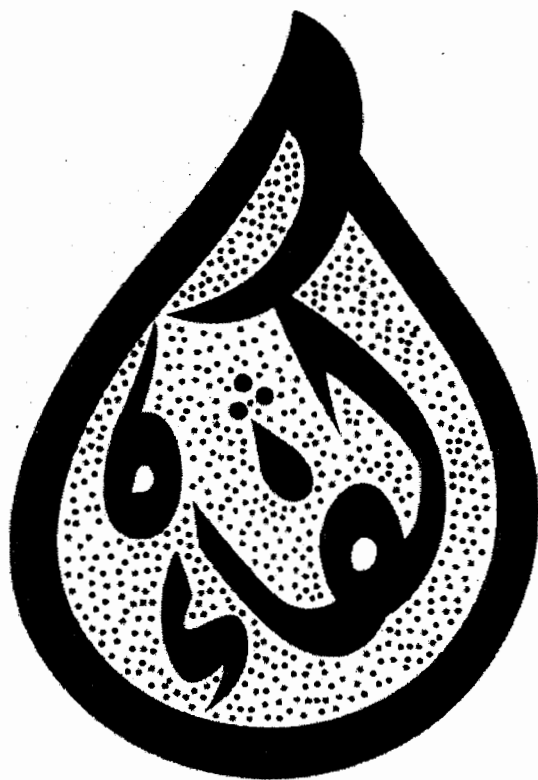


Domestic Market Information, Wholesale Marketing System, Municipal Wholesale Markets, and Assembly Markets

KAFA'A Assessment



KAFA'A
Knowledge and Action
Fostering Advances in Agriculture

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In compliance with Task #5 of Component 1 (marketing opportunities), KAFA'A has conducted an assessment of the constraints and needs of the local market. Below is an account of the findings. It must be noted that the marketing assessment is still on-going at the time of writing this report and a complete marketing assessment report is expected to be made available in June 2004.

Domestic Market Information

Farmers want to make informed decisions based on reliable market information. However, most farmers obtain information on the local market from their neighbors and from commission agents. Many decisions are made by following the lead farmers in the area. Lead farmers can help spread new technologies, but they can also influence other farmers to duplicate planting patterns which can excessively increase production and lower the prices of the agricultural produce.

The Agricultural Marketing Department (AMD) of the Ministry of Agriculture provides daily domestic market information by request. The AMD faxes the information to about 30 recipients – mostly exporters. The daily information on more than 16 crops including prices (daily high, low, and most frequent), daily market volume, container weight in kg of product, comparison of most frequent price with the previous day, import quantities and prices and country of origin (important for products coming from Turkey, Syria, Lebanon being trans-shipped to GCC markets), and highest price for the highest quality. The information covers the Amman, Irbid, and Zarka municipal wholesale markets. The report does not include movements of produce from the 3 wholesale markets to domestic retail, processing and catering markets or export. The AMD attempted to collect these data but was unable to obtain it from the commission agents. The AMD will establish an expanded web-based market information system with the financial support of the World Bank project. It is procuring hardware and software to set up the system.

According to the AMD the most requested market information that is not now available is vegetable crop planting intentions. Farmers can use this information early in the season to make alternate planting decisions for seasonal vegetable crops. This information could help ameliorate seasonal production variations. Otherwise farmers will make planting decisions based, in part, on last season's harvest and current prices. Thus, short crops that lead to high prices will encourage excessive plantings and result in large production and lower prices. The opposite can occur in the following season. The AMD has been unable to obtain the cooperation of the agriculture extension service to obtain this data.

Other possibilities include collecting and disseminating hourly price and quantity data to producing areas. With this information, farmers could decide quickly when to take their produce to the wholesale markets. This would be a valuable market tool, but the costs of implementation are still not clear. Enumerators would be required to record

hourly transactions from commission agents and then submit them electronically to selected production areas where the prices and quantities would be posted in written form.

Wholesale Marketing System

The primary concern with the structure and operations of the wholesale marketing system is that the system contributes to exports of large volumes of low to mid-quality product for the GCC and Middle East markets. Official quality standards for fruits and vegetables are not implemented so there is no regulatory check on product exports. The result is that almost all Jordanian products in these markets have a low quality image. The structure also contributes to the entry of regional exporters who purchase from the municipal markets, grade and sort to improve quality and then sell in GCC and Middle East markets at higher prices. The value-added function, in these cases, is captured by non-Jordanian exporters.

Regulations prohibit farmers from selling directly to retailers within the municipality borders; instead they must sell their products to the wholesale market. Thus farmers who want to market directly to retailers that seek high quality produce cannot do so. This prohibition adds a layer of difficulty and cost to retailers interested in selling higher quality produce. (The added cost is the 4% fee that must be paid to the wholesale market.) KAFA'A believes that this regulation should be changed.

Another change to improve the quality of locally sold produce would be to establish a stall in each of the 3 main wholesale markets, owned by the municipality, a cooperative, commission agents, or a private company. This stall would be reserved for only the highest quality produce. Contracts could be arranged with retailers interested in assured sources of supply and farmers interested in capturing higher margins for their higher quality produce.

A study conducted in 1996 explored the market structure for the Fruit and Vegetable Wholesale Market in Amman. This study found that farmers had no bargaining power while commission agents enjoyed a moderate degree of monopoly (23%), mainly those who moved to the new location of the market. Also, it was found that there was no product differentiation in the market.

Concerning the conduct of market participants, it was found that the auction process does not lead to the fair prices that emerges through the interaction of demand and supply. On the other hand, open selling periods allows the spread of sales on a longer period of time. Moreover, the largest four commission agents controlling 23% of the total sales of the markets have the power to influence the price formation. It was found that the pricing committee had no clear procedure in determining the retail prices.

An older study recommended that several modifications in the internal regulations of the Amman Central Wholesale Market be made, including:

- the creation of separate selling areas for domestic and export buyers
- the grouping of sales by product or product group

- the requirement that all commission agents purchase an operating license annually through a competitive auction
- the elimination of the requirement that the wholesale market authority is entitled to collect its 4% fee on all fruits and vegetables entering the city of Amman (even when the product does not pass through the market)

KAFA'A strongly recommends that the City of Amman begin immediately to plan for the construction of a new, larger wholesale market in the outskirts of the city. It is also recommended that price controls on all fruits and vegetables be suspended.

Municipal Wholesale Markets

The wholesale marketing system is composed of a central wholesale market in Amman, seven municipality wholesale markets, four assembly markets and one cut-flower wholesale market. The basic function of these markets is to provide a market place for producers, retailers, and commission agents to conduct selling and buying transactions.

The Amman central wholesale market consists of 220 stalls for commission agents (of which 106 are rented to 82 commission agents at an annual rent of JD 2,000), 53 banana ripening units and 40 stalls for input dealers, importers, and banks. The seven wholesale markets have been established in Zarqa, Irbid, Jarash, Tafileh, Salt, Karak, and Mafrq . The number of commission agents operating in these wholesale markets is: Zarqa, 20; Irbid, 40; Jarash, 13; Tafileh, 4; Salt, 4; Karak, 7; and Mafrq, 6.

The wholesale markets of Amman, Irbid and Zarqa are the most important delivery points for farm produce. During 2002, these markets handled 915,164 tons of fruits and vegetables, the majority of which 696,567 tons were vegetables. About 95% of this volume is produced locally and 5% is imported. Amman is the key market handling 77% of the produce sold through the three municipal markets in 2002. Irbid handled 17% and Zarka 6%. Only minor volumes move through the other wholesale markets, but no records are maintained. The three municipal markets handled 67% of total fruit and vegetable production in 2002, 47% of vegetable production and 31% of fruit production, respectively.

For more efficient management of the wholesale markets, KAFA'A recommends that the following steps are taken:

- Renew the wholesale market law of 1966 and its subsequent modifications. The main changes should be to: fortify the administration body by agricultural engineers, change the daily periods of sales in the market, and modify the rules of leasing the stands and stores in the market.
- Include additional marketing services in the market premises such as grading and sorting, parking lots, sheds, and advanced market information facilities (monitors set at focal points to increase the market transparency).
- Change the ownership and administration of the markets by allowing the private sector, mainly farmers and traders, to own and/or manage it.

Assembly Markets

Assembly markets were established in the Jordan Valley to provide farmers with marketing facilities, including storage, grading and packaging. Markets were established at Wadi Yabes in the Northern Ghor, Al-Arda (Maaddi) in the Middle Ghor, South Shouneh in the Southern Ghor, and Al-Safi in the Karak/Safi Ghor. Presently, auctioning is carried out only at Al-Arda Market. The South Shouneh market was retained for export operations, but it is not operational. The other two markets are also not operational.

Al-Arda Market is a seasonal market operating during winter, from December through June. Farmers bring their produce to the market to be sold at an auction by commission agents. Some of the commission agents in the Amman Central Wholesale Market also operate in Al-Arda Market during its season. The Market now has 22 stalls, all of which are rented to commission agents and to the Potato Marketing Cooperative.

The main buyers in the Al-Arda Market are retailers from nearby towns and villages, commission agents (representatives of large middlemen in Amman Central Market) and some exporters who buy and repack produce for export, especially to Lebanon and GCC markets during May. The limited number of commodities sold in this market dampens the interest of buyers. The quantities handled here are limited, possibly due to the fact that many farmers are obliged to send their produce to commission agents (from whom they have received loans) in Amman, or because they feel that they can obtain better prices and returns by selling in the capital. Currently this market is managed by the Municipality of Maaddi.

Constraints and Additional Recommended Actions for Development

The following constraints and development actions have been grouped based on the nature of each sector involved in marketing.

Agricultural Research and Extension. The major constraints in the agricultural sector are the weak communications between research and extension service institutions. While the communications is already a hampering factor, the extension services lack sound farming-development oriented training. Oftentimes the extension agents do not have the logistical support to reach the farming areas. The relationship between research centers and extension services should be strengthened while continuous training and improved logistical support has to be provided to the extension programs. KAFA'A will conduct an extension assessment during June and July in order to recommend the extension model alternative to the current way of operation.

Agricultural Marketing Policies. Unclear governmental policies and regulations, overlapping responsibilities and lack of coordination among institutions create confusion and mistrust among farmers and exporters. Defining responsibilities for each institution dealing with agricultural marketing will help eliminate the overlap.

Marketing Functions and Facilities. As explained above, the wholesale markets in Jordan do not carry out their intended functions efficiently. Poorly designed and costly packages and packaging materials cause loss in quality and quantity. Lack of clarity and weak enforcement of regulations and standards is also a major concern. Requirements for refrigerated transport of agricultural products are not met by the refrigerated transportation system. Management capacity and adequacy of the storage facilities (if any) do not exist. Readily available market research and market information systems need to be established. The testing laboratories for pesticide residue analysis are not certified and pesticide residue testing is normally done only in consideration of the standards of the country where the exports are headed. There is a lack of incentives for investment in marketing activities (soft loans, grants, tax exemptions, etc.) and poor or no experience in post-harvest technology.

Wholesale market regulations should be analyzed and updated/changed to reflect fairness and transparency, for a healthy competitive environment. Packaging material should be subject to minimum standards to preserve quality and freshness. Plastic or wooden boxes that could be used several times should replace or at least be an alternative to the most common packaging material currently used. The fleet of refrigerated transport vehicles is old and should be upgraded and increased (the government is making efforts to work with the private sector to bring about these improvements). An empirical market research and a central market information unit should be established. The marketing extension services must be strengthened by coordinating the work of agricultural extension officers and research institutions (NCARTT, universities and others). In addition, job training for marketing extension officers and farmers on post harvest technology must be conducted.

Production-Related Problems. Jordan's production of fresh horticultural produce is not based on a clear knowledge of market demand in terms of quantity, quality and timing. Excessive and/or improper use of pesticides results in a high level of chemical residues, affecting the quality of produce and damaging the environment. The quality of water in the middle and south Jordan Valley has caused major losses in fruit and vegetable production due to increased salinity in the irrigation water. The market informational system mentioned above could help farmers through improved extension services. Good agriculture practices have to be promoted and laws should be modified and enforced to encourage the proliferation of better methodologies for chemical use.

Export-Related Constraints. Jordan lacks well-established export companies and /or institutions specialized in fresh horticultural produce. The supply of export products to markets is irregular because it is not demand driven. There is a lack of coordinated efforts among exporters on issues of mutual interest. Weak post-harvest handling facilities constitute a major constraint to the development and promotion of exports. There is insufficient or irregular information provided to producers and exporters regarding the requirements of the import markets (in terms of quantity, quality and timing).

The private sector should be encouraged to establish an export company or institution. This will eliminate the competition between farmers in the foreign markets, and decrease the marketing costs. Most of these problems could be solved by promoting production linkages among exporters and small farmers through contract farming

mechanisms that define date, quality and prices in the contracts. The Jordan Exporters and Producers Association for Fruits and Vegetables (JEPA) should be strengthened to become a marketing services provider. EurepGAP requirements should be met by as many farmers as possible by providing training with information on standards and certification.

International Trade Limitations. Export promotion efforts are confronted by a number of trade limitations imposed by importing countries. The Gulf Cooperating Council (Gulf countries) are subsidizing their production inputs, which lowers their production costs. Tariff and non-tariff barriers imposed by the European markets on Jordan's produce, as compared with concessions granted to other countries in the Middle East and Africa, are an obstacle to growth. The automated cold storage at the Queen Alia airport is not utilized due to the weakness of the export sector and the absence of pre-cooling practices on the farms. Land transport options to Eastern Europe and Asian countries is costly because of the high transit fees and fines trucks must pay upon entrance into neighboring countries, mainly Turkey. The trade agreements must be studied and recommended changes promoted. The Government of Jordan should negotiate with neighboring countries to decrease the transit fees for Jordanian exports. Otherwise, trucks entering the country with foreign produce should be charged higher transit fees.