

Concept Of Agricultural Marketing



A.S. M. Fazlul Hoque

Lecturer



Dept. Of Agribusiness & Marketing

Sher-e Bangla Agricultural University

Agricultural Marketing



The process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.

Marketing is managing profitable customer relationships.

Marketing is the activity of identifying and satisfying need and wants of customers in profitable way

Agricultural Marketing is the study of all the activities, agencies, and policies involved in the procurement of farm inputs by the farmers and the movement of agricultural products from the farm to the consumers .

Agricultural Marketing is an effort to estimate demand for farm inputs and to ensure regular supply of those, to dispose farm product to a proper consumption point.

Need For Understand



- Farmer/producer
- Consumers
- Market middlemen & traders
- Government

Difference Between Agri-Product and Manufactured Product

- Perishability
- Seasonality of production
- Bulkiness of product
- Variation in quality
- Irregular supply
- Small size of holdings and scattered production
- Processing

New role of Ag. Marketing



- Enhance Food Security
- Increase productivity and competitiveness of agricultural sector
- Creation of utility
- Changes govt. intervention in Ag. Market
- Urbanization
- specialization in activities of comparative advantage
- enhanced resource-use efficiency and trade advances in marketing with economic growth

Problems of Agri. Marketing



Price fluctuation

Large number of middlemen

Small and scattered holding

Forced sale

Technological development problems in farm production

Lack of transport facilities

Poor handling, packing, packaging, and processing facilities

Lack of uniform standardization and grading

Inadequate storage capacity and warehousing facilities

Adulteration of produce and malpractices in market

Growth of urban centers

Communication problem

Lack of information about production and marketing

Lack of farmers' organization

Inadequate research on marketing

Removing Problems



- Establishment of Regulated Markets
- Standardization and grading
- Improvement in handling and packing
- Provision of storage facilities
- Improving transport facilities
- Market information
- Market extension
- Provision of agricultural marketing training to farmers
- Cooperative marketing
- Provision of cold storage facilities and refrigerated transport
- Development of physical market

Prospects Of Ag. Marketing



Agro based economy

Rural population

Low number of SME enterprise

International market

Govt. Support

Easy access to financial institutions

Tax holiday for agri - industries

Market



- Latin word **marcatus** meaning merchandise or trade or a place where business is conducted.
- Kotler , market as an area for potential exchanges
- AMA, aggregate demand of the potential buyers for a product/ service.
- Market is nothing but a price at which both the buyers and seller are interested to exchange commodities.
- Market is a set of potential & actual customers

Components Of Market



- Existence of Commodity/Service
- Buyers& seller
- Business relationship
- Demarcation of area

General Concepts Used In Marketing



Balance of Trade

Brand& Branding

Cartel

Consumer Franchise

Consumerism

Differentiated Marketing

Farmers terms of trade

Food Retailing

Free Market

Law of One Price(LOOP)

Marketing Mix

Marketing Process

Marketing Strategy

Market Segmentation

Terms of trade

Trade Mark

On the basis of Location



- Village Market
- Primary Market
- Secondary Market
- Terminal Market
- Seaboard Market

On the Basis Of Area Coverage



- Local or Village Market
- Regional Market
- National Market
- International Market

On the Basis Of Time Span



- Short period Market
- Periodic Market
- Long Period Market
- Secular Market

On the basis of Volume of Transaction



- Wholesale Market
- Retail Market

On the basis of Nature of Transactions



- Cash Market
- Forward Market

On the basis of Numbers of commodities transacted



- General Market
- Specialized Market

On the basis of Nature of commodities transacted



- Commodity Market
- Capital Market

On the basis of Degree of Competition



- Perfect Market
- Monopoly Market
- Duopoly Market
- Oligopoly Market
- Monopolistic Competitive Market

On the basis of Stage of Marketing



- Producing Market
- Consuming Market

On the basis of Extent of Public Intervention



- Regulated Market
- Un-Regulated Market

On the basis of Type of Population Served



- Urban Market
- Rural Market

On the basis of Market Functionaries And Accrual of Marketing Margin



- Farmers Market
- Cooperative Market
- General Market

Market Growth



1. Functional growth

General Market

Specialized Market

Dealings with samples

Dealings with grades

2. Geographical growth

Factors Affecting Rate of Market Development

- Nature of Demand
- Nature of Product
- Transportation & Communication Facilities
- Quantum of Supply & Demand
- Public Policies
- Banking Facilities
- Peace & Security
- Economic Growth

Market Structure



- The term structure refers to something that organization and dimension-shape, size and design; which is evolved for the purpose of performing a function.
- Market Structure refers to those characteristics of the market which affect the traders' behavior and performance.
- Market structure is the formal organization of the functional activity of market institution.

Components of Market Structure



- Concentration of Market Power
- Degree of Product Differentiation
- Conditions for entry of Firms in the Market
- Flow of Market Information
- Degree of Integration

Dynamics of Market Structure – Conduct and Performance



The market structure determines the market conduct and performance.

The term market conduct refers to the patterns of behavior of firms, specially in relation to pricing and their practices in adapting and adjusting to the market in which they function .

- a. Market sharing and price setting policies
- b. Policies aimed at coercing rivals
- c. Policies towards setting the quality of products

Dynamics of Market Structure – Conduct and Performance

- The term performance refers to the economic results that flow from the industry as each firm pursues its particular line of conduct.
 1. Efficiency in resource use
 2. The existence of monopoly or monopoly profit
 3. Dynamics progressiveness of the system & social welfare
 4. Problems of inequalities
 - a. Market intermediaries
 - b. small farmers discrimination
 - c. Disturbance of inter product price parity- parity price as the purchasing power of a particular commodity relative to a farmer's expenses such as wages, interest on debt, equipment, taxes and so forth

Changes in Market



- Production Pattern
- Demand Pattern
- Cost of Marketing Function
- Technological changes in industry

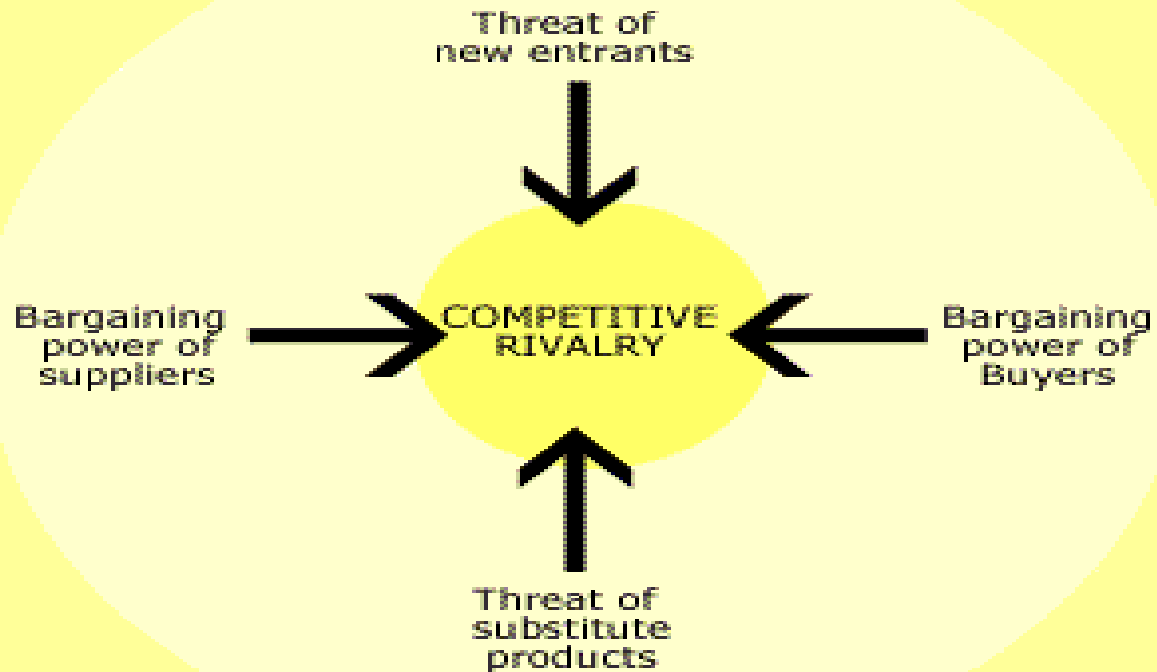
Market Forces



- The forces which affect the process of price determination, either directly or indirectly may be termed as market forces. It may be tangible or intangible.

Forces of market

Five Forces Analysis



Demand



- Demand refers to quantity of goods or services which buyers are willing to purchase at different prices in given market at a given time. It represent willingness and ability to purchase under specified condition.
- Effective demand-the level of demand that represents a real intention to purchase by people with the means to pay .
- Derived demand-Derived demand is a term in economics, where [demand](#) for a [factor of production](#) or [intermediate good](#) occurs as a result of the demand for another intermediate or [final good](#) .

Reservation Demand- Quantity of a product a seller would like to retain a given price. the **reservation** (or **reserve**) **price** is the highest price a buyer is willing to pay for goods or [a service](#); or; the smallest price at which a seller is willing to sell a good or service. Reservation prices are commonly used in [auctions](#).

Demand function

Demand Function

Mathematical expression establishing relationship between demand and its various variables

$$D_x = F(P_x, P_s, P_c, Y_d, T, A, N, u)$$

P_x - Own price

P_s - Price of a substitute

P_c - Price of complements

Y_d - Disposable income

T - buyers tastes and preferences

A - effect of advertisement

N - population growth

U - other aspects

Supply

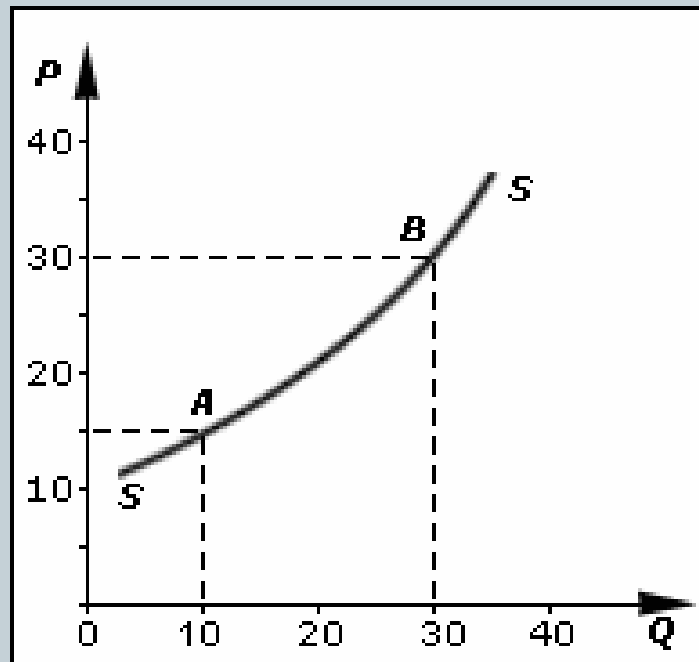
- Supply refers to the amount of a product that producers and firms are willing to sell at a given price when all other factors being held constant. Supply curve showing the relationship of price to the amount of product businesses are willing to sell.

Price of Rice(40Kg)	Quantity offered for Sale(000'Kg)
1050	100
1000	90
950	70
920	60
880	50
850	30

Supply



- Short run
- Intermediate run
- Long run



Factors of Supply

- Two main sources of supply: Domestic farm production & Import

Domestic farm production

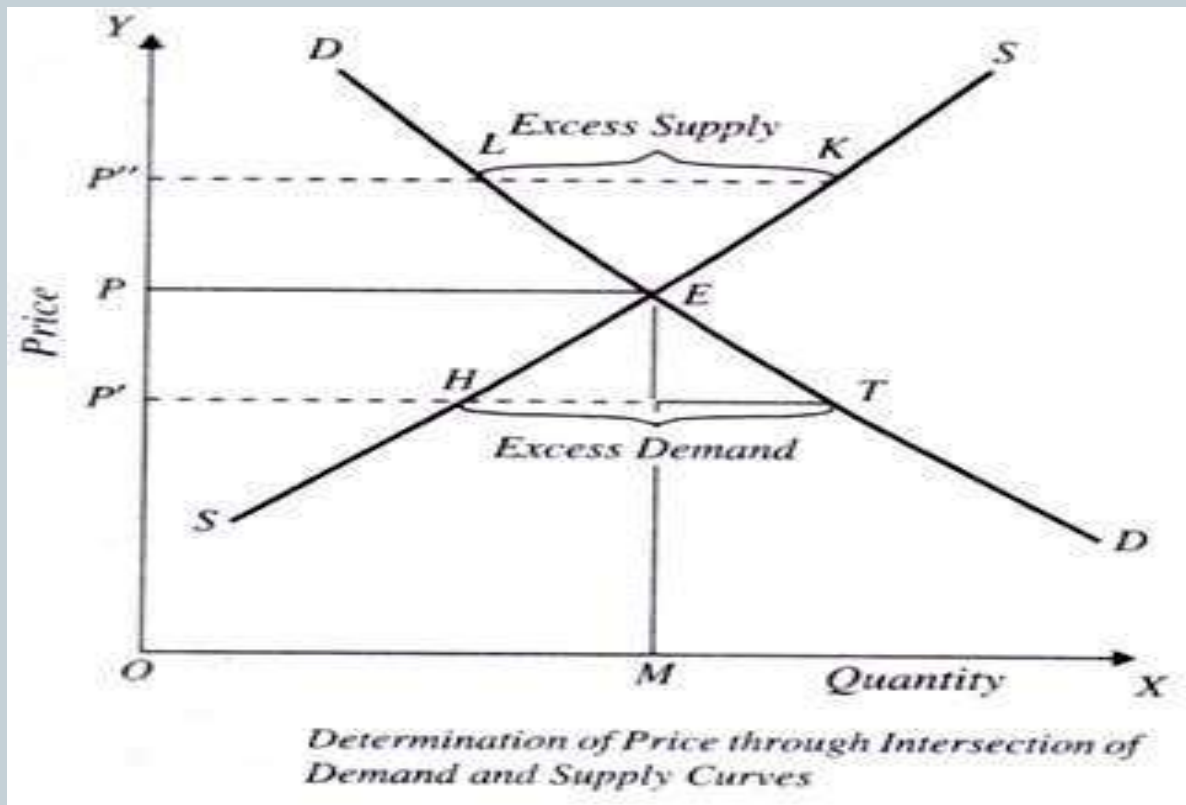
- Weather
- Technology
- Irrigation facilities
- Land suitable for cultivation
- Acreage under various crops
- Availability of inputs
- Relative inter- crop and input-output price

Import



- Price difference and shipment cost
- Objectives of the national policy
- Ability of the country to resort to import
- Need of the country to earn foreign exchange

Price determination



Importance of Agricultural Marketing

- Optimization of resource use and output management
- Increase farm income
- Widening market
- Growth of agro-based industries
- Price signal
- Adoption and spread of new technology
- Employment creation
- Addition national income
- Better living
- Creation of utility

History of Ag. Marketing Development



- Specialization
- Urbanization
- Transportation & communication
- Technological change in agriculture

Producer surplus

Quantity made available to the non-producing population of the country.

1. Farming sound price policies
2. Developing proper procurement and purchase strategies
3. Checking undue price fluctuations
4. Export & Import decision
5. Development of transport and storage systems.

Producer surplus



Marketable surplus : It is the quantity of produce which can be made available to the non – farm population of the country.

$$MS = P - C$$

Where, MS = Marketable surplus

P= Total Production

C= Total Requirement(family consumption, farm need, payment to labor, artisans, landlord and payment for social and religious work)

Producer Surplus



Marketed Surplus :

Marketed surplus is that quantity of the produce which producer-farmers actually sell in the market irrespective of their requirements for family consumption, farm needs and others payment.

Marketed surplus < Marketable surplus

Marketed surplus > Marketable surplus

Marketed surplus = Marketable surplus

Factors affecting Marketable Surplus



- Size of Holding
- Production
- Price of commodity
- Size of family
- Requirement of Seed& feed
- Nature of commodity
- Consumption Habits









