Production and managerial structures

Saccomondi V.

in

Dupuy B. (comp.), Dupuy B. (collab.).
Equilibre alimentaire, agriculture et environnement en Méditerranée

Montpellier : CIHEAM
Options Méditerranéennes : Série A. Séminaires Méditerranéens; n. 24

1994
pages 73-83

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Without altering the analysis, the great change taking place in agriculture makes it worth recalling that in the long industrialised, developed countries, the percentage of agricultural employment to total employment and of the added value on the gross product of the economy has generally tended to fall below 2–3%. On the other hand, the importance of food consumption in total family consumption is unlikely to fall below 10% and the food industry, considered in its entirety, consistently remains among the first five most important divisions in the industrial sector rankings.

This small piece of evidence points out the constant and ever stronger penetration of the agricultural sector into that complex which consists of company, economic and organizational functions known by the term: the agrimarketing system[1]. The basic nature of this system is that it is essentially oriented to needs which it has to satisfy and, to this effect, it adapts its productive structure and its temporal variations. Agriculture has passed from a **product-oriented** sector to a **market-oriented** sector, with all the consequences which this change entails.

The purpose of this report is to discuss the *encadrement* structures of agriculture in the Mediterranean Basin countries, that is to say a geographical entity which is highly differentiated in terms of economic development, the implementation of the function of utilisation of agricultural production and, above all, consumption of food products. We shall divide our discussion into two parts, taking into consideration the current changes in the role of agriculture. In the first part, which is mainly theoretical, we shall describe the evolution, so to speak, observable in the agricultural market for production. In the second part, which is more empirical, we shall turn our attention to market development trends in consumption and reflections which they generate regarding methods of selling the agricultural product.

I – The agricultural market and institutions: a brief examination

The changes described in the introduction concern the whole agriculture sector even if they are more visible in one area: the agricultural market for production. A good definition of the agricultural market for production is: "the economic place in which agricultural producers sell the product obtained in their own farm with the degree of utility requested by the purchasers."

There are two consequences arising from this definition. The first relates to the term "purchasers" which is used to show that the person who purchases the agricultural product is, in general, an economic agent different from the consumer; the second is connected with the term "utility requested". The degree of utility addable to an agricultural product is highly variable and depends essentially on the number of market functions which can be incorporated into the product sold by the producer[2]. In general, the more the degree of utility incorporated into the product sold by the agricultural producer rises, the more trade becomes subdivided.

To describe the changes of the agricultural market brought about by its progressive integration, there are different agrimarketing systems. A general method, proposed at the theoretical level by Williamson, is to consider an institutional confrontation (Williamson, 1975).

In what follows we will attempt to analyse the theoretical consequences of this assumption.

1. Trade and transaction

An important initial concept to clarify is the difference between trade and transaction. Both these methods of selling have in common the definable **hard** component of a sales contract: the goods exchanged and the subjects of the trade (purchaser–seller). The transaction is distinguished from trade because there is a **soft** part (associated with this **hard** part) which represents the group of processes necessary in a sale to adapt it to the type of organizational relationships which are established between sellers and purchasers; in other words, that group of needs which render the sale possible only supporting a cost for using the market or a transaction cost.

A second concept concerns the suitability of implementing trade. If the trade is expensive and requires detailed contracts and the addition of special services to the purchased product, a purchaser can always ask himself if it suits him to purchase the product or, if not, to take advantage of producing it within his own organizational framework. This choice, in order to be a rational economic choice, needs a convenience calculation.

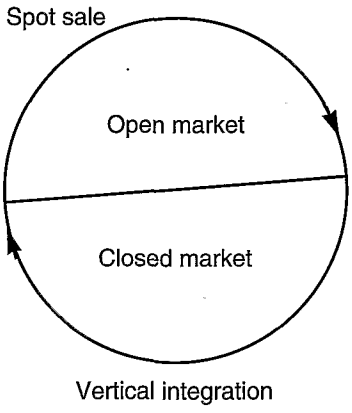
Bearing in mind that to go from the purchase to the production of a good, the object of trade, the company must support the organization costs and the costs of charging its production structures. Clearly, the purchasing company gains an advantage in buying a product on the market only if the costs given above are less than the cost of using the market and *vice versa*[3].

Economic theory labels the purchase of a productive stage with the term integration. Integration is described as a "process of expansion of an enterprise which acquires one or more economically contiguous stages of production or work stations". Furthermore, it is said to be vertical if the acquired productive stages "produce goods which were a factor of production for the acquiring company before integration (backward integration) or a product with a high level of utility of that product before integration (forward integration)."

The theory of the cost of using the market is interesting because it takes into account the fact that there can exist different ways of transaction between a spot sale, that is to say without the cost of using the market, and vertical integration. These possibilities are linked to the time factor, which never makes a choice stable, and to the fact that transactions are never made by subjects having the same information, market influence and organizational ability. For these reasons, as an enterprise develops, it is assumed that its methods of dealing on the market also change. It is possible, furthermore, that, given different opportunities of selling or buying a product, the enterprise always chooses the least expensive transaction (the Williamson Principle or the Principle of Transaction Efficiency). On the other hand, and given these assumptions, it is possible that an enterprise operating over a given time will choose different forms of transaction, or rather, that in the same period different transaction methods can exist contemporaneously (the cycle of organizational innovation). The concept of the organizational innovation cycle can be illustrated by using the following reasoning. A spot negotiation occurs in a market in which the buyer and the seller can come directly into contact without any information cost or, more generally, without the costs of using the market. As the costs of using the market gradually rise, the company tends to research methods of undertaking bargaining which minimize this cost without necessarily reaching integration (Saccomandi, 1991).

One analytic convenience of the innovation cycle is that which permits the discernment of two prevalent types of transaction in the agricultural market: open markets and closed markets. An open market is the economic space in which goods are grouped together. There is a direct meeting between producers and buyers and, above all, it is possible to determine a price resulting from the negotiations between the buyer and seller. Examples of open markets are markets with auction sales (e.g., in France, Saint-Pol-de-Léon), the Spanish *algondidas*, the wholesale markets, the commodity exchanges. The closed market is a market in which the explicit transaction, or transaction effected by means of the daily quotation, is substituted by agreements between the partners in which it is not only, and not so much, a product which is purchased, but rather, a series of services. The typical case of a closed market is that of the various transfer contracts of agricultural production—in other words, the contractual economy—which markets the price a direct payment, not for the merchandise exchanges, but rather for a series of lateral or incorporated services[4].

Figure 1. Cycle of organizational Innovation



II – Agricultural and organizational policy for the agricultural market for production

The theoretical considerations expressed above are relatively useful for an interpretation in institutional terms of the changes in progress in agricultural policies.

An *encadrement* structure prevalent in an agricultural market, however defined, expresses an institutional organization. In generic terms, institutions are definable by social rules, conventions and all other organization of social interaction factors. In this sense, companies can be perceived as institutions and the market, comprising that of agriculture, as a collection of rules which govern relationships between institutions (Bardham, 1991). It is possible to say that the agricultural market is structurally a collection of organized relationships essentially distinguishable on the basis of the prevailing ordering forces.

Like the considerations above, these conclusions are of interest mainly for their practical implications. In practical terms, adopting the working hypothesis which we have just illustrated, there exists a substantial homogeneity of agricultural policy in nearly all developed or developing countries of the world. Independently of the weight of public intervention and how it is decided up, the agricultural market for production is distinguishable in every country on the basis of prevailing organized relationships. However it is viewed, there are three prevailing areas: the public area is that determined by sale of the agricultural product to state type structures (public intervention and the American loan-rate); the private area is that where legislative constraints do not exist and the sale of the agricultural product depends solely on the meeting between agricultural producers and buyers; the arbitration area is that in which, even though public control of prices exists, producers and buyers are however free to choose the method of performing the transactions.

In the ambit of the Uruguay Round, there has been much debate on the differences existing between the system of support for prices and markets utilized by the community and the USA. The discussion has been, and is still, theoretical because these differences in functional terms are non-existent. In none of these two areas do agricultural markets for production exist which are not controlled by the state. The main differences between the two systems concern the objectives of and methods for controlling agricultural prices (intervention price is used in the Community and the deficiency payment is used in the USA) but not the collection of organizational relationships. Control methods, being technical, can easily be changed, as the Community did with the decisions of May 1992. Objectives, being political, are much less easily changed. The GATT negotiations are still in progress mainly because the Community countries do not want, rightly, to alter political objectives (maintenance of Community preference).

III – Agricultural market for the production and institutional organization of agriculture in the Mediterranean Basin

Following this theoretical introduction, the practical consideration will be developed with reference to the countries of the North and South Mediterranean.

1. The agricultural market in the North Mediterranean

Those functions of the market which are necessary to sell the agricultural product obtained from the agricultural concern may be associated both by the agricultural producer and by those who purchase their product. The cause of this association is the aspect which determines the spatial configuration and the characteristics of the agricultural market for production.

In the past, when the percentage of the product sold with a low degree of incorporated utility was relatively low, one of the main functions required of the agricultural market for production was production concentration and to meet the demand with the supply. These functions were initially carried out using the establishment of facilities for exchange: that is to say, respectively, markets for production or wholesale or commodities exchanges. Subsequently, when the degree of utility associated with the agricultural product increased, it became necessary to direct the production process of the agriculture concerns too. At this point, the closed market began to join up with the open market. The factors which direct these transitions are fundamentally of a socioeconomic nature.

The manner in which the socioeconomic factors operate depends on two conditions: the economical structure (number of businesses and their concentration) in the industrial processing sectors and retail distribution, and the structural variation of the demand (prevalent type of consumption and form of purchase of the food product). A concise means of illustrating the situation which prevails today in countries in the north of the Community is to reclassify the families shopping, differentiating the product purchased on the basis of their commercial character, and the dynamics of consumption. The most practical distinction is that of dividing the products into 'traditional' (bread, milk, cheeses, etc.) if the degree of utility incorporated in the product is low; and 'modernized' if the contrary is true (pre-packed and prepared products, frozen foods, health products, etc.). Taking into account the evident tendency of the consumer—with respect to consideration of the qualitative contents of the foods—modernized products may, for marketing purposes, be divided into pre-packed and health foods, the latter being defined as those in which great attention is paid to the contents of the basic nutritional elements (e.g., type of fats present or any other nutritional principle which tends to reduce the risk factors of certain illnesses such as those relative to the heart and similia).

Table 1 shows a division (in percentage) of the consumption of food products excluding drinks, carried out using the criteria indicated for the countries of the European Community referring to the period 1985/90.

Table 1. Classification of Consumption on the Basis of Innovatory Content

	Traditional	Packaged products	Health products	Total
United Kingdom	37.0	28.5	34.4	100.0
Holand	42.9	25.2	31.9	100.0
Denmark	45.1	25.1	29.8	100.0
Belgium-Luxembourg	45.3	24.3	30.4	100.0
France	38.5	23.2	38.3	100.0
Italy	35.8	21.2	43.0	100.0
Spain	38.0	21.0	41.0	100.0
Ireland	46.8	19.7	33.5	100.0
Portugal	38.5	15.8	45.7	100.0
Greece	39.2	9.4	51.4	100.0

Classification effected on the basis of a classification of consumption of families 1985/1990.
Source: Liso - Saccomandi, 1991.

This table poses a number of considerations. Of particular interest is the hypothesis, adopted by a number of analyses of the structure of food consumption, as to the persistence of traditional models of consumption in the southern areas of the European Community. On the contrary, the estimates shown in the table indicate a relatively higher consumption of traditional products in the central northern area of the EEC with respect to the southern area. A second observation concerns the predominance of expenditure for the purchase of non-traditional products with respect to the traditional ones in the whole of the European Community. This observation is not excessively paradoxal if we consider that, within the non-traditional group, some of the innovatory products included were introduced decades ago, for example frozen foods, and others, such as pre-cooked dishes, have greatly increased over the past decade[5].

Closer analysis of the data summarized in *Table 1* is particularly interesting. For example, if we select the consumption relative to frozen, tinned and innovatory packaging, and freeze-dried products in the countries of the North Mediterranean, the situation is that shown in *Table 2*. In this case the quota of consumption of innovatory products is very high in France and Spain, and relatively low in the other countries. If we exclude France, which, as we know, may only be considered Mediterranean as far as the most southern regions are concerned, the Spanish consumption of innovatory products is above the mean of the Community and is, from certain points of view, also surprising. The trend of the dynamics of consumption is even more singular, and in any case, is very relevant. If we consider the groups in terms of life cycle, all of them are in a developing stage, including Portugal.

Table 2. Some Characteristics of the Demand for Innovatory Products

Products	France	Italy	Spain	Greece	Portugal	EC 12
Quota of Overall Food Consumption (1990)						
Frozen foods	3.06	1.20	3.57	1.12	0.94	2.60
Tins and innov. packing	5.87	2.90	5.15	1.46	2.63	3.99
Freeze dried	0.57	0.30	0.35	0.75	0.32	0.51
Total	9.50	4.40	9.07	3.33	3.89	7.10
Mean Annual Variation of the Quantities Purchased						
Frozen foods	16.70	8.50	6.90	9.70	13.70	10.50
Tins and innov. packing	6.30	4.10	3.30	2.20	3.70	3.80
Freeze dried	- 0.10	0.70	1.80	1.70	7.80	- 0.10
Total*	9.30	5.10	4.70	4.60	6.50	6.00

* Mean deduce from market quota.
Source: Liso - Saccomandi, 1991.

About ten years ago, Bombal and Chalmin illustrated the existence in Europe of traditional type models of food consumption, in a most enjoyable *Que sais-je*. The data in the tables examined indicate that the "hard core" of traditional consumption tends to decrease, and that, as occurred in the USA at least thirty years ago, the dominion of the big business of food processing, and of the large scale distribution for consumption in the system of agrimarketing, is beginning to completely transform and to homogenize communitary food consumption too.

The problem with these types of processing is linked to the role which the traditional *encadrement* structures will have in future. The development of modernized products requires a sum of incorporated utility linked to the fact that increasing the concentration of the food processing sectors, the importance of brand politics also increases, and as the latter increases, the value of the commercial quality of production also increases. There is a considerable difference between the various sectors of food production, in relation to the type of products sold (meat is different from olive oil, which is different from wine, etc.). In any case, the more concentrated the market becomes, the more agricultural production must follow rules

as to what to produce and how to produce it. These rules may only be applied with the organizational relationships of closed markets. The closed market and contractual economy are, nevertheless, very general categories. In this sense, the great dynamics of innovatory products begins to generate very interesting effects.

In order to discuss briefly the extent of what is at stake, it is useful to refer to the case of frozen foods. In the past, such production was undertaken as a prototype of the closed market and of (strong) forms of vertical coordination. Indeed, freezing requires particular attention to the genetic innovation of agricultural production since the agricultural product must have specific characteristics which affect the quality and the homogeneity of the finished product. Nevertheless, and since the market of the final product has become very concentrated, contractual economics were, in the end, seen to be very costly in terms of the use of the market, and the relationship between the agricultural concerns and the industries changed. In Italy, for example, forms of closed market have developed which are different from the contractual economy, and which may be more strictly defined as of an employer-representative type[6]. In other words, the processing companies delegate the freezing to other companies which are at times agricultural, controlled on the basis of specific and strict production standards and particular incentives. In this way, the businesses which control the national market of these products are still able to pass the production risks on to the processor, as occurs in the contractual economy, whilst maintaining the commercial risk, but considerably reducing the cost of using the market. This shift is a typical example of organizational innovation, carried out on the basis of the Williamson principle, and is based on the fact that the freezing may be carried out in small-scale plants, does not require particular forms of undertaking, and allows a considerable freedom of entry.

The case of frozen foods is not uncommon. The consolidation of large-scale organized distribution has relatively diffused forms of organizational dominance over the small food processing firms, on the basis of the practise of *produits blancs* (the use of a distribution brand instead of an industrial brand), which as a functional category are similar to the organizational innovations of the type described above. The effects induced on the agricultural market for production are very important for some products (fruit and vegetables in general) and less for others. In any case, they constitute forms of alteration of the traditional organizational relationships which induce effects of modernisation on the *encadrement* structure too. The most important effects are induced at the level of the role played by the farmers' unions and the co-operatives.

The farmers' unions are an organizational form which is diffused by the common agricultural policy, by which the role of the market is carried out in common by the agricultural producer. In France and in the Netherlands, these unions are very extensive, whilst in the south of the Community, they exist in addition to the co-operatives, to the point of entering into conflict with the latter.

According to the community laws in force, the producers' Associations have a public type of role, as occurs, for production, and for the application of marketing laws. In general terms, they should facilitate the common marketing of agricultural produce and, basically, allow the single producers to concentrate production and seek out demand.

The common development of the functions indicated should allow an increased exploitation of agricultural production.

In general terms, it may be said that these aims are valid in fragmented markets, but less so in organized ones. For example, whilst the role of the market gardeners' union is useful in the case of sales on the wholesale market, it is much less so when the product is prepared for supermarkets.

In this case, the traditional packing must be replaced by the wrapper and the brand. In these cases, the objective of production concentration is far less important than the packaging and the unions are obliged to carry out more extensive functions which in some countries like Italy are the dominion of the co-operative organization.

The co-operatives have been extremely important in the development of the market in the countries of the EEC, in which the majority of the industrialization has been effected over the last fifty years. For example, in Italy, it was at the basis of the development of viticulture and fruit and vegetable growing.

With respect to the farmers' unions, the co-operatives are based on the processing of the product, and in theory, it is for this reason that, rather than working on the agricultural market for production, they operate on the processing market.

The possible antinomy which exists between the farmers' unions and the co-operatives is quite evident from the data which emerged from research carried out by the COGECA. These data are presented in *Table 3.*

Table 3. Diffusion Sectors of the Cooperative

Sectors	Greece	Italy	Portugal	Spain
Cows milk	60	73	70	—
Cereals	60	60	—	60
Wine	50	28	43	60
Fresh fruit & vegetables	—	20	—	—
Tabacco	—	18	—	—
Olive oil	55	5	—	60

With reference to the Mediterranean countries in the Community, with the exception of France, the sector in which co-operation of processing is most diffused is in wine production, although the importance of the weight of co-operation on the total of the wine produced oscillates between the Italian minimum of 28% and the Spanish maximum of 60%. The other sectors in which the diffusion of co-operation is high are that of cows milk and cereals.

The diffusion of co-operation in the wine sector is linked to the fact that the market for this product is fragmented and therefore, within this sector, production is for niches of the market. For these reasons, where there is no consolidated commercial structure, co-operation is the only way open to selling the product. An analogous explanation should, in principle, exist for olive oil, even though this product does not have the extreme qualitative variability of wine, and allows greater sectorial concentrations of the product sold. The fact that in the Mediterranean countries of the Community the role of co-operation is very strong, in Greece alone, is due to two basic reasons. The first is the different spatial concentration of the existing production in Greece, Italy and Spain. The second is linked to the fact that there is a considerable difference in the commercial and industrial concentration of production in these countries, and above all, a different market: in Spain, the market is of surplus and exportation is relatively concentrated; in Italy production is insufficient, the prices are high, and a clear separation arises between the extremely fragmented local market and the national market which is beginning to focus (Unilever, Ferruzzi and Bertolli begin to govern about one-third of olive oil marketing).

The case of milk and cereals is more interesting. In these sectors relationships are beginning to form between the consumers of these products and the co-operatives, which are very similar to the employer-representative relationship which we described for frozen foods. For example, the diffusion of co-operation in the cereal sector in Greece, Spain and Italy is rather strange, since the utility which may be added to the product are fundamentally those of time and space. As far as Italy is concerned, the weight of co-operation is high for the function of initial purchase of the product carried out by the Agricultural union; but, in any case, it mirrors an important evolution in the grinding stage where the first four dealers hold more than 80% of the flour produced[7].

This evolution of the sector makes the purchase of the product more economical from the co-operatives rather than from the farmers' unions because they allow the cost of using the market to be lowered further, through a more careful grading of production, the more rational concentration of production and storage of the product. These considerations are more or less valid in Greece and Spain too, although in these cases the distinction between co-operatives and unions is more subtle.

2. The South Mediterranean

The southern edge of the Mediterranean highlights economical differences between the different countries which are even more marked than those on the northern side. Indeed, in this case, we pass from

situations like that in Israel and Turkey, which are very close to those in the south of the Community, to others, like those countries in the western Mediterranean, which are relatively more distant. The Maghreb countries are extremely interesting, as they have an overall economy of 58 million inhabitants with a mean income of US$1,510 per capita, a rural population equal to 53% of the total and a number of agricultural employees estimated at around 34% of the working population.

Table 4. Basic Data of the Maghreb Countries (1990) (%)

Data	Unit	Algeria	Morocco	Tunisia	Total
Total Population	**Mil.**	**25.1**	**25.1**	**8.2**	**58.4**
of which:					
Urban		43.8	47.0	53.7	46.6
Rural		56.2	53.0	46.3	53.4
Working population	**Mil.**	**5.8**	**7.8**	**2.5**	**16.1**
of which:					
Agricultural		25.0	45.0	23.0	34.4
Non agricultural		75.0	55.0	77.0	65.6
GDP per capita	**$**	**2230**	**880**	**1260**	**1510**
Total imports*	**Mil. $**	**8.4**	**5.5**	**4.4**	**18.3**
of which EEC		62.0	65.0	64.0	63.4
Total exports*		**8.6**	**3.3**	**2.8**	**14.8**
of which EEC		74.0	88.0	76.0	77.6

* Data 1989
Source: Processing of data of the EEC Commission.

The peculiarity in the Maghrebian situation derives from the process currently underway of revision of the agricultural policy and, above all, of the liberalization of the price regulation in force until now.

Table 5. Charasteristics of Agricultural Policy in the Maghreb Countries

Countries	Market provision	Protected products
Morocco	Complete liberalization of home and foreign trade in 1993	Common wheat sugar seed oil
Tunisia	Use of the general compensation fund aided by income from oil	Cereals sugar meat coffee oil milk
Algeria	Elimination of price support and limiting of consumption subsidies in 1992	Milk flour brands

The attempt carried out after 1980 and as a consequence of the high public debt of this policy, highlighted the desirability of a progressive passage towards liberalization of prices. Given the actual situation, the situation in Maghreb is more or less the opposite of that examined for the countries in the North Mediterranean. From an organizational point of view, there is a strong territorial concentration of production over the whole territory, whilst the food industry is characterized by the heavy weight of the state industry. Three types of problem are posed by liberalization.

The first problem is to combine elimination (Algeria) or reduction (Tunisia and Morocco) of price support, with a low increase in the final price. For example, econometric studies have revealed that in Tunisia the complete abolition of subsidies for livestock fodder increases the production cost of broilers by 13% and of eggs by 14%. Nevertheless, if a reduction in the subsidy was combined with freedom of exchange, the increase would be of 2.6% and 8% respectively, and considerably less for other animal products. These analyses, although extremely rigorous, bear excessively on the subject of liberalization, which whilst, in principal, is right and convenient, must be assessed with regard to the effects which it may induce on the remuneration of home production.

The second problem is connected to the modalities with which home production may be linked to processing and consumption.

Improvement of production conditions is certainly a fundamental point for agriculture which opens its door to exchanges with third party countries. For example, again with regard to Tunisia, the studies mentioned above show that the cost per ration of the animals raised affects the total production cost by 67% in the case of poultry, and 85% for eggs. This cost may be reduced using the fodder production of the farm. And these reductions may be greater if production costs can be reduced, especially if production per hectare cultivated can be increased. Liberalization of the importation of soya and fodder cereals risks making an increase in home production impossible, due to the low supply costs of such production.

For these reasons, liberalization of importation risks causing problems for all internal Maghrebian production. The link with the farm market is the reverse of the medal of the problems indicated here. The production at present protected is, more or less, that preferred by world trade (first cereals, as indicated in *Table 5*). In these cases either a double price is adopted (high production price and consumption subsidies, as chosen by Algeria), or price protection which does not allow withdrawal from the consumers surplus.

The third of the three problems indicated concerns the problem of agricultural exportation which, excluding petrol, represents one of the most important production sectors for Maghreb. Given the proximity of the Community, total exports depend on the EEC markets for between 70% and 80%, and agricultural exports represent 8–9% of total exports against 11–12% of the weight of agricultural trade on imports.

In general, the agricultural policy in all developed countries is very similar to the employer–representative relationship which has already been discussed here. In this case, the Public Authority (employer) establishes aims and rules of action, which it is then substantially up to the agricultural producer (representative) to carry out. This representative is completely free to operate respecting the prefixed rules.

Every form of agricultural policy, to be well used, needs information. In the Maghreb countries, the problem of boosting production using systems similar to those used by the Community or in force in the United States is complicated by the availability of funds (the lack of funds is at the root of the liberalization currently taking place). This means that it is difficult to take up protection systems of the intervention price type, since it would cost the State relatively little, but would increase the amount drawn from the consumers' surplus. A system on the lines on ...the deficiency payment would not weigh on the consumer, but would be too expensive for the State.

Nevertheless, the choice of priority sectors to be protected as far as price is concerned is fundamental to try to increase the degree of internal self-sufficiency in the basic agricultural sectors for food production. *For these reasons too, it is difficult to define an area of organizational modernization* without passing via forms of links with the self-managed market along the lines of the co-operatives. The use of co-operation or of quasi-organization is in this sense a prerequisite both for the management of exports and, above all, to be able to consider in terms of the privatization of the food industry, which is difficult to carry out, without traumas or the uncontrollable influx of big foreign businesses, in a short time[8].

IV – Conclusions

Some years ago, Malassis summed up these changes, bearing in mind the integration of agriculture with industry, with the beautiful expression *L'industrie industrialise l'agriculture*. The industrialisation of agriculture is an important aspect of the major integration of agriculture into the agrimarketing system. It nevertheless conspicuously influences the type of performance of the agricultural sector as a whole and market organizational reactions.

Among the more decisive changes, two merit closer attention. The first change concerns the change in the role of agricultural policy. As far as the Community is concerned, the most important change is that which is linked to the generalisation of the dividing into quotas of production which the EEC seems to have entered with the decisions of May 1992. From a general point of view, productive quotas always introduce some entry barriers at the agricultural level, which are generally reflected in the rise in concen-

tration of market shares of companies operating in the industrial processing sector of the basic agricultural product. These effects are very noticeable in the community sugar sector. They are moving into the milk sector and will have similar effects in other sectors subject to bonus restrictions (processed fruit and vegetables, oils, cereals, already highly concentrated at a trade and a processing level).

The second effect is much more subtle. As the degree of competition falls in the agricultural sector and the consumption of food products becomes more sophisticated, the levels of functional connection with the market rise. The latter becomes the instrument of orientation of organizational relationships and selection of sales methods. Above all, it assumes the function of selecting agricultural companies, reducing, increasing or eliminating the possibility of their joining the market and selling. Only thirty years ago, this selection capability was brought about by industry which, in raising employment, was absorbing agricultural employees and changing processing structures. Today, this capability selection is largely in the hands of the agrimarketing system, which brings about even more drastic selection. A very significant example of this trend can be seen in Italy. The Italian food processing industry is very divided and, theoretically, should not develop large organizational functions. On the other hand, Italian consumption of food products is relatively sophisticated and when, as happened in the 1980s, innovative penetration of large food companies began, disruptive effects were produced. According to estimates carried out, (based on data from the last three censuses on agriculture), some authors estimate, when ordering companies by growing classes (deciles) of gross marketable production, 10% of the companies with the highest gross marketable production in 1970 produced 49% of the total of the marketable Italian productive yield, expressed in current terms, in 1980 the percentage of gross marketable production was over 6,7%, reaching 76% in 1990. This data underlines better than any other consideration the validity of the theories discussed in this paper.

Notes

1. An **agrimarketing** system is definable as 'the set of activities associated with agricultural production and its concentration, processing and distribution', and here includes needs, analyses, motivation and consumer acquisition strategies (Branson and Norvell, 1982).
2. For market function is meant 'every fundamental physical, or service, process which is necessary for the addition to the marketable product of form, time and place utilities requested by the customer.' Market functions may be distinguished as fundamental functions and support functions. Fundamental functions are: concentration of production, product classification and/or standardisation, storage or preservation, packaging, air-conditioning, transport and possible processing of the product. Support functions are: development of demand, product research and development, market intelligence, trading concessions, risk undertaking.
3. In formal terms, showing the costs of organization, of change of its structure and production (CP), and the cost of using the market (CU), the convenience calculation becomes: 1) in the sense that it is convenient to purchase the product if the cost of organization, change and production is lower than the cost of using the market and vice versa.
4. The contractual economy, however, defines the group of buying methods of the product directly from the agricultural concern by means of a contract, legally binding for the parties, in which are given the transfer deed price of the product, the degree of space and time utility, as requested by this buyer, here including the right to carry out the production cycle and to effect it according to determined regulations, the use of determined productive factors and the like.
5. Non-traditional products generally define areas of new business, under development. Indeed, between 1985 and 1990, all of the products which we have classified as such in order to compile table 1 showed very significant increases in spending levels. For our purposes, rather than the static comparison between the EEC countries, we are interested in the dynamic comparison of the use of modernized products. To this end, analysing the increase levels of the quantities consumed between 1985 and 1989 of the 23 products which were classified as modernized in the single countries of the Community, it is possible to highlight a substantial homogeneity of consumption dynamics expect for Greece, Spain and Portugal. The substantial homogeneity of consumption in the Central-Northern and Southern EEC countries is obtained through statistical methods such as factorial analysis.
6. Employer-representative is the term used to describe a relationship in which one subject (employer) establishes the rules of an action, and the other (the representative) carries it out. Once the rules are established, the agent has a number of possibilities to determine the action, which in any case influences the well-being of the principal, and the problem becomes interesting only when there is a dissymmetry of information between the representatives and the result of the relationship cannot be observed by the employer.
7. Before the launching of the common agricultural policy, the Farmers' Unions have the function of withdrawing grain production. Since 1963, they have always operated as the initial purchasers. The Farmers Unions are co-operative structures grouped together as the Federconsorzi, recently dissolved and which continue to operate even after this mishap.
8. A quasi organization is definable as an organizational structure of the so-called M type (multi-divisional). That it to say a central structure which is organised for sectors controlled on the basis of performances however... they are determined.

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