

CHAPTER 2

PROBLEMS AND CHARACTERISTICS OF AGRICULTURAL MARKETING

1. Differences between the agriculture and industry products.

Characteristics	Industry	Agriculture
<i>Financial Strength</i>	Many.	Average.
<i>Point of production</i>	Factories.	Plantation.
<i>Storage of raw materials</i>	Availability of raw materials, if others wise will upset the operations.	Availability of inputs such as fertilizer, seeds, pesticides, e.t.c. to avoid production delay.
<i>Management efficiencies</i>	Efficient of the staffs and there must be a divisions of labor.	Efficient of staffs is not necessary and compulsory as long as there is a division of labor.
<i>Promotion</i>	It's necessary so that the customer buy the products.	Not heavily necessary because it is a necessity product.
<i>Acceptance of customers</i>	The producer intends to reach to the customer/customer loyalty.	Because the product is a necessity, it is being accepted by the consumer according to taste.
<i>Volatile</i>	The production is volatile as long as there is a constant supply of raw materials.	The production is more volatile because it depends on environmental factors.

2. **Problems of agricultural marketing.** The farm problem is usually associated with unstable and relatively low farm prices and incomes. A related set of farmer's problem can be termed the farm marketing problem. There are several dimension of this problem;

2.1 **Adjusting demand and production of agriculture.** Farmers find it difficult to adjust precisely their production schedules to meet changing market conditions. The production of agricultural products such as fruit is seasonal in nature. Annual crops take eight months to harvest where as crops

like palm oil, rubber and cocoa takes 3-4 years to harvest. The consumer demand on these products change from time to time and it is difficult to forecast. The production is to a great extent dependent on weather and biological patterns of reproduction. Due to these different in variations will be a hindrance in demand and supply of agricultural products.

2.2 Orientation towards customer/buyer or demand of the consumer towards the producer. If the producer directly sells their products to the consumer at certain price level it is for sure they will know how much cost of the products that the consumer willing to pay. Price of products will reflect the demand of certain agricultural products. As a producer, they will get feedback directly how much price, what types of products does the consumer needs. The producer will also know exactly the quantities to produce in the market. Direct selling does happen most of the times because in most cases agricultural products are sold through middle-men who has the expertise and financial strength when dealing with the producer. A tomato canner must estimate how much of his product he can sell at a price estimated nearly a year in advance. Overestimates of yield will find him without enough tomatoes to meet his projected needs.

2.3 To minimize cost of marketing. Cost of distribution is high because cost of transportation, storage, and processing is part of the major distribution cost. The percentage of spoilage is high during the transportation process from one location to the other location because of lack of efficiencies in handling. Lack of planning will increase the administration cost in an organization and this reflect the inefficiencies of planning the manpower as required.

3. To overcome the problem of agricultural marketing, thus the efficiencies in transportation, storage facilities, management efficiencies and improving the technology should be consider.

4. **Common problems in the marketing of farm products.**

4.1 Farmers do not have any control over the output of their production activities. Supply of output is greater than demand. This might cause major problems to the producer. Need of comprehensive information about products demand in market.

4.2 A related component of the farm marketing problem is the difficulty farmer face in improving their prices through independent or group activities. Farmers are, for the most part, price takers-they cannot, individually, influence the price of their products through their output decisions. In order to raise prices through the control of supplies or advertising programs, farmers must act as a group. However, the large numbers of farmers, and their differing economic circumstances frequently frustrate farmers in their attempts to organize and to act jointly.

4.3 The cost-price squeeze is another component of the farm marketing problem. The competitive conditions of agriculture tend to keep farm prices close to the cost of production. Falling farm prices would not be so critical if they were accompanied by falling farm costs, or if the farmer could adjust input costs as prices fell.

4.4 The superior bargaining powers of buyers. Bargaining power such as opponent pain and opponent gains differs at levels of the marketing channels. The buyers consider themselves as king hence their bargaining power is more on opponent gains.

4.5 Changing food market pricing efficiencies. Different processors are willing to price their products at varying price. The changing of food marketing from one food market to another food market will allow a gap in pricing. The pricing will depend on location, customers, e.t.c. and this will create pricing efficiencies between the marketing food agencies.

4.6 Increasing gulf between the farmers sectors and food marketing sectors.

5. **Consumer and market demand.**

5.1 Consumer demand is defined as the various quantities of a particular commodity which a consumer is willing and able to buy as the price of that commodity varies, with all other factors affecting demand held constant.

5.2 Market demand is defined in terms of the alternatives quantities of a commodity which all consumers in a particular market are willing and able to buy as price varies and as all other factors are held constant.

6. **How agricultural marketing responds to consumers goals.** Since all of us are consumers, it is appropriate to begin by examining the consumer's view of agricultural marketing: that is, the consumer's goals or objectives. Marketing affects the food we eat, the clothes we wear, the things we use for personal grooming, and the content of our homes. Our lifestyle is therefore influenced by how well or poorly marketing is done. Agricultural marketing responds to consumers goals through several ways;

6.1 **Understanding consumer's tastes and preferences.** Items in the shopper's cart do not get there by chance. Choices are influenced by conscious and subconscious expectations, tastes, and preferences which are developed, or learned, in various ways: from those about us, from what we read, and from advertising. Such preferences affect not only what products can be sold in different regions but also how, and in what quantities, they can be packed.

6.2 **Providing variety.** Why is variety in food products important? In almost any household, someone is likely to say, or think, "I am getting tired of eating this" or "I want something else, but I am not sure what it is." Marketing

of food at stores is, therefore, designed so that shoppers will encounter a large variety of products. Marketing surveys here noted that one-third to two-thirds of shoppers' buying decisions are made in the store and not at home. This means that point-of-sale advertising and suggestions are important in marketing.

6.3 Open dating. Freshness and two related concerns, safety and avoidance of waste are important to consumers. Accordingly, we have "open dating" of food products. The concern for freshness lay behind the development and growth of the frozen foods industry and the increased use of air transportation for marketing domestic and imported fresh fruits and vegetables. Chain store warehouses ship fresh meats, fruits, and vegetables to retail stores several times a week; such closely timed marketing steps are very costly and were developed only because of demand.

6.4 Ensuring product safety. Labeling has become more and more important to consumers. Food safety and ingredients are important to everyone, particularly to people with special dietary needs or allergies. Of course, companies do not want to make public their formulations and processing methods, but listing ingredients seldom creates a conflict of interest. Federal marketing regulations require processors to list food ingredients on labels according to their relative weight in the final product. In addition to providing consumers with accurate information about ingredients, labeling deters processors from using possibly injurious substances, such as carcinogen.

6.5 Providing nutritional information. Consumers' awareness of nutrition continues to grow. "Health foods," "natural foods," and vitamin supplements are a response to this. (Health food stores, for example, have become commonplace in shopping centers). There may be some degree of faddishness involved here, as in the current emphasis on roughage in the diet (breakfast cereal processors in particular have reacted to this concern). But even so, nutritional labeling (like ingredient labeling) helps consumers to judge competing products, and this can increase pricing efficiency.

6.6 Special displays and promotions. There have been various responses to consumers' need for information about product available and their desire to be entertained. Special in-store displays include meal-planning ideas suggested by eye-catching arrangements placed in the shopper's path. Point-of-purchase displays are developed by agricultural commodity groups as well as food processors. Experience has shown that advertising on television, on radio, and in magazines is much more successful if shoppers are reminded of it by point-of-purchase displays. To provide an entertaining atmosphere, many supermarkets have music and public-service announcements, demonstrations, contests, and so on.

6.7 Time-saving shopping services. Reducing shopping time was the last goal we listed. This goal was one factor in the development of self-service supermarkets and more recently in the development of drive-in quick-stop convenience stores, which emphasize fast service rather than low prices.

Several regional chains of convenience stores appeared; which is one of them is 7-11 stores. Supermarkets have responded with express lanes at checkout stands for shoppers who buy few items and pay with cash instead of checks. Some firms are exploring the concept of shopping by means of video aids.