide the basic needs of the people and the agricultural industry as a whole. In this respect, the government still has a number of tasks to perform by taking positive steps to improve marketing infrastructures such as feeder roads, arranging easy terms of credit, providing good communication with remote areas, and linking the production areas with urban areas. Such steps would have positive effects by reducing the level of migration.

Agricultural development is basically affected by human and technical problems. Farmers can achieve improvements in agriculture, when they have access to production inputs, knowledge about the market and modern agricultural methods, and understand the financial system. Farmers' lack of resources and the incentives required to enable them to modernise their production methods are responsible for their lack of access to an effective marketing system. An improvement in the rural community environment and its organisation is important because, together with an expansion of Iraq's

industry, it will determine the level of socio-economic integration and development. Success in the achievement of targets will result from the combination of these elements in a favourable political and institutional environment, not through reliance on some magic formula to bring about rapid changes in the development of the rural areas. Using a scientific approach should be regarded not only as a way of improving the standard of living in rural areas but also as a means of integrating the rural sector into the urban sector. With an increasing income, people could offer to purchase more manufactured products which in turn would encourage local industry. The economy would thus be provided with a real source of growth because the integration of the two sectors would bring about the required interaction between demand and supply. There is little doubt that without an improvement in the standard of living in rural areas the drift towards the towns will continue and the number of people seeking employment will exceed the natural increase in industrial employment requirements.

There is a shortage of planning staff in most agricultural government departments. The unstable conditions in the past are responsible for this situation. The Ministry of Agricultural and Agrarian Reform has not been staffed by competent personnel capable of implementing the policies required to achieve the government's objectives. Planning in the rural areas generally has a multiplier effect on growth. Technical and scientific change in agriculture has not matched the level achieved by industry, yet a rapid acceleration of agricultural produce could play a strategic role in expediting industrial expansion. Therefore, cooperation and the coordination between the Ministries concerned are obviously vital.

Success in implementing government programmes depends on the support and participation of the entire Iraqi population. National unity is a basic requirement for raising the general standard of living and therefore a concerted national effort is essential for development. Iraq's economy is fundamentally healthy. However, even if financial difficulties could be overcome, failure to attract sufficient numbers of

competent people would still be considered a problem. With more appropriate modern farm technology and management practices and freedom from the restrictions, inhibitions and rigidities that characterise the political, social and institutional structure, the country's natural resources could ensure a potentially high level of production. When the majority of people are poor, as they are in most developing countries, they are unable to provide an adequate market especially for a new industry, due to their low purchasing power. Thus, the balance required in the process of economic growth can only be achieved through the integration of agriculture and manufacturing industries. In a country when most farmers are poor and their productivity is below subsistence level, there is consequently little or no incentive for industry to establish itself. Conversely, agricultural improvements may be inhibited by inadequate marketing of farm products if the non-farm sector of the economy is backward and underdeveloped. Both sectors must move forward simultaneously or one will remain passive when the other sector is slowed down. A number of weaknesses emerge, therefore, as a result of the inadequate capacity of the marketing system.

It is particularly important to establish and organise cooperative societies in communities where the majority of individual farmers are unable, for financial reasons, to engage successfully in agricultural pursuits. By means of land societies, the efforts and contributions of those scattered farmers can be consolidated and strength will be created through their unity, and finally, through their combined efforts, reasonable rewards and great benefits can be derived from Iraqi agriculture. There is an increasing awareness that while at national level the drive is towards industrial development, Iraq cannot afford to neglect agriculture. Farming has become a crucial business for both farmers and the government. Raw materials for food processing industries consist mostly of agricultural products. These raw materials are the cornerstone of the food industry for which the availability of these materials at the right time and in good conditions is extremely important. Increasing the level of



agricultural production will reduce the level of imports and the vulnerability of Iraq's food industry. However the problems associated with agricultural products (see Chapter Three must be overcome.

Iraq should benefit from the experience of the developed countries in material handling techniques. Satisfactory methods of handling materials would save wastage and avoid much of the damage suffered by products.

In terms of trained personnel and reliable extension services for the farming community, the shortages of skilled people and trained labour are obvious. Closely related with the shortage of trained and experienced staff or workers, the question of the remuneration of such staff in agriculture is an important one, since it is necessary to attract young graduates and who will work wholeheartedly in the agricultural industry.

Unfortunately, recognition and understanding of the socio-economic and philosophical aspects of Iraqi agriculture are lacking. Appreciation of these factors would improve the overall picture of agriculture.

With a proper understanding of the structure of the agricultural community, the government could introduce appropriate programmes. Evidence suggests that despite the series of five-year plans which started in the 1950's, agriculture in Iraq has still not reached the required level. It is not realistic to launch programmes covering a long period of time, even if they are highly sophisticated. It is thus the extent to which programmes are technically and technologically appropriate, that must be considered. The human factor in agriculture cannot be neglected no matter how sophisticated the Iraqi approach may be. The level of implementation of these projects and the degree of people's participation are equally important. The picture of a handful of agricultural experts reaching a conclusion after exchanging files among themselves has not helped the situation.

As stated earlier, many members of cooperatives are not completely loyal to their associations. This situation poses a serious problem and is exacerbated by the low quality of leadership in cooperative units. The importance of such problems can hardly be overstated. Lack of "cooperative spirit" is understandable but it represents an obstacle to the development of cooperatives in Iraq. This opinion is based on the continuing fall of production over a long period, despite the government spending millions on the agricultural sector. The slight increase in some crops is related to the use of technological inputs rather than to improvements in the management techniques.

Without fertilisers to replace the nutrients gradually lost, future crops will not thrive or might not even grow at all. Poor soil can be made extremely productive by employing proper fertilisers which increase the amount of land that can be used for growing food as well as making any soil more productive. Without fertilisers available, the volume of food supplies would soon be reduced and agriculture would no longer prosper. Thus a reform of cooperative structure is essential to attract members' interest. It is necessary to improve the quantity and quality of the services presently available so that farmers recognise the difference between the old and the new system which may encourage them to work actively and collectively. Such improvements would considerably reduce marketing costs and farmers would be better off when the incentives provided, met their requirements. These improved services would indirectly improve the marketing system and the distribution outlets. Implemented successfully, this would increase the level of competition between the cooperatives and the private sector, and consequently promote economic growth.

The researcher believes that there is some prospect of the cooperative movement in Iraq achieving some degree of success if certain measures are taken by the government. This view is based upon the success of implementing the experiment of the Crusader project in all the governorates throughout the country which has enhanced the use of

modern inputs in order to increase agricultural efficiency and resource utilisation. The opportunity presented by these projects will assist the move towards the modernisation of agriculture and provide cooperatives with the means of achieving considerable economies of scale.

In most developing countries including Iraq, both economic and social development must be recognised as necessary factors in relation to improving the food supply. Illiterate farmers rely much more on tradition than do educated people, and they are not aware of fundamental natural and economic forces that affect their lives. Resistance to change and the use of new agricultural techniques in such a community will be deep-rooted. It is this lack of adaptability which prevents acceptance of the changes that could lead to increased agricultural productivity and to consequent improvements in the economic and social environment.

There is no evidence that cooperatives will be abolished. Their failure in Iraq is not as is often stated, entirely due to the extreme individualism of their members but arises mainly from poor education and inefficient management. Kimble stated "It takes dedication amounting to idealism for the dynamic souls of this world to occupy themselves in the service of their less dynamic neighbours".<sup>67</sup> This may provide the key to the problem. Bottlenecks still occur in the Iraqi market and have become a characteristic feature of the social and political structure. Above all, little can be accomplished without stable government. Improving various aspects of the general infrastructure is essential so that they can be profitably directed towards achieving the optimum level of production. But this policy must be maintained for several years in order to achieve any kind of economic and social progress in the future, to become a turning point in the development of the agricultural sector and to enable Iraq to be one of the countries in the Middle East that exports agricultural produce to neighbouring countries.

In Iraq, the cooperative movement makes only a small contribution to marketing. As the gap between the consumer and the producer increases, the marketing system in Iraq fails to a certain extent to match consumer demand with supply. Since the use of low inputs leads to low outputs, an efficient marketing system is required. Marketing systems should be developed in such a way as to meet the major challenge facing Iraq in terms of planning and introduce changes in supply, demand, and production relationships. Any attempt to increase agricultural output will be limited by the type of agricultural marketing system that is established. At the present time, the agricultural marketing system in Iraq is not capable of performing its task. It is inadequate because its operations are too costly. It is inefficient too, as the difference between the price which the consumer pays, and the return which the farmer receives is often very considerable. This factor will be demonstrated later in our case studies.

Section Two attempted to explain the role of credit in the rural areas, by pinpointing the problems, difficulties and weaknesses of the current system. The nature of the credit policy in general depends upon the type of production for which loans are given, the institutional structure, and the stage of development reached in the agricultural sector. Thus our conclusions are related to the current situation in Iraq. In other words, there is no unique formula for solving credit problems in general.

The discussion shows that the provision of credit is of particular importance to the poor farmer and is therefore regarded as a key factor for improving agricultural output in a country like Iraq. The existing system is biased in favour of the large farmers and poor farmers cannot obtain enough to support their activities. Credit could be regarded as a means of maintaining the level of employment in the countryside, by making it unnecessary for workers in the agricultural industry to migrate to seek employment in other sectors of the economy. Monopolistic control of credit enables moneylenders to set interest rates at too high a level. Given the lender's ultimate objective of maximising profits, a large proportion of the farmers' surplus may be absorbed by

repayments, leaving him at or below subsistence level. Thus immediate attention should be paid to the needs of the small farmers who represent the majority of the workers in the agricultural sector. Small farmers are less skilled, less well educated and less credit-worthy than large farmers. Flexibility in the granting of loans is required to relieve their difficulties, as well as education to raise their skill, levels, income and purchasing power.

Through the cooperative units, the government has attempted to relieve the poverty experienced by farmers through the Land Reform by making credit available through official channels. Despite these attempts, the credit terms which are imposed must be met by farmers and compel them to borrow from private sources. Thus, farmers are very anxious to repay private loans rather than the public loans in order to secure access to their future credit requirements, due to the higher interest rates payable on the latter, and the prolonged procedures involved in obtaining public loans or in legal actions introduced to recover overdue payments in spite of the low level of interest rates required for public loans. The major characteristics of the cooperative organisations in Iraq are the high degree of centralisation, the high cost of administration, inadequate services to agriculture, and lack of management expertise which weakens their effectiveness and prevents them from offering considerable help to farmers. When farmers have access to credit from private sources, in the rural areas they are subject to fewer restrictions because those moneylenders do not bother to evaluate farmers' financial position. Cooperatives may abuse the credit system for the benefit of some influential farmers.

The Agricultural Cooperative Bank (ACB) is the official source of credit supported by the government. This source is different from unofficial sources in terms of interest rates. The latter are considerably higher. Despite government concern about the level of production in the agricultural sector, and her establishment of the ACB, the latter did not achieve the degree of success required, although figures indicate that the level of

lending was increased through the activities of this channel. Failure of the ACB to provide the amount of loans required compelled the government to research into the precise needs of farmers and their ability to repay, thus avoiding ever increasing rates of defaulting. The researcher believes the the Bank has not taken into account of the social structure of the peasant farmers in the rural areas, and the tedious administrative procedures involved, complicate the situation in a way that does not apply to informal sources which have greater flexibility. The most effective financial institution is the one that recognises the dual purpose of credit, namely for both consumption and production. Unless this is recognised at official level, then the opportunities of credit are missed. The income of producers has been reduced to a great extent by the present credit system, the value added in crop prices being absorbed, not by the government, but by high private interest rates. The failure of farmers arose in part because of the deliberate actions of landlords but it was also the unintended result of the administrative requirements imposed by official organisations. On the one hand, the private lenders, by keeping farmers working at or below subsistence level, and in a constant state of indebtedness, did nothing to encourage them to adopt modern technological methods. On the other hand, institutional barriers in the form of legislation kept the amount of money at a low level, which also left farmers unable to introduce new products or to undertake major innovations. By and large, irrespective of who contributed to the farmers' state of indebtedness, the result was that farmers' technological progress continued to be at a low level. They were exploited by profiteers, and so it seems that a considerable period of time will be needed before the status of farmers improves.

Great efforts and institutional reforms are needed in order to determine the exact amount of credit required by farmers. Surveys may need to be undertaken for this purpose. Thus, the policy and tasks to be undertaken by the "General Agricultural Cooperative Council" are matters of great importance. The Council must have more

contact with farmers, its responsibility being to plan for a better future through scientific research and to improve the quality of managerial skills. The main functions obviously should be to bring about as soon as possible an increase in agricultural productivity, to minimise the income gap between rural and urban areas, to reduce the level of migration, and in the long run, to improve the farmers' quality of life and the welfare of the whole community. Thus there is an urgent need to develop new credit organisations or to make better use of the existing institutions operating in the present financial system in order to meet the needs of the small farmer. Given the magnitude of the problem of debt in the agricultural sector, greater flexibility relating to the granting of loans should be introduced, and assessment of credit requirements should be carried out more rapidly to provide an effective and efficient credit programme.

Marketing Boards have always tried to impress upon their members the importance of fulfilling market requirements. In Iraq the Marketing Board, in doing so, attempts to help producers to improve the marketing of their crops, their quality and methods of presentation. In practice in so far as farmers have freedom in selling their produce, the Board has achieved little success in these areas. Many factors have contributed to such a situation:

- (a) Bureaucratic procedures followed in receiving the produce and paying for deliveries to the Marketing Board may discourage farmers from dealing with the Board, especially those who are in remote areas, or those who are already in debt to others. Moreover, producers are able to sell their product irrespective of its quality to any potential buyers, since farmers are not marketing-oriented.
- (b) With reference to the fact that producers are scattered over a wide area, and that there is poor communication with the rural areas so that farmers are not well known, it is difficult in such conditions to ensure

direct contact with such farmers, making large scale changes relating to improvement of output highly unlikely.<sup>68</sup> Producers in such areas, are at the mercy of middlemen.

- (c) Farmers have not regarded the Marketing Board as an instrument for improving either their marketing techniques or their productivity. This feeling may reflect the nature of work assigned to the Marketing Board, as government departments which reduced their ability to offer assistance or to contribute towards providing the above services to producers.
- (d) The Board appears to have developed an excellent and effective staff dedicated to the principles and objectives set by the Ministry of Trade, and the government is prepared to support it through a banking system, but little regard is paid to farmers' requirements and future ambitions. It appears obvious that the Marketing Board is, in fact, a specific instrument established to achieve political goals that in general will favour one social economic group or set of national objectives over another. It also appears that even when there are statements to the contrary, the concealed but primary objectives of such organisations are political rather than socio-economic in intent. For example, we can return to the somewhat unctuous policy statement on the future marketing of crops. By fixing a steady buying price in advance of the sale of each season's crop, the Board will cut the link between the price of the crops in Iraq and the up-to-date price on the world market. Consequently, in some seasons when world prices are high, the price paid to producers will be less than the average realisation on overseas sales. The Board will on such occasions show a surplus occurred in years of high world prices.



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Our discussions in the next Chapter deals with the factors affecting the price mechanism and purchasing motivation in the domestic market, although pricing policy methods will also be discussed at appropriate points. We shall see that the absence of an effective link between the food processing industry and agricultural producers who provide that industry with the raw materials it requires has an adverse effect on pricing levels.

**CHAPTER Six**  
**PRICING MECHANISM**

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## CHAPTER SIX

### PRICING MECHANISM

#### Introduction :

In the previous chapter we examined the contribution of the Marketing Board in relation to pricing. little success was achieved in this area for the reasons mentioned in the conclusion of that chapter, and it must be reiterated that farmers did not regard the Marketing Board as providing an incentive for improving their productivity and their living environment. For example, when the Marketing Board fixed the price of crops in advance, it contributed indirectly to cutting the link between prices in the national market and current prices on the international market. As a consequence, farmers were worse off when world prices were higher, so that no economic objective was achieved. Moreover, as mentioned previously, when farmers decided to sell their produce freely, the Board could achieve little success in fulfilling market requirements.

In the developed nations, prices in the market may be decided by many factors such as the quality of the product, greater standardization and the services provided by the producers. This is not the case in the developing countries. This is a very important issue since because of their standard of living, poor people are interested in price rather than quality, fixed prices are not common, and bargaining is very common. What is relevant to our study of agricultural food products, is the fact that in Iraq little attention is paid to differentiation of produce by means of advertising or packaging and such products are mostly standardised.

In a country like Iraq, commercial considerations are largely ignored in government development strategy. We have seen from the previous chapter that in agricultural development too little attention has been paid to the obvious links with the food industry. The effect of this will be a main concern of this chapter, together with consideration of faults in the price mechanism generally. Both of these issues



represent the main shortcomings of the pricing policy. Moreover, most of the executives in the firms visited twenty out of thirty, displayed little concern about their pricing policy and did not regard it as a major element in their marketing strategies.

Thus, the aim of this chapter is to provide more evidence that consumers generally pay more than the prices fixed by the appropriate government department in the food market. This will be done by examining the present system governing the prices of agricultural food products, rather than by estimating producer's costs and profits. Thus, the main purpose of this chapter is to deal with factors which lead to the prevailing prices in the market rather than investigating the pricing policy pursued by firms visited, a matter which is considered to be outwith the scope of our study, as it is concerned with costs and pricing policies, which represent concepts requiring further investigation. In this chapter, much of our concern will be devoted to the effect of pricing on the consumer, how pricing is decided in the absence of effective government intervention, and the major pricing problems facing the visited firms. Discussion of the characteristics of the agricultural products which have a direct effect on the pricing mechanism is appropriate here, in dealing with the type of pricing system which the central planner in Iraq should consider when fixing market prices.

In the relevant chapters we argued that agricultural development was not given sufficient attention and this was also true of the food processing industry. Consequently, not sufficient attention was paid to the price mechanism in general. Such neglect contributed to the failure of the pricing policy. In this chapter we concentrated on the elements affecting price levels of agricultural products. In other words, we thought it better to concentrate on the price mechanism rather than on establishing a pricing policy.

## 6.1 Agricultural Product Conditions:

In the marketing literature, variations in the prices of manufactured products are less marked than those in the field of agriculture. The prices of industrial products are relatively stable over a particular period whereas changes in the prices of agricultural products may occur on a daily basis and a simple explanation of such price variations may be related to the characteristics of the products, the level of consumption of agricultural produce, and the nature of the production processes employed. The prices of manufactured products are linked more closely to costs, whereas the prices of agricultural produce are more closely related to existing demand and supply.<sup>1</sup>

Most agricultural produce is to a great extent affected by its perishability, although the degree of perishability varies according to the nature of the products. Product deterioration has consequently affected farmer's decisions relating to disposal of their products, decisions which must be taken at short notice as compared with industrial goods whose producers generally have more time to consider how to dispose of their products. Farmers have to decide on one of two choices in this context. The first option is to market their produce in the consumption area immediately after harvesting, especially products that deteriorate quickly, such as fruits and vegetables which cannot be stored for any length of time. The same applies to products such as wheat if they are not consumed in a reasonable time or kept in special storage conditions. Moreover, the durability of each product depends upon its physical characteristics which require the application of appropriate treatment if the product's quality is to be maintained. The second option open to those farmers is to keep their produce for a period of time under certain conditions (namely appropriate storage facilities) to achieve certain ends. The perishability of most agricultural products makes such storage or processing essential. Consequently, since most farm products tend to be of a bulky nature, their storage and transportation costs are high in relation to their value.

Storage facilities can solve the immediate problem facing agricultural producers when the quality and quantity of such services is sufficient for the purpose, but the

problem will remain if such services are not adequate. Agricultural products as we have pointed out in chapter 3, depend upon external or uncontrollable factors during the period required for maturation. In spite of technological improvements, crop yields are still affected to a great extent by weather conditions. Fluctuations in production may take place as a result of unforeseen circumstances. These fluctuations cause both instability in supply and price variations. Marked price variations greatly affect products which are highly perishable such as fruit and vegetables, but affect much less products such as wheat and barley which can be kept in suitable storage conditions.

In certain products, the yield is influenced by genetic differences between particular strains. Such differences may create the need for more careful grading and sorting of the products prior to marketing. Variations in the quality of produce complicates the problem of grading, and may have an indirect effect on produce prices since, for example, for food processing purposes, specific quality standards must be met. As a consequence the relationship between producers and consumers or manufacturers is severely restricted, and supply is not capable of meeting demand. Such factors affect the process of distributing agricultural produce to the market.

Food is essential for the survival of human beings. As standards of living increase, people have began to consume particular products more than others to meet nutrition requirements and to enable them to do their jobs properly. Even for the poor, or where famine exists, basic foods stuffs are required to maintain the necessary minimum diet. As a result of differences in per capita income, there are differences in the purchasing power of individuals. Up to a point the higher a person's income, the more he will spend on food, either by buying different types of food, ie in addition to staple foods or making use of food services for convenience purposes. In a society where income rises, soemof the additional purchasing power will be directed towards the food industry, and as the demand for convenience foods grows, the food industry will account for a higher percentage of disposable income. In this context, the availability of convenience foods

at the right time and in a satisfactory condition becomes vital. These factors have all created problems in the distribution of food stuffs and can lead to price fluctuations.

Agricultural production is affected by many factors which cause variations in the quality and quantity of products. Bad weather and infestations, largely unforeseen and outwith human control (although reducing the effects of these factors is to some extent possible) have generally led into instability and variation in production levels. The processes involved in agricultural production are affected in ways other than those mentioned above, such as by seasonality and the time gap between planting and harvesting which present problems concerning the storage of produce and forecasting the yield of particular crops. Most agricultural produce particularly foodstuffs, is subject to seasonal variations which for the most part are not related to variations in demand. Demand may remain constant throughout the year. The seasonal nature of agricultural marketing is affected by instability in the quantity and quality of the produce from one season to another. Some types of produce are harvested only once a year. Consequently variations in the market price occur when there are fluctuations in the amount harvested. The effect of such variations is heightened by the impact of such factors as inadequate storage and transport facilities.

Agricultural production also depends basically upon how many hectares of land are available and the aggregate yield. Efforts have to be made to ensure that at least the same level of output is achieved every year from the same land. Certain factors directly affect the overall structure of the agricultural industry, particularly the fact that it is very fragmented. Accordingly, to ensure that the industry operates efficiently, marketing intelligence is extremely important as agricultural produce is supplied by a large number of scattered production units.

The importance of market research has been increased, especially since the output of production has to be directed towards mass markets and consumers are therefore unknown to the producers. Market research provides the opportunity to obtain the

required information concerning the nature of the mass market. Marketing research in farming is as important as it is for industry. However, the tools required for such research are too expensive for individual farmers, as none of them is able to afford the expense involved, either personally or for research to be undertaken on their behalf. But marketing research in farming is very important in order to inform farmers of the opportunities that occur in the market. Such information is crucial, especially when farmers are considering adopting farming systems and techniques. There can be no doubt but that the government should take the initiative in this context. This leads one to ask what the government should do. This question has been discussed in previous chapters. However, suggested government responses are summarised at the end of this thesis.

The factors discussed above relating to agricultural production, indicate that a certain amount of additional cost would have to be met by the farmers themselves. To enable them to do this, an increase in their income is vital, to improve their standard of living, allowing them thereby to continue to meet such costs, and to maintain increased productivity. To this end, financial incentives are required, otherwise the agricultural industry will be faced with persisting problems.

The above discussion has revealed that the main causes of instability and variations in agricultural production are related mainly to the biological characteristics of such produce. Such variations may affect planned output in the form of a serious shortage one year followed by a surplus in the next. Unfavourable and uncontrollable factors such as weather conditions or insect infestation are among the many factors contributing to this situation. In the south of Iraq for example, the areas in which oranges and dates are planted are adversely affected by winter rain and considerable quantities of fruit are damaged in the early months of the winter season. In 1979 an acute shortage of oranges occurred as a result of heavy rains and snowfalls. In the middle of the country, pomegranates may suffer from various diseases. Thus, the

biological nature of agricultural production contributes to unplanned yearly fluctuations and a concentration of output in certain seasons.<sup>2</sup>

Also the period of time between successive plantings of most agricultural products makes it impossible for farmers to influence the market by setting prices at a level which will be to their benefit by increasing prices for a particular product when uncontrollable and external factors have caused shortages, so that low prices persist for a considerable period of time. Further, most farm products do not lend themselves to an assembly line type of process.<sup>3</sup>

In chapter 3, we pointed out that one of the fundamental weaknesses in the agricultural industry structure is that there are too many small barely viable, widely scattered farms, and the farmers are free to produce according to personal choice. Clearly such a system affects price determination at a Local Level. There are more than a thousand large villages throughout the country so that small scale production units predominate. This multiplicity of production units creates distribution problems additional costs in collecting produce and also makes it difficult to predict available supply accurately. What is characteristic of pricing in such a small-scale organisational system, is inability to regulate supply in response to price changes, especially when prices fall. In such a system, individual farmers jointly produce a very large proportion of total agricultural production, yet they generally have no effective influence on prices. For the individual farmer, therefore the price is fixed and he simply has to decide whether at that price it will pay him to increase production, reduce it, or produce the same amount.<sup>4</sup> This phenomenon does not generally apply in the industrial sector, where firms can influence price levels due to their large share of the market.

In general, a main characteristic of the agricultural industry is uncertainty. Uncertainties regarding price and output are very common.<sup>5</sup> As we found in chapter 4, this weakness in the agricultural industry may influence the amount of money that

farmers may obtain from unofficial sources as the lender is fully aware of the uncertain nature of the industry and is prepared to provide the amount of credit required to meet the farmer's needs and wants.

## 6.2 The Effect of Habit on Decision Making:

Habit reduces attempts to seek information and to evaluate alternative choices.<sup>6</sup> Accordingly, purchasing by habit appears to reduce risks for consumers and, facilitates their decision making, so that shopping is made easier by minimising the need to seek information.

Constraints on purchasing may take the form of consumer preferences, consumer mobility and most important to our present discussion, price changes. People enjoy the food they are used to. The family's social status and cultural background, etc. are factors that may be more important than income. Many people continue to eat the food they are used to, even after their income has increased.<sup>7</sup> Price changes upward or downward may cause the consumer to consider making alternative purchases. But when this happens, one cannot expect instantaneous changes in prices. As was mentioned above, the buying habits, elasticities, consumer's desire to reduce risks stemming from uncertainty, and other long-established factors continue to have an effect.

The following discussion is intended to illustrate how some of these factors operate. Consumer reaction to price changes needs time to manifest itself when the consumer is not fully aware of the circumstances. An obvious example of this is when a housewife buying fruit and vegetables asks for a specific weight of dried apricots. The seller knows what other ingredients are required to complete the recipe for this type of cooked meal. Such a recipe includes other dried fruit, such as figs, sour peaches, nuts and almonds. Another example is when cooking a fresh meal of spinach recipes need a certain complementary proportion of other vegetables such as fenugreek, parsley, chick peas.

The point of these examples is that consumers will not react immediately when the price of these extra ingredients is high and, it will be some time before they become aware of changes and react to them. Generally speaking, buying behaviour relating to food consumption has developed over a long period of time, and such purchasing habits, once learned, change very slowly. It should be pointed out here that there is a limit to the level of food consumption and consequently the demand for food products is not unlimited. At this stage of the discussion the agricultural problem under consideration is price variation and the effect of this on farmer's earnings when prices fall. The researcher is particularly concerned because there has been a series of surpluses of some agricultural products in the market, and adjustment of supply to demand is causing problems.

Consumer reaction to prices is affected largely by the level of income earned by a particular group. Total family income and uncertainty about prices both influence purchasing decisions and may postpone buying a particular foodstuff at any given time. A family or an individual consumer with high income may decide to buy certain fruits or vegetables as soon as they appear in the market as an indication of prestige to other shoppers or friends, or simply because a higher income gives them more choice. But most consumers who are only at subsistence level or are comparatively poor only buy such products after a period of time where they believe prices are low enough and this only happens when these products are available in the market in a large quantities. The same type of situation occurs when produce is in short supply, especially at the end of the season for such produce.

As agriculture is characterised by inherent instability, prices are consequently unstable or uncertain, and this phenomenon contributes to general uncertainty, which creates difficulties for farmers in any attempt to predict price changes. Although prices are correlated inversely with supply, farmers cannot be certain that prices will be in their favour when output does not meet demand. The government will respond quickly,



as soon that bad season is expected, by increasing the level of imports or by flooding the market or curb price variations, or by balancing a poor harvest in one area with increased production in other area. In such cases, the level of prices in the market will not be affected.

Government intervention, especially in the developing countries in different sectors of the economy, through regulation legislation, or another measure, erects institutional barriers aimed at protecting the national economy and ensuring price stabilisation. In Europe levies, import quotes and target prices are examples of government intervention in the field of agriculture.<sup>8</sup> The Iraq government, through legislation, has allowed the private sector or various official departments to encourage or discourage importing fruit and vegetables or other crops when there is a shortage or glut respectively of such products. Such government measures are obviously intended to protect consumers and to prevent the price of these items from reaching unacceptable levels. Price stability is generally regarded as essential to the agricultural industry.<sup>9</sup> Such intervention has been intensified to reduce dependence on imports and improve the depressed state of domestic agricultural for both economic and political reasons in order to ensure a greater supply of agricultural produce than in the past and to enable a rapid expansion to take place in times of national need. This kind of government intervention was intensified after the marked decline in domestic agricultural production following the enacting of the land Reform Law (see chapter 5).

A number of the policies to achieve price stabilisation and control which have been adopted by the government are outwith the scope of our study, as we concentrated on the elements affecting price levels of agricultural products. In other words we thought it better to concentrate on the price mechanism rather than on establishing a pricing policy. Accordingly, we shall concentrate on government intervention relating to price stabilisation, by becoming involved in the field of distribution, which is the subject of

the case studies reported in chapter seven. Such intervention is also practised by the government of other countries.

The application of technology in agriculture has had the obvious effect of increasing agricultural output all over the world. This use of mechanisation in agriculture has transformed the situation from one of shortage to one of glut in some countries over the long run and, greatly improved the contribution made by agriculture. In chapter one, we pointed out that the low level of productivity in agriculture in most developing countries is related to limited use of improved types of seeds, inefficient irrigation systems, bad management, inadequate use of fertilisers, the lack of technical improvements, inefficient weed control, and in general, minimal implementation of modern technology. All of these factors have created an atmosphere of uncertainty for farmers. Table 12 in chapter five shows the level of use of chemical fertiliser by different countries, including Iraq. It was also explained that the use of improved varieties of wheat, rice and barley resulted in a marked increase in output per hectare, which in turn reduced the price of these staple foods. But in the field of fruit and vegetables, no serious steps have been taken to introduce new varieties or to plant trees which would bear more fruit. If this were done, the prices of such products would increase because of their improved quality. There was an increase over the last seven years in the price of oranges, tomatoes, eggplant, potatoes and melons. For example the price of oranges increased from 300 Fils per Kg to 850 Fils per Kg between 1976 and 1982.

The introduction of the Nation Wide Projects is an indication of the trend towards increasing the use of chemical fertilisers in agriculture. Whereas in developed countries this is normal practice, great efforts towards this end have been required in developing countries. Table (1) shows, for example, the trend towards using chemical fertilisers in China. Two points may be made here. First the production of chemical fertiliser in China has steadily increased from 0.151 million tons to 14.030 million tonnes from

1957 to 1983. Secondly, imports of chemical fertilisers show an increasing trend despite variations from year to year. Available figures show that import levels have increased at varying rates during the same period. <sup>10</sup> In Iraq for every 20 Kg/HA of chemical fertiliser used, about 100 Kg/HA are used in developed countries, so the use of fertiliser per hectare is still very low in Iraq.

### 6.3 Demand For Food :

As far as agricultural food products are concerned, it should be pointed out that the range of price fluctuations is related not only to fluctuations in available supplies, but also to price elasticity of demand. Clearly, the more inelastic the demand is, the greater the change in price for a given change in the supply level. So the concept of elasticity could be defined as the percentage by which the level of purchases changes when the price changes by one percent. <sup>11</sup> Thus the elasticity concept is crucial for evaluating the responsiveness to price changes of the level of demand. However our discussion of elasticity in the context of our study is concerned with its relationship to price changes rather than as an attempt to measure elasticity.

Elasticity is one of the basic agricultural marketing problems. All agricultural production is carried out in anticipation of demand, and in certain cases the time span between an initial decision to produce, and the product being ready for market can be as long as two years. <sup>12</sup> As we mentioned earlier most agricultural products are harvested once a year, especially in the case of vegetables and fruit.

It is relevant to mention here, that the degree of elasticity of demand is determined by many variables such as the availability of substitutes, the importance of the product to the consumer, the consumer's income, which reflects his purchasing power, and the strength of the consumer's purchasing habits. <sup>13</sup> All these factors will together reflect the possible extent of the response of demand to price changes and assessment of the degree of elasticity in relation to food products. The demand is said to be inelastic when

the resulting percentage change in price is greater than the percentage change in quantity. Conversely, the demand is said to be elastic when the resulting percentage change in price is lower than the percentage change in quantity. In other words, in the first case, elasticity is less than one, whereas in the second case, elasticity is greater than one. To summarise what we have said about elasticity of demand, agricultural supplies are subject of considerable fluctuations, and since demand for basic foods is stable (inelastic) prices agricultural prices may be extremely unstable.<sup>14</sup>

In the most general terms, elasticity is the relationship between the relative change in one economic variable and the relative change in another variable with which it is linked. Thus the substitution of a product for a highly priced one represents positive elasticity. This behaviour is found in connection with agricultural produce more than in the case of industrial products. During the tomato season, the demand for fresh tomatoes exceeds the demand for tomato paste. The opposite is true outwith the season. People switch from consumption of fresh tomatoes when their price is high to tomato paste, due to its lower price. Similarly, substitutes are used in place of water melon, when the latter is expensive. But the situation is different when the prices of complementary items change. An increase in the price of one item may adversely affect the demand for complementary items. To use the example mentioned previously, if there is an increase in the price of dried apricots this may lead to a decrease in the demand of other items such as dried nuts. Similarly, a decrease in the price of one of these items may increase the demand for other complementary items. Generally speaking, with regard to agricultural food products, zero substitution in the case of both fruit and vegetables is rare. Zero effect or zero substitution is unlikely in the case of fruit and vegetables as people may shift to other produce or refrain from buying a particular product until the supply increases. Independent products in relation to which there is zero substitution are very rare. In general, elasticity of demand in

relation to the price of particular food depends on the ease of substitution, and for a particular product, elasticity will be low if there is no acceptable substitute.

The level of income may have a greater effect than other factors such as substitution in that price changes may result in reduced demand for a particular product. In most developed countries income elasticity in general is decreasing whereas it is increasing in developing countries. The largest proportion of income in the developing countries is spent on food. In Iraq, according to the last income census, it was reported that about 63 of total income is spent on food, a considerable part of it on fruit and vegetables (Ministry of Planning, Household Budget Dept., 1985, p. 2a). In contrast, income elasticity in developed countries in relation to non-food and luxury commodities is well known. The demand for food contrasts sharply with the increased demand for manufactured goods. Consumption of the latter is not affected by climatic conditions, as food is. Indeed, the desire of consumers for non-food goods appears to be insatiable.<sup>16</sup>

As was stated above, in developing countries including Iraq, the trend is for agricultural products, especially fruit and vegetables, to be subject to inelasticity of demand. Taking into account the limited extent to which substitution is possible. In Iraq for products as rice, wheat and potatoes -- the demand for these items is relatively inelastic as they are regarded as the staple items in the national diet, and in general, luxury and semi-luxury goods are more likely to have to elastic demand. Thus elasticity of demand for a particular food depends on how much income is spent on it, and the degree of luxury associated with it .<sup>17</sup>

In developing countries most consumers are relatively poor, their diet consisting mainly of the cheapest possible starchy foods - grains or tubers. The price elasticity of demand for these foods is typically very low, and if their price rises the quantity demanded is affected very little due to the absence of less expensive substitutes. Thus in these countries, a substantial rise in the price of staple food stuff can cause a

substantial loss of real income for large numbers of non-food producing consumers. It is relevant to mention here, that as industrialisation and urbanisation take place in the developing countries, there will be an increase in off-farm demand for food in general at a rate exceeding the rate of growth in industrial employment due to the fact that total earnings of industrial workers are higher than those in the agricultural sector, and as we have pointed out, the income elasticity of demand for food is relatively higher than those in developed countries. This will tempt farmers to leave the agricultural sector and move to other sectors to earn more money. This will result in failure to meet the expanding demand for food as more former agricultural workers become consumers instead of producers causing prices to rise. This trend will continue until the government intervenes. 18

Although a study of the phenomenon of elasticity is required in Iraq, the researcher, as a final consumer, believes that in Iraq the demand for vegetables is inelastic, whereas the demand for fruit is to a certain extent elastic. The researcher bases his opinion on the theoretical definition of elasticity and the changing demand for fruit and vegetables which will be discussed in the case studies reported in chapter seven, although confirmation of this opinion requires further study. The point made here is that variation in income has a varying effect on the elasticity of demand for commodities such as fruit and vegetables when income respectively increases or decreases.

#### 6.4 Price Differentiation:

Traditionally wholesale prices in Iraq, are arranged by sellers consulting each other, or are based on information derived from other markets. Price changes also differ in accordance with variations in agricultural products. The demand for most vegetables such as peppers, eggplants and tomatoes is fairly constant, but their supply throughout the season varies greatly so that, the wholesale price of these items is constantly

changing. Prices alter from week to week, according to the price list issued every week by the "General State For Marketing Fruit and Vegetables" whereas the prices of other items such as dried figs and nuts are relatively stable because they are always available in the market. The prices of other agricultural items which are characterised by seasonality of production, remain constant as the demand for them coincides with the season itself, and the quality of such products will be poor in the off-season. The prices remain constant, therefore since demand declines and consumer interest in such products is reduced, as they can be replaced by other products. 20

The price of local agricultural products is also affected by imports of the same items. In Iraq, for example this happens when onions are imported from Egypt, when Egyptian onions are plentiful in the market, local onion prices are low but they rise when imports are scarce. Similarly, the prices of local potatoes are high when these vegetables are not imported from neighbouring countries. In general, the prices of imported commodities tend to be stable, being subject of less variation than the prices of local products, due to government control over such imported commodities. 21

When agricultural produce is sold by the same farmers or other sellers in a particular market, then the selling process is supervised by official channels, and such prices tend to be stable. But the same agricultural products may be sold at different prices, usually lower, when offered for sale outside the regular channels. Those sellers try to get rid off their produce by selling it quickly to avoid objections from other farmers and to avoid overhead payments or expenses. These prices tends to be lower than other prices at the same market for many reasons which may inferred from the above explantion. Such newcomer's basic purpose is to conduct some business in the city centre such as buying fertilizer, undertaking some personal shopping, visiting friends and so on, so they tried to get rid of their produce quickly as they have no time to wait, and therefore ignore normal procedures. Thus their prices are not subject to overhead costs such as those incurred by transportation, processing and packaging

which have to be met by regular vendors. Also they sell their produce without grading or processing and it tends to be of poor quality, often in a soiled condition and highly perishable. Thus little profit is possible and stocks will deteriorate and greater loss will be incurred, if it is not disposed of quickly to ensure an acceptable return. So prices are usually below those offered by regular vendors. With no official control and no punishment by government officials imposed on those "by pass" farmers, who sell through unofficial channel to traders.

In Iraq the market days are from Saturday to Thursday inclusive for most retail markets and prices remain constant throughout any given day. Normal sellers are able to keep their produce fresh all day up to eleven o'clock at night. Thus, the prices generally remain stable during the day, and would not fall unless the produce becomes stale or filthy by the end of the day and will deteriorate if it is kept until the following morning when new produce comes to the market. The fresh and high quality produce is sold early during the day, and what remains is sold at lower prices.

The prices remain constant in the market throughout the week, but there is a remarkable decrease of the wholesale prices at the week ends. Most the sellers try to get rid of their products and to have as little as possible left by Friday - the religious holiday - which is the official public holiday in all Muslim countries. These lower prices may also occur due to the increase in competition between sellers in the market place. In the winter and when it is cold and raining, prices are obviously lower when fewer people visit the market or go shopping, especially in the evening. Thus prices fall due to an over supply of produce.

It is difficult to assess retailer's profits, as profit margins vary in accordance with wholesale prices. Retailer's profit on week days is considerably higher than at the week end or at the end of the day when the products that are left unsold are soiled and of poor quality and so must reduce their prices to avoid further losses. As we shall see later in this chapter the average mark-up on fruit and vegetables is about 20-25 percent of



the wholesale prices and this may not be enough to cover their overhead expenses, and thus they have to take steps to avoid changing the official prices which represents one of many criticism of the present marketing system of fruit and vegetables in the local markets.

### 6.5 Food Prices In Iraq :

In Iraq, the "General Establishment of Marketing Fruit and Vegetables" is the government department responsible for preparing the weekly retail prices in the domestic market for fruit and vegetables. But a general problem stems from the high retail prices of these food stuffs if no comparison has been made at official level between wholesale prices and retail prices. These weekly indices indicate the actual prices to be charged for fruit and vegetables in the market for all varieties of a particular commodity, only two classifications of each commodity being made, that is grade one and grade two. Thus two prices are set. The lower price is for the second grading and the higher for the top grading of each variety, whatever source they come from. Apples and water melons may be used as examples of this practice. The "Central Organisation of Pricing" in Iraq reported that the annual percentage increase in retail prices of the fruit and vegetables was about 20 percent in 1985, compared with about 7 percent in 1977. The reason for this upward percentage is due to the increase of the production costs.

As mentioned above, with regard to agricultural produce in the local market in Iraq, there are wholesale and retail prices. When the products are sold on behalf of a government department, the prices set are intended to keep price levels low for the benefit of consumers and these are usually called the official prices. But in fact, there are middlemen or private wholesalers who set their own prices, with no regard for consumer interests and their prices are usually called the unofficial prices. The General Establishment tries its best to control retail and wholesale prices

simultaneously by imposing its selling regulations on buyers, although wholesalers try to ignore such controls thereby making the policy ineffective. The government has introduced particular measures to control the business at wholesale level such as standardisation, grading, packaging, percentage of commission etc. At the retail level, retailers have been asked to sell at the two official prices and retailers practices are monitored by official inspectors.

No official studies have been undertaken in relation to official prices (government prices), and unofficial prices (private prices) to provide a clear-cut comparison between the two. But the existence of unofficial prices and the manipulation by retailers of official prices is reflected in the number of complaints made by people, when they contact the appropriate government department by telephone concerning any variation in the official price. In this situation, a comparison of the two prices is difficult, especially when retailers will not give evidence which might bring them to court when anybody discusses the question of prices with them. From time to time, daily newspapers provide lists of retailers who have been fined or imprisoned for not adhering to official prices. Also as a consumer and a person with research experience, the writer can vouch for the existence of this phenomenon. The crux of the problem in the researcher's opinion is related to the grading of the produce. When a particular product has only one grading, consumers will see the exact price of that product on a board in front of the shop. When the produce has two gradings, namely first and second class there are two prices. In practice what happens is that a retailer sells the second class grading at the top price, and the first grading at a higher price, ie above the first class grading price. Sales of high quality fruit and vegetables are usually to regular customers who are comparatively rich and are willing to pay more. Thus, good quality produce is not sold to unknown customers, and is usually kept out of sight in the shop. Retailers can avoid any awkward situations with friends or regular customers by telling them that certain quality products were bought from wholesalers through

unofficial channels at prices above those in the market place. Usually those who pay more will not argue about it for economic and social reasons.

In general, there is a lack of detailed information concerning the difference between government prices and unofficial prices at both retail and wholesale levels. However, official reports and evidence of the daily activities practiced by both wholesalers and retailers, provide some indication of variations between private and public prices. The daily complaints of individual shoppers and the shortage of certain types of fruit and vegetables, such as oranges, water melons and apples shows that some irregular practices take place and non-observance of official prices regulations clearly disrupts the marketing system in the fruit and vegetable markets. Officials responsible for monitoring the market to ensure observance of the official list of prices by retailers accuse them in their weekly report of ignoring these lists and selling to their own advantage, disregarding the interest of the public. Their recommendation concerning punishment of those who have ignored government regulations are evidence of price irregularities. In 1986, oranges have provided the best example of retailer and wholesaler practices. The official price of oranges was 650 fils/kg. At this price, oranges were not available in the local markets. They were, therefore, removed from the weekly pricing list. Immediately, thereafter, oranges appeared in large quantities in the retailers' shop at 2-5 ID/kg, about four times the official price. This is further proof that price variations exist, and the pricing system employed by the relevant government department does not work. The researcher believes that the absence of opportunity cost analysis by the Ministry of Agriculture contributes to the imposition of arbitrary prices by the government for food products in general. So the prices usually reflect only the actual cost, and do not reflect the demand and supply situation in the market.

From the official reports relating to price variation, one can infer that the seller's prices are generally higher than the official prices set by the government. Sellers obviously set their prices to suit themselves, without considering the interests of

consumers. It seems that demand for fruit and vegetables is of an elastic nature, and the increasing per capita income in the last ten years has encouraged sellers to raise their prices and consumers are prepared to pay, since they are unable to prevent prices increasing per capita income in the last ten years has encouraged sellers to raise their prices, and consumers are prepared to pay, since they are unable to prevent prices increasing. People want higher quality and are prepared to pay for it. At the same time, retailers convince customers that produce of such quality is bought privately, not through the government channels. Profits are, therefore, high, since, as we mentioned above, there may be a four-fold difference between official prices and private prices. The desire to make high profits is one reason for this. Other reasons are, the officials' rigid pricing policy, and the influence of the demand/supply situation. The sellers do not incur any costs related to transportation, grading and packaging, as such costs are borne by the farmers themselves.

#### **6.6. Price Control Mechanism.**

The above discussion reveals that the public policy of controlling prices is ineffective and price stabilisation in the interest of consumer protection and the maintenance of a smooth flow of products in the market channel is not achieved. In fact, prices are largely controlled by the level of supply and demand at the local and national level. Thus, the continuing use of unofficial prices in the market by wholesalers or retailers is based on the demand/supply situation relating to agricultural produce. Where such a mechanism operates, one does not expect, nor does it happen in practice, that the level of unofficial prices will be less than the prices fixed by the government, when supply exceeds demand, whereas the government objective in setting such prices is to make them higher than the level of prices in the market.

As we shall see in chapter 8 in more detail, and as mentioned previously in this chapter, there are two levels of prices, minimum and maximum, for two grades of fruit

and vegetable, whereas, in dates and grains, for example, there is only one price for each product, no attention being paid to classification, grading, or regional source. Grading is important for the pricing of fruit and vegetables which are also different according to regions. For example, when some vegetables, mostly perishable ones from the middle part of the country, first appear in the market, they are classified first grade, but gradually, as the peak of summer is reached in the southern part of the country, the same commodities from that region are then regarded as first grade, because they have just reached the market and those from the middle region are regarded as second class. In this case, the product is differentiated, not in terms of size, colour, or freshness, but only according to region, although consumers are unable to distinguish between different places of origin, as far as such products are concerned. The point to be made here is that such distinguishing or differentiating of the produce is not effective, simply because sellers take advantage of this system and exploit it for their own benefit, against the interest of consumers. What they do is keep the best quality of agricultural produce irrespective of its region, and sell it at higher prices only to their regular customers and those consumers who want higher quality and are prepared to pay for it. In addition, they sell second grade produce as first grade, and in both cases, profit at the expense of consumers. Such a mistaken policy pursued by officials indirectly enables sellers to engage freely in their activities and makes it easy for them to evade the regulations.

Another weakness of price control is related to the sales of mixed vegetable products consumed traditionally by various local consumers, since the official prices tend not to be clear. For example, the common method of public pricing is to set the wholesale price for each product individually, whereas prices of mixed vegetable are fixed at official retail prices according to agricultural groups. Thus the consumer has to pay the higher level of prices for each individual item of this group, as they cannot know the official retail price of each item individually. Thus the consumer in this case again suffers as he has to pay the higher fixed price at retail level, and this is exacerbated by the fact that retailers generally regard most of their products as first class, irrespective of grading.

Officials themselves may not care about following the regulations, especially at the peak time of the season. This represents a weakness in the control system. Agricultural

produce on such occasions, is sometimes priced per unit, whereas, when there is a shortage, or at the beginning of the season, pricing is arranged according to weight. Such disorganised procedures may prevail in the summer, when the public markets are full of produce. This applies to most vegetables, such as egg-plants, tomatoes, Kosha and water-melon, and to fruits such as apples and peaches. A defect like this in the present system, with no attention being paid to grading in terms of the quality of the produce, encourages farmers to harvest products before they are ripe, which does not help to improve the quality of products and does not promote improvement in cultivation methods.

There is another trend pursued by farmers at the present time. They use special methods to produce certain agricultural products for which they expect to be in high demand by consumers all the year round, such as eggplants, cucumbers and green peppers. They use plastic covers which protect the produce all year round, such as eggplants, cucumbers and green peppers. They use plastic covers which protect the produce from adverse weather, and then sell the produce out of season at a price which is not subject to government restriction. Many farmers pursue this policy. Produce of such high quality is well packaged and processed, and it brings a high return. There is no official government intervention concerning prices, because such produce is not marketed through the public channels, and it is produced outwith the regular season. When farmers know that they can sell at any price they like, this provides strong incentive for them to increase their investment in such activities.

#### **6.7 Price Stabilisation By Government:**

Most governments at the present time use a variety of methods to intervene in the market in an attempt to achieve price stabilisation, and for other purposes such as consumers welfare, and fair income for farmers. Price stabilisation in a particular country is related to other factors which must be considered by the government in order to produce an appropriate policy which is relevant to the country's needs. Total production, per capita income, and the level of the country's economic growth are all factors that have an effect on the price policy to be pursued.

In countries with different economic conditions, the economic measures introduced will vary accordingly. The purpose of government pricing policy in relation to staple

foods in Iraq, such as wheat, flour, sugar, tea, and other imported food items, is to regulate the flow of these items so that prices remain constant.<sup>22</sup>

With reference to the effect of agriculture in the process of economic growth, governments tend to intervene more and support policies to regulate production and imports to achieve self-sufficiency, to avoid deficit in its trade balance and to save foreign exchange. The introduction of government guaranteed prices by the British Government, for example, aimed at achieving an increase in agricultural prosperity. It is appropriate to refer here to a statement in the 1947 Act, to promote and maintain a stable and efficient agricultural industry, capable of producing such part of the nation's food and other agricultural produce in the United Kingdom as in the national interest it is desirable to produce, and to produce it at minimum prices, consistent with proper remunerations and living conditions for farmers and agricultural workers, and an adequate return on capital invested in the industry. Thus the Marketing Boards especially those for milk had come to be regarded by both farmers and the government as a useful means of bringing a measure of stability to markets which had previously tended to be unstable.<sup>23</sup>

While the governments of developed countries are anxious to intervene to achieve price stabilisation, it is equally crucial for developing countries to implement a stabilisation policy. Some economists believe that intervention by the governments of developing countries is of vital importance. Through the central planning that operates in these countries, it is believed that such intervention can create appropriate price levels. The government will be able to allocate rationally the available resources which are mostly scarce, through the policy of pricing as a means of planning in the hands of the government.<sup>24</sup>

As we pointed out earlier, the price stabilisation policy depends upon the economic conditions of each country, and it is not the only target of governmental intervention. A pricing policy for stabilising prices is needed in both developed and developing countries, although aims may vary to some extent, but both attempt to stabilise market conditions to serve the nation and the economy as a whole. Thus, price stabilisation is applied in countries where there is a glut in the market or a shortage of a particular products. So price stabilisation is not an end in itself. When supply exceeds demand,

the stabilisation process has the effect of protecting farmers against falling prices. On the other hand, where there is a shortage the aim is to make the product available in order to reduce consumer hardship. Both objectives are in the interests of the nation and the economy as a whole.

Clearly, one of the aims of the above policy is to provide a fairer income for those who work in the agricultural sector, and other sectors of the economy, so that farmers have a great incentive and incomes are distributed more evenly. These objectives are pursued by governments in both developed and developing countries employing different policies and different measures. In developed countries, agricultural prices and farm worker's incomes generally lag behind the prices and incomes that prevail in other sectors in the economy. This situation is related to the inelasticity of demand for agricultural products, especially when supply exceeds demand. Government policies in these countries, such as direct payment for producers, constraints on production, and other forms of support for producers, are examples of measures designed to maintain adequate levels of revenue for producers in the agricultural sector. On the other hand, in developing countries, supply lags far behind demand and the first objective is to bridge this gap between the two, by increasing productivity and encouraging expansion to satisfy the nation's needs rather than pursuing the pricing policy practised in the developed countries. In other words, redistribution of income is a more important objective in developing countries. A higher level of income and increased return for farmers can be achieved by providing appropriate incentives.<sup>25</sup>

In Iraq, as we shall see in chapter seven, guaranteed minimum prices for agricultural produce represented the initial form of price policy stabilisation which aimed to protect farmers by providing them with a guaranteed return, and reduce the element of risk and uncertainty in the field of agriculture in order to encourage them to increase their productivity and to help the country and the economy simultaneously. At the time being this policy may be regarded as a positive measure by the government for protecting farmers.<sup>26</sup> In the previous section, we stressed that retail prices in Iraq are four times higher than those of the prices fixed by the official department concerned with agricultural produce. The absence of incentives for farmers is one of the agricultural marketing weaknesses in Iraq. Thus the prices of most types of



agricultural produce are at a low level at the field gate, and consequently farmers have tried to use their skill to produce and sell in the black market to make whatever profit they can. The official weekly prices represent the most important feature of the government's intervention policy with regard to stabilising prices for these commodities including crops such as rice, wheat, and other staple products by arranging a guaranteed minimum pricing level. These prices have been fixed in Iraq since 1958 for certain crops and since 1968 for fruit and vegetables and they change from year to year.

With reference to crops, we have pointed out that the Marketing Board has failed to achieve the required objectives, and we suggested how the Board could succeed in its activities in the field of marketing. In chapter seven, we shall see that the quantity of fruit and vegetables bought from farmers is not very great. This situation has deteriorated in recent years as the amount of produce has decreased and the amount purchased by the Board is negligible. Officials of the Board believe that this situation has developed because in the past, the level of production was not encouraged. This trend still exists, therefore the conclusion derived from our analysis remains vital. Consequently the effect of this policy on the farmer was not what was expected. In fact, it had an adverse effect on the food industry which is largely dependent upon local agricultural output.

At this point it is convenient to mention briefly the failure of the cooperative organisations in Iraq in achieving their objectives as this is relevant to our discussion of the failure of the official policy.

One of the major causes of the failure of cooperatives in Iraq is the lack of managerial skills and trained personnel in the field of management in general, and in the field of agricultural marketing in particular. Collection of the produce by their organisations is poorly organised and its sale in the official market takes a long time. Farmers, being aware of such weaknesses and concerned about them, are prepared to sell their produce to private agents, especially in the case of perishable produce. Moreover, cooperatives do not pay farmers immediately after harvesting. Instead, they have to wait a considerable time before they are paid for their produce. As a result,

cooperatives generally suffer from financial problems. Consequently, such organisations lack the basic infrastructure which is essential for agricultural marketing such as cold stores and storage facilities for produce where such facilities are needed to maintain its flow to the market on a rational basis. The shortage of skilled people to manage and control such activities results in a beaurucratic procedure for organising the purchase and sale of the produce. Delay in announcing the purchasing arrangements has a marked effect on the decisions by farmers concerning disposal of their products. They rush to get rid off their produce and the resulting bottleneck in the distribution, packaging, loading and unloading of the produce in the market place, affects the quality of the produce, and this encourages farmers to sell their products through unofficial channels at higher prices, thereby obtaining a better return.

In general it seems that the aim of the pricing policies has not been achieved, that is the efficient organisation of a systematic product flow in order to lighten the farmer's burden and to allow consumers to obtain what they want in their own areas. Thus, in general the official pricing policy for such agricultural produce as fruit, vegetables and grain crops is not efficient. The problem is even not eased by the fact that, there are many state organisations which specialise in producing fruit and vegetables, supervised and controlled completely by the Ministry of Agriculture, and all their products must be sold through government channels which play a negligible role in agricultural marketing or in enhancing the government pricing policy.

The reason why the government has intervned increasingly in the agricultural sector in the buying of agricultural produce and particularly in marketing, is to encourage farmers to continue farming their land, as there is an increase in the number of farmers migrating to urban areas, looking for a greater return in other sectors of the economy, since the agricultural industry was characterised by a low return at the farmgate. But the policy of direct buying of agricultural produce by the Marekting

Board seems to be ineffective and inadequate due to the fact that farmers can sell to private agents and thus the amount remaining for purchase by the government is negligible, compared with total production throughout the country. In chapter four, we mentioned that farmers need credit for production, consumption and marketing purposes. They lack finance and the result of minimum guaranteed prices on farmers' purchasing power and on their standard of living is minimal and this represents a major criticism of this government policy. Such prices are not sufficient to allow farmers to ignore the services of private moneylenders or to enable them to meet their personal daily needs or to cover the increasing cost of production and other requirements. The price of one Kg of rice in 1970 was about 100 Fils, whereas after the government support policy was introduced the cost of each Kg rose to 300 Fils in 1982, that is about a three-fold increase, whereas the buying price increased by only 10 percent. Moreover, the buying price--the guaranteed prices--is the same for all type of produce irrespective of the quality and the region in which it is grown. Table one shows that the average cost of planting wheat production per acre varies in different governorates. However, the same price applies to wheat wherever it is grown. From the table, the total cost in Babylon and Al-Anbar, in the Middle Province is 4.5, and 6.5 ID per donum respectively, whereas the total cost in Nineveh, and Arbil in the Northern Province is 2.6 and 2.8 ID respectively. Although the reasons underlying such differences are not our concern here it is clear that costs can be twice as great in one area as another.

The researcher believes, that there is insufficient consultation between the government departments concerned with pricing matters to enable them to set reasonable prices for purchasing produce from farmers. When costs are lower, farmers are better off and when they are higher, their income drops. Accordingly, they are not encouraged to sell to the government. The guaranteed prices should vary from region to region to provide farmers with an incentive to sell their produce to the state

Table 1

Estimates of Average Cost of Wheat Production per Hectare  
According to Production Requirements by Governorates, 1985 (ID)

Governorate	Land Rent	Fertilisers	Seeds	Machinery	Labour	Total Cost
Nineveh	0.08	-	1.00	1.39	0.17	2.64
Salah Aldeen	0.11	0.01	0.91	1.43	0.66	3.12
Al Tameem	0.10	-	0.97	0.62	0.60	2.29
Diyala	0.19	0.03	0.86	0.79	0.88	2.75
Baghdad	0.42	0.59	1.19	2.92	0.67	5.79
Alangar	0.32	0.24	1.01	3.61	1.34	6.52
Babylon	0.76	0.56	1.04	0.96	1.22	4.54
Kerbala	0.16	0.30	1.03	0.90	1.64	4.03
Alnajaf	0.26	0.12	0.97	3.79	1.77	6.91
Alqadisiya	0.37	-	1.00	4.05	0.32	5.74
Al Muthana	0.25	-	1.00	2.30	0.98	4.53
Thiqr	0.48	-	1.19	0.43	0.74	2.84
Wasit	0.56	0.05	1.02	2.14	0.63	4.40
Maysan	0.29	0.01	0.97	1.90	0.97	4.14
Basrah	0.22	0.01	0.82	1.77	1.26	4.08
Dohok	0.12	-	1.20	1.10	0.46	2.88
Arbil	0.05	-	1.00	0.96	0.74	2.75
Sulaimaniya	0.12	-	1.13	1.36	0.74	3.35

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

departments. This applies to the production of various crops. Table 2 shows that there are differences in the cost of production of barley in different governorates.

Table 3 shows that the differences between wholesale and retail prices are about 10% which also constitutes the profit margin on canned food. This low percentage profit may discourage retailers from dealing in such items so that the flow of these items into the marketing system is interrupted. It is not surprising, therefore that there is a shortage of such items when they are most needed, for example date syrup in winter, is in short supply in both the marketing, and distribution systems. The available profit level does not cover the expense incurred by farmers in running their day-to-day business, which is estimated to be about 28%. Table 4, which lists the average retail prices of certain foods stuffs, shows a discouraging percentage increase over a three-year period in the capital Baghdad. The low percentage of average price increases reflects the low increase in retail prices for these items with a resulting low profit for retailers. This trend in prices encourages retailers to sell at advantageous rates, by deviating from the official prices in order to achieve a satisfactory profit margin to enable them to survive in business. In general the overall increase in official retail prices is 3% per annum. 27

#### **6.8 Proposals Concerning The Marketing Infrastructure:**

For perishable products in particular, such as fruit and vegetables, there are only two ways in which farmers can dispose of their produce after harvesting, that is either selling it immediately to avoid any loss through deterioration on account of its perishability or to keep it for a period of time in an attempt to avoid any downward price movement so that the flow of such produce can be regulated to match demand, and this second choice involves the availability of storage facilities to keep the produce in good condition. Other crops such as wheat, barley and rice, are less perishable so that there is not the same need for storage facilities. However, price stabilisation is the

Table 2

Estimates of Average Cost of Barley Production per Hectare  
According to Production by Governorates in 1985 (ID)

Governorate	Land Rent	Fertt-lisers	Seeds	Machtnery	Labour	Total Cost
Nineveh	0.08	-	0.93	1.30	0.17	2.48
Salah Aldeen	0.09	0.03	0.78	1.59	0.66	3.15
Al tameen	0.06	-	0.82	0.71	0.60	2.19
Diyala	0.30	0.02	0.86	0.85	0.88	2.91
Baghdad	0.30	0.35	0.92	3.20	0.67	5.44
Alanbar	0.14	0.01	0.81	3.00	1.34	5.30
Babylon	0.52	0.23	1.00	0.93	1.22	3.90
Kerbala	0.25	0.10	0.94	1.17	1.64	4.10
Al Najaf	0.30	0.12	0.97	3.50	1.77	6.66
Al Qadislya	0.29	-	0.83	3.70	0.32	5.14
Al Muthana	0.10	-	0.90	2.55	0.98	4.53
Thiqar	0.35	-	0.96	0.47	0.74	2.52
Wasit	0.27	-	0.93	2.16	0.63	3.99
Maysan	0.21	-	0.96	2.20	0.97	4.34
Basrah	0.15	-	0.71	1.77	1.26	3.89
Dohoh	0.09	-	0.87	1.18	0.46	2.60
Arbil	0.06	-	0.90	1.10	0.74	2.80
Sulaimaniya	0.07	-	0.91	0.95	0.74	2.67

Source: Ministry of Planning Annual Report, 1985.

Table 3

Wholesale and Retail Prices of Domestic Preservation, 1985 (ID/kg.)

Item	Wholesale	Retail
Peas	0.130	0.140
Okra	0.100	0.110
Eggplants	0.100	0.110
Broad Beans	0.150	0.160
Dry Beans	0.100	0.110
Vinegar	0.083	0.100
Jams - Varieties	0.140	0.150
Date Syrup	0.130	0.150
Tomato Paste	0.335	0.350

Source: Ministry of Agricultural, Annual Report, 1985.

Table 4

Average Retail Prices of Foodstuffs in Baghdad, 1983-1985 (ID//kg.)

Item	1983	1984	1985
Green Gram (Husked)	0.088	0.092	0.106
Kidney Beans	0.121	0.124	0.123
Dry Beans	0.141	0.149	0.160
Green Beans	0.174	0.258	0.214
Cabbage	0.036	0.32	0.043
Cauliflower	0.063	0.095	0.097
Potatoes	0.070	0.070	0.092
Carrot	0.048	0.061	0.059
Rice	0.136	0.159	0.180
Okra	0.196	0.224	0.250
Grapes	0.155	0.192	0.183
Dates	0.070	0.091	0.181

Source: Ministry of Agricultural, Annual Report, 1985.

basic purpose of government intervention in the marketing system. Accordingly, the policy of price stabilisation should take into account a number of considerations. Such variables include the availability of the product, supply and demand and the interests of both farmers and consumers. Latter interests cannot be served until the question of supply and demand has been settled.

We have pointed out in previous discussion that the official pricing policy had not achieved its objectives simply because of uncertainty about the level of supply of agricultural produce in the local market. The relevance of this to the supply of fruit and vegetables, for example, is that supply can vary at harvest time, and special measures should be taken to dispose of these products in the market due to their tendency to deteriorate rapidly. Dates for example should be harvested not later than the middle of October to avoid the rainfall at the beginning of the winter season which starts in mid November. Thus the crux of the problem is the need for suitable facilities for storage including adequate cold storage to regulate the flow of such perishable products to the market so that it reaches the consumer at the right time and in the right place. This would prevent any marked price changes which might lead to drastic fluctuations in the supply of these products in the local market. The provision of appropriate facilities for cold storage and access to convenient warehouses would remove or at least alleviate product losses and reduce marketing constraints caused by a glut at harvesting time and shortages thereafter. Such technological improvements would constitute an attempt to stabilise prices in the market, thereby bringing relief to both consumer and farmer, that is farmers would be protected against falling prices and consumers would be assured of a regular supply of the produce.

The researcher must here explain what he means by technological improvements. In simple terms they refer to the fact that for each agricultural product there is a certain period during which it stays in its natural state in terms of quality. Thus, storage conditions differ according to each product's characteristics. For example, cherries

keep for only four days given the appropriate storage conditions, apples can be stored for about a year in the appropriate temperature, whereas grain can be stored a longer period. In other words, different storage conditions are required for different agricultural products, and the purpose of the storage function by and large is to bridge the gap between one season's harvest and the next. Effective storage required particular skills to maintain and manage such facilities so that they may be so regulated so that produce can be stored for a short term such as week or for longer periods such as a year or even longer.<sup>28</sup> Storage facilities in Iraq are not adequate especially cold storage, and Silos-Data which support this view, will be provided in chapter eight. But what is relevant here is that the Iraqi government has adequate finance to change this situation. Because of the inadequate facilities at the present time, the researcher believes providing these basic requirements is one of the most important steps that should be considered by the central planners to overcome the problem and they should do this on a large scale. Some local technicians and others from Egypt are running the existing cold storage facilities owned by the government. Although administrative difficulties may arise at the introduction of such a programme, in the researcher's opinion this does not constitute a serious problem, since, with the government's financial resources this problem can overcome, and Iraqi personnel will maintain the storage facilities. The government, with the support of the financial institutions, such as the agricultural Cooperative Bank, and Rafidain Bank, may encourage the development of a nationwide project to establish an effective cold storage system. Such facilities may be located on the outskirts of cities, near the wholesale markets, or within the production areas. Running these facilities could be undertaken by a special government department under Ministry of Agriculture supervision, with the possibility of assistance from cooperative members.

Convenient cold storage facilities would help to extend the life of all stored products. An FAO programme shows that appropriate storage conditions enabled



apples to be kept in good condition for nearly two months, whereas usually apples can be kept for only one month.<sup>29</sup>

The implementation of a cold storage programme will differ from one country to another, depending upon the country's financial and other resources and product comparative advantages,<sup>30</sup> and above all such a programme will not solve the problems in a short time. Organising the market and the flow of products also depends on other characteristics such as a glut or overproduction of some commodities, shortages in others, and the elasticity of demand for the produce, all of which variables affect the success of such programmes. But success is most likely to be achieved when the programme goes hand by hand with efficient organisation of the production process to avoid a shortages and a gluts. The use of cold storage has little effect when there is under-production of particular produce, in which there is little effect in terms of price stabilisation. Keeping agricultural products in storage warehouses, and ensuring a reasonable supply of a particular commodity will help to prevent price fluctuations or possible price manipulation by middlemen or by external forces.

In many countries, the shortage of storage facilities for agricultural produce has led directly to an unstable situation. Other measures have also been taken, a part from cold storage, to alleviate these problems for example, by canning products for sale to consumers. Thus consumers sometimes cannot afford to buy canned foods because they are expensive, not being subject to government subsidy. The criteria underlying the measures adopted in some developing countries are not quite clear due to lack of government control and a administration of the processing industry.<sup>31</sup> In Iraq the government support the canning industry so there is a big demand for canned food as people can afford to buy it. This government's policy is important as it reduces the effect of the shortage of certain commodities such as, tomatoes, apricots, and eggplants. Consumers generally use canned food - especially in the city centres as different religious practices affect consumption of such items. These factors will be explained

later in chapter 8 - when there is a shortage of fresh produce during the off-season. The involvement of women in the work environment, the improved standard of living and better educational facilities are factors that increase the demand for canned and preserved food, so that about 60% of the working population buy these products.<sup>32</sup>

Food processing represents another measure in addition to the canning of agricultural produce. Processing is usually carried out by traditional methods, through exposure of the produce to sunlight until it is completely dried. The researcher, as a final consumer, estimates the amount of agricultural produce processed by this method is about 25% of all fruit and vegetables in Iraq. During the country's hot summer, when the temperature rises to 50°C, vegetables rather than fruit are the type of agricultural produce most often dried usually at consumer's homes. The vegetables in order of popularity are, okra, eggplants, onions, garlic and tomatoes.

Before closing this chapter it is relevant to mention certain aspects of pricing in the firms visited, in terms of pricing objectives, major problems which reflect the research findings about pricing to give a comprehensive picture of the price mechanism, and again we shall avoid further analysis of price policy details as this subject needs a further study. However the price mechanism, which is our aim in this chapter has a direct link with cost accounting system which is out of our major study area. Nonetheless we shall reiterate briefly the government policy towards pricing in the food industry.

The government's intention in general is to control prices for all consumer and industrial goods, not only agricultural and food products. But as we found in our previous discussion, unofficial prices differ between rural and urban areas, and may even be different in different city centres. Koyal, for example, has mentioned that prices in the Northern part of Iraq are different from those fixed by the authority, and he explained the reason for this variation as being caused by the weakness or

unavailability of the official monitoring, responsible for price enforcement in these areas and the fact that official stores are either scarce or non-existent.<sup>33</sup>

#### 6.9 Objectives Of Pricing :

Profit, the basic goal of any commercial business, is the difference between net expenditure and net revenue. There are many other goals such as market share, stability, and return on investment, so that price is regarded as one element of the marketing mix.<sup>34</sup> There are no clear-cut written procedures involved in setting prices or setting price goals. Few price objectives or pricing policies are to be found in firms in developed countries. For example, in the United State, a survey conducted by the National Industrial Conference Board discovered that only four out of one hundred and fifty-five leading manufacturers employed written procedures,<sup>35</sup> and this is also the case in most developing countries including Iraq. None of the firms visited by the researcher employs a clear-cut procedure. The Iraqi government policy is to subsidise the prices of items which are regarded as basic necessities. In such cases, the government tries to reduce prices as far as possible, thereby allowing traders a low profit margin which results in problems affecting the mechanism used in the marketing system. In the absence of information based on research relating to costs, such profit margins are based on a rule of thumb method. This practice supports the researcher's view that officials pay little attention to the role of middlemen, and how they determine their profit level, although they are officially regarded as monopolists who disregard the interests of consumers for whom few incentives are provided. As we shall see later in this chapter, firms have little choice or flexibility with reference to prices. Such a situation also stifles innovative ideas or product development by private firms.

The survey, which will be discussed later, indicates that some of the price objectives coincide with the firm's selling objectives, while others may be inferred from the government attitudes towards middlemen or wholesalers in general.

Maximising profit could be regarded as the main objective for most of the firms visited in the food industry. Twenty seven, or 90% stated that this was their principal objective. This tendency is in keeping with the government objectives that firms in the public sector should make a profit, and this objective is included in the marketing mix.<sup>36</sup> Thus, the belief of executives in some of the firms visited that their firms does not aim at profit making, as they operate in the social sector is unfounded.

In the food products industry in these firms, government intervention, in the form of setting prices, has the clear-cut aim of controlling prices which leaves little room for employing a pricing policy within the strategy devised by these firms. Thus, price objectives will be discussed at a general level - Macro Level- and this is one of main reasons why our research does not include an examination of the pricing policies which prevail in the firms visited.

Government intervention and control of prices has a two-fold purpose. The first is to develop the pricing mechanism employed by public firms, and the second is to protect consumers against heartless profiteering by wholesalers or distributors. This intervention is crucial when a particular product is scarce, especially when it is an essential part of people's diet. This was regarded as another important objective of the pricing policy in Iraq, and it is regarded by the government as a measure opposing the policy of middlemen who act against the interest of the people, most of whom are poor or even live at the subsistence level. By and large, price control here operates for the purpose of consumer protection, as a means of countering the influence of middlemen or wholesalers whose interests are only to maximise their profit.

Another objective, which is also achieved through government intervention and which may be inferred from discussion of the previous objective is to stimulate demand

for and consumption of a particular product by changing the level of production of that product. What is relevant to our agricultural marketing study is the use of fertilisers which help to reduce prices, thereby increasing demand. A two-fold effect follows in that fertiliser production increases as more of it is used, and more importantly, there is a general increase in agricultural productivity so that more agricultural products become available. Thus, price reduction follows when the level of production is stimulated. Conversely, when productivity declines, prices increase. This happens when the government, in the interests of the overall economy, limits the amount of imported products.

Another objective of pricing may also be inferred from the last point mentioned, namely reducing price levels. The government of Iraq, for example, maintains low prices, for essential foods such as rice and sugar. The aim is to protect people, especially the poor, from unscrupulous wholesalers. Such a policy varies according to the importance of the product, the availability of raw materials to produce such a product locally. Such a pricing policy is applied to products irrespective of the level of demand and supply. Accordingly, profit and taxes vary according to the importance of the products.

For the protection of consumers, middlemen and merchants have to comply with government resale price regulations. Although the consequences of the practices of middlemen in relation to this law are outwith the scope of our study, consumers suffer as a result of serious weaknesses in the pricing policy laid down by the government. However, the costing system has been left as an area of further study, and this is regarded as constituting one of this study's limitations. The weakness in the implementation of the pricing policy, combined with other faults in the marketing chain has increased the problems faced by consumers in attempting to obtain what they require. The pricing policy has in practice led to the absence from the market of some goods which are essential elements of the people's diet. This, in turn, which has forced

the government to distribute these products to consumers through its officials in departments, has created certain psychological problems, since consumers have to wait until these products are available at the government price rather than get them from the market at inflated prices. Further, where there is a problem in the distribution system, consumers may travel to other markets where surpluses of certain agricultural products exist. This phenomenon has been noticed recently and manifests itself when farmers bring their produce to urban areas, instead of as happened ten to fifteen years ago, trying to find work outside the agricultural sector.

Above all, such problems have created a heavy responsibility for the government in terms of ensuring the implementation of resale price maintenance by retailers in the market on one hand, and the provision by its officials of the required services for consumers on the other.

Moreover, there are administration problems associated with ensuring the marketing of these products throughout the country, since most of the officials are unfamiliar with marketing or distribution techniques. However, these problems are outwith our study area.

Generally speaking, the government intervention is inadequate and the inefficient marketing system is so poorly organised that it is responsible for much of the inconvenience experienced throughout the country. The role of middlemen and their power over the farmers, and the low level of profit available to wholesalers - who are nevertheless regarded as extortionists - has contributed to the spread of product adulteration and black-marketing. The government, in its attempts to fight such weaknesses, has had to spend resources and time that should have been devoted to other matters, in order to achieve general progress and development in view of the backward state of the economy. The point that the researcher wants to make is that intervention by government should be devoted in the first place to improving the overall marketing system from the start, a point that has been made earlier. Other points will be mentioned where necessary during the remaining parts of the study highlighting where the fullest benefits can be gained from improving the market structure in general.

The above discussion reveals that government control over prices has created chaos in the market, a result that the officials themselves did not expect, and this has

contributed instead, to a great extent to the inefficiency of the marketing system. The researcher believes that a number of reasons caused these shortcomings.

One of the most common reasons, as has been mentioned earlier, is that, there is little understanding of marketing by both the central planners and the management of most firms in both public and private sectors of the economy. Thus, little attention is paid to such marketing tools as pricing, advertising, costing and distribution, which result in a deep-rooted problem in that there is a continuous shortage of the expertise required to employ the necessary marketing techniques and to formulate strategies for solving marketing problems.

It was against such a weak background possessed by government officials that the government intervened in the market to provide protection for consumers, to ensure their welfare and to curb the practices of profiteering middlemen. Accordingly, satisfactory results have not been achieved and the policy pursued has proved to be self-defeating. As it was not evaluated and reviewed from time to time, the situation continued as long as officials regarded the private sector as undesirable. Legislation has encouraged only the public sector to flourish and its role in the economy has expanded without an opportunity being given to the private sector to take part in the process of economic growth.

The role of the public sector in the economy has been increased for political reasons as the country is trying to move towards socialism and the government, especially during the last fifteen years, has intervened in a large part of the economy, thereby creating a situation which is difficult to control. The government has assumed an omnipresent role in economic and other areas. The commendable policy aimed at reducing prices has failed and the black market still operates despite the severe penalties introduced to punish those who break the laws. Middlemen and merchants in the private sector find ways of circumventing the laws in order to avoid their effects by such means as reducing their services, products adulteration, the use false weights and so on, which lead to an increasing number of complaints by the people, a situation which indicates that government promises have not been fulfilled.

The researcher believes that the general instability that prevails in the country is a fundamental cause of economic instability and consequently prices are also affected.

Two points should be made clear here. Firstly, there are many rules and laws concerning pricing, a large number of regulations may control producers and various departments dealing with pricing policy. This is due to the number of government changes that occur when each new government introduces its own rules. As a result, there are a very large number of rules which are insufficiently coordinated or integrated to produce an effective pricing policy. Secondly the lack of stability of previous governments contributed to disruption in the efficient use of productive factors and to dissipation of the country's resources which adversely affected price stability. <sup>37</sup> In the past governments also concentrated on political matters and defence, rather than on economic issues, a practice pursued by most developing countries, including Iraq; this is discussed in chapter three. In general, inefficient distribution facilities, the absence of a sound relationship between producers/distributors and consumers and inadequate government intervention to improve the overall marketing system have contributed to the loss of control over prices at official level.

The return required by businessmen involved in a commercial business is the profit derived from the difference between expenditure and return. The pricing objectives referred to above are different from those pursued in developed economies. In the firms visited, profit maximisation, the stimulation of demand, and the protection of the consumer are aimed at by fixing prices, whereas the pricing policy objectives in advanced economies are profit maximisation, ensuring efficient cash flow, and attaining satisfactory market share. These differences show how far business in the developing economies including Iraq, is removed from purely commercial considerations. Although profit maximisation appears to be a common target in both types of economy, the researcher believes that this objective is in fact difficult to achieve in the advanced economies where fierce competition exists. In such economies, therefore, great efforts must be made to secure a profit and success in doing so results from adopting the marketing concept, whereas profit in developing economies can be obtained with little or no effort by management, and targets can be achieved without providing consumer satisfaction or taking needs and wants into account. In other



words, more effort and appropriate tactics must be adopted in the difficult environment in which business in developing economies operates.

Whatever the objectives are in developing economies, they are achieved by procedures which are different from those employed in developed economies. In the researcher's interviews with executives in the firms visited, they stressed that the authority did not allow any changes in prices to be made by firms in the public sector, even if the aim was to make prices realistic following a periodic review of the factors affecting prices. Government opposition to such changes is based on political considerations. Moreover, the private sector does not respond quickly to changes in the economic environment. The situation differs in the developed economies and the comment made by a Managing Director of a U.K. firm, illustrates an attitude and type of behaviour different from those encountered in Iraq. With reference to pricing policy objectives, he stated that "above all, our objective is profit, but from time to time cash flow is paramount, especially when we have excess stock of certain types on our hands, then we adjust our prices to get rid of some of the stock and improve cash flow. Ultimately, though, the aim is to make a profit".<sup>38</sup> Such a degree of flexibility in terms of business behaviour is an important means of achieving market penetration, keeping business going in order to maintain continuity of employment and maintaining an adequate cash flow. On the contrary, where government support is provided, little attention is paid to such tactics. Therefore, one may say that in the firms visited, there were significant differences in the degree of importance attached to pricing objectives and their achievement, in terms either of profit margins or other measures of success.

#### 6.10

#### Major Pricing Problems

As the researcher was particularly interested in the prices of products offered by the firms visited, especially in the public sector, the researcher asked the executives responsible to define the problems facing them in pricing their products. Not surprisingly, some of them states that there is no particular problem related to pricing, since they believe in government intervention. Accordingly, they can blame the

officials responsible for pricing for any failure in the pricing policy. Six firms, 20% of the thirty visited, stated that they had no problems. The remainder gave various answers. Table 5 shows the result of the survey.

Not surprisingly, in view of the previous discussion, most of the firms visited mentioned the manipulation of prices by officials as a major problem for them. Reasons for objections to this practice are reported in the next section. What can be mentioned here is that government intervention is sometimes regarded as a means of protecting a consumer. Although only eight firms (about 27%) referred to this as a major problem, the researcher found that about two-thirds of the firms visited mentioned it indirectly.

The next most important problem mentioned by the executives in the firms visited was the upward movement of costs, nine firms, 30% of the total, mentioning that this problem is more frequently met than any others, after the problem of government intervention. The researcher believes that this problem is caused by many factors, the absence of an efficient cost accounting system contributed mostly to this phenomenon. Ironically, only two firms about 7%, mentioned this problem. Cost systems are not regarded as contributing to some of these problems, although they are the most important element in the pricing system. Accordingly, most prices are frequently set below an appropriate level.

With reference to the purpose of government intervention in price control, the researcher asked the executives for their opinion concerning whether government intervention is for the benefit of the consumer, the producer, or both. Although the answers provided revealed different beliefs, there was greater support for the view that government control is exercised for the benefit of consumers. At the beginning of this survey, the researcher expressed the same opinion which is in keeping with the results of the survey. Nineteen of the thirty executives stated that government control is for consumers' benefit, while eleven believed that it is for the benefit of producers. Most of those who believe that consumers benefit are in the public sector, and those who think producers benefit are in the private sector.

Table 5

## Major Pricing Problems as perceived by Executives

Kind of Problems	All Firms	Percentage %	Firms Status		Span of Activity	
			Public	Private	Export	Non-Export
High Cost (Cost of Production and Distribution)	9	30	3	6	5	4
Cost Accounting System	2	6.6	1	1	1	1
Government Control	8	26.7	6	2	5	3
Level of Competition	5	16.7	-	5	3	2
No Problem	6	20	4	2	3	3
No Answer	-	-	-	-	-	-
Total	30	100	14	16	17	13

A few firms, five, representing 16% of the total mentioned that competitors' prices constitute a problem for them. All five are in the private sector. The researcher believes that the influence of competition manifests itself between private firms, rather than between public sector firms. This happens when there are differences in management attitudes. In fact, this is also a problem affecting private as well as public sector commodities, the prices of which are fixed at official level, without concern for actual costs, most prices being supported by government action.

With reference to the adverse or the favourable effect of government control over prices, nine executives would prefer prices to be fixed first by firms, subject to government approval, all these executives being in the private sector. Twenty-one executives in the firms visited suggested that setting prices with flexible fixed margins would be the most appropriate method of exercising government control. Eight firms supported the view that fixed prices represent the best means of implementing government control of prices. Those eight firms, all from the public sector, may suffer from a lack of expertise in the field of pricing. Firms which suggested flexible pricing with a fixed margin may be interested in promoting competition between them as thirteen of them are from the private sector, the other eight being in the public sector. Again, problems may arise that if accurate and efficient cost accounting systems do not exist to enable such flexibility in pricing to be effectively implemented.

## 6.11

### Frequency of Changes in Pricing Strategies

Although policy relating to price adaptability is outwith the scope of our study, the researcher noted that all the respondents stated that the government did not allow any changes in prices by firms in the public sector, even if the aim was to make prices realistic, following a periodic review of the factors influencing prices. Government opposition to this is based on political reasons and consideration of the nation's welfare. It is not surprising, therefore, that prices did not change from 1960 to 1978, and that there have only been changes by the government over the last ten years. Generally speaking, it is clear that most firms, being restricted by government regulations are unable to introduce any reforms concerning pricing. These official regulations are not based on any pricing principles, even if it is obvious that an illogical situation results. For example, when government prices for particular food products are higher than those in private sector, it takes a long time for such a situation to be appreciated because it is assumed that the official prices will be less than those in the private sector. Moreover, the opinion of many businessmen is that government intervention is responsible for the failure of some businesses.

The low margin between wholesale and retail prices may be explained by belief in the benefit derived from low prices. In other words, low price margins are deliberately set as part of official policy as a means of protecting consumer interests. Thus the central planners have kept profit margins low in order to reduce such benefits, believing that the profit officially permitted is adequate. This policy applies equally to other sectors of the economy. For example, retailers of manufactured goods are allowed a 10-15% margin of profit. Therefore, most of them try to sell their goods at unofficial prices and consumers suffer as a result.

The above statement indicates that the margin of profit is determined by the central planner for those who produce the products and those who handle them. With the

government controlling prices, the margin of profit should vary according to the importance of a particular commodity to the consumer, and its availability in the market. The low level of profit creates a weakness in the marketing system causing problems, and in general providing few incentives for middlemen. 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 middlemen activities, reduce black market activities and improve conditions for the consumer. There will be a range in profit margins determined by the level of efficiency in production and distribution (i.e. low efficiency leading to low profit and vice versa). Thus policy would be geared to ensure that the relatively "efficient" survive. 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.

### **Conclusion**

In general, the lack of balance between demand for and supply of agricultural produce is the major problem in the market. The balancing process is not an easy task to perform, because this requires knowledge, skill and effective management in the field of agricultural economics which are lacking in most developing countries, including Iraq. Many factors have contributed to price fluctuations, the most important are differences in consumers behaviour, the gap between supply and demand, with no accurate assessment of how to bridge this gap, and the special characteristics of agriculture, which depends upon external and biological factors. Consequently, the official pricing system is inadequate and inefficient, so that little control of pricing is in fact exercised, price changes should be based on the relationship between supply and demand in the market place.

The conclusion derived from this Chapter confirms what we pointed out in Chapter Five, namely that cooperatives, which are regarded as an instrument of marketing, have had little or no effect on price stabilisation. This was due to new factors which emerged in this Chapter such as their weak purchasing power for buying from farmers, poor control of product disposal, lack of management skill, employing routine buying procedures, and above all, the absence of marketing techniques, which can have a marked influence in the market, especially through the use of cold storage or warehouses.

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. Launching such a programme requires consideration of the possible comparative product advantages which would reduce the effectiveness of the middlemen in the wholesale market. The success of such programmes would depend on the government's ability to finance them and the availability of local personnel and others from friendly countries capable of providing the required skills and management techniques. Similar steps could be undertaken by other developing countries where the same conditions exist. These programmes would help to control price fluctuations and maintain a stable policy. As most agricultural produce is of a seasonal nature and does not lend itself to long-term storage, this leads to wide-ranging price fluctuations throughout the year. The general trend of domestic prices is increasing although for particular consumers such as friends or regular customers, the price may be modified. Such benefits may take the form of an increase in weight or volume rather than a price reduction.

Administration of the recommended facilities could be controlled by a special department in the Ministry of Agriculture, with cooperative participation throughout the country. Such storage facilities should be located near both the wholesale markets

or the production areas. In the long run, both farmers and consumers would be better off. Farmers would benefit since the flow of these products to the market would be subject to regular control so that pressure on the wholesale market immediately after harvesting time would be avoided, thereby avoiding drastic price reductions which would lead to an improvement in the marketing system. Consumers would benefit from the regular flow of the produce to the market even in off-season periods. Fair prices would result and less effort would be required to obtain agricultural products.

There is a considerable cooperation in avoiding the official prices between retailers in the market place who represent the main outlets for domestic food products. Different official organisations are involved in the marketing, processing and distribution of agricultural produce and these are discussed in Chapter Seven through three case studies dealing with the marketing of dates, fruit and vegetables, and the marketing of grains, while the distribution of domestically processed foods is also examined.

This Chapter has examined various aspects of pricing in the field of agriculture and pricing features in both the private and public sectors in Iraq. Our concentration is on the major factors affecting pricing in the Iraqi food industry, and the role of government control in relation to pricing.

A Central Board responsible for pricing policy approves the level of pricing according to the recommendations of the relevant authority. The main government objective in exercising control of pricing is to provide protection in the market against any attempt to increase prices, but other objectives of secondary importance include making a profit and increasing levels of production.

The inefficient pricing system employed in Iraq has resulted in shortages of some products, a situation which affects the profit margin achieved by middlemen or distributors. Communication and transportation difficulties affect the whole marketing system which in turn affects the services available to consumers.

Although cost may be considered by most firms as a crucial element in their pricing policy, these firms must observe government regulations. Many factors contribute to this situation. In the marketing sector of the developing countries, including Iraq, price variations exist among the different institutions dealing with the same type of product. Other important factors are shortages of certain products, the low level of competition, and the scarcity of data relating to demand. What is needed then is market/ price information and data to help in forecasting the availability of a produce, prices, and the expected consumption level.

Although the price of agricultural produce is fixed officially, there is evidence that efforts are made by wholesalers and retailers to impose their pricing unofficially, thereby violating government rules and legislation. The fact that such prices can be introduced reflects the efficiency of the present marketing system. Therefore middlemen are anxious for farmers not to be fully informed about market conditions. In such a primitive system farmers are frequently producing products at lower prices than those achieved in previous seasons. Thus the influence of middlemen appears to have a positive effect on prices in the marketplace. The role of middlemen, therefore, tends to prevent farmers from improving their standard of living in the long run and reduces their autonomy and freedom from external influences in the short run, while their profit remains at existing levels or even declines.

Although detailed consideration of pricing methods lies outwith the scope of this study, the researcher believes that within the context of the government's direct price control policy the "cost plus" pricing technique is the most appropriate. This approach is borne out by our investigation of wholesale and retail prices. We found that a fixed percentage was added over a period of years in an attempt to differentiate pricing from one year to another.

This method is particularly appropriate when a cost accounting system is in operation and above all, it can be used to determine the direction the pricing system



will pursue in the future. This technique also makes it possible to fix a price that the market will bear. In general, what the market will stand can be regarded as a sensible approach where there is little or weak competition, but where the level of competition is high as it is in advanced economies. "price competitive" techniques are of crucial importance. As a means of achieving the government's aim to reduce the profit margin obtained by middlemen in the private sector and to sell public sector products at a low profit margin, the "cost plus" pricing technique is more likely than any other to be successful, whereas other techniques such as competitive pricing may be required to win the costly trade war in the type of competitive environment that exists in developed economies.

Chapter Seven presents the research findings concerning the three main agricultural products which constitute the staple food of the nation in the domestic market and their contribution to the revenue raised from the foreign trade is discussed. The defects in the marketing system are detailed and an evaluation of the effect of government intervention in the marketing system is provided. These three products are fruit and vegetables, dates and grains.

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