
Agricultural And Commodity Marketing

**Students expectations
from the course**

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Chapter 1: Nature of Agricultural Marketing

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1.1 an overview of agricultural marketing

THE 2 CONTRIBUTORS TO THE EVOLUTION OF MARKETING

1. A SHIFT IN ECONOMIC LIFE-STYLE

i. Purely agricultural and self-sufficient to:

- Independent
- Less productive
- No surplus..... no marketing

ii. An economy built around division of labor, industrialization and urbanization:

- Productive
- Surplus.....marketing

2. INDUSTRIAL REVOLUTION

- Before industrial revolution
- After industrial revolution

Cont'd...

- **SUMMARY OF THE OVERVIEW**

- **Contributors to the traditional marketing**

- social movement from agrarian economy to an economy built around division of labor, urbanization, and industrializationsurplus and recognition of value addition from exchange and division of labor

- **Contributors to the modern marketing**

- Industrial revolution

1.2 Meaning Of Agricultural Marketing

- The term *agricultural marketing* is composed of two words – **agriculture** and **marketing**.
 - **Agriculture:**
 - means activities aimed at the use of natural resources for human welfare.
 - **Marketing**
 - is activities involved in moving the goods from the point of production to the point of consumption.
 - It includes all activities involved in the creation of time, place, form and possession utility.

Cont'd.....

WHAT IS AGRICULTURAL MARKETING?

- **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 farms to the consumers.
- **The agricultural marketing system** is a link between the farm and the non-farm sectors. **Why linking....?**
- **It includes :**
 - the organization of agricultural raw materials supply to processing industries, E.g.: agro-industry zones**
 - assessment of demand for farm inputs and raw materials, and**
 - assessment of policy relating to the marketing of farm products and inputs.**

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- **The two types of agricultural marketing sub-system:**
- **1st, product marketing sub-system**
 - include farmers, village/primary traders, wholesalers, processors, importers, exporters, marketing cooperatives, regulated market committees and retailers.
- **2nd, input marketing sub-system**
 - includes input manufacturers, distributors, related associations, importers, exporters and others who make available various farm production inputs to the farmers.
- **Why the linkages between the farm and the non-farm sectors should be strengthened?**

1.3 The Role Of Agricultural Marketing To LDCs

- Job, Mktg efficiency,stimulating production and consumption, and accelerating the pace of economic development.

1. Optimization of Resource Use & Output Management

- Who first utilizes resources and also the first marketer?
- What is the effect of agricultural marketing?
 - An efficient agricultural marketing system leads to the:
 - ✓ optimization of resource use and
 - ✓ output management.
 - it also leads to an increase in the marketable surplus by scaling down the losses arising out of inefficient processing, storage and transportation.

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2. Increase in Farm Income:

- by reducing the number of middlemen or by restricting the commission on marketing services.
- An efficient marketing system guarantees the farmer **better prices** for farm products and induce them to **invest** their **surpluses** in the **purchase** of **modern input** so that productivity and production may increase.

E.g.: the early vs. recent Ethiopian farmers income

- **Why farmers' income is increasing in Ethiopia?**
 - **reducing the Middle men...faire price**
 - **Inputs**

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3. Widening of Markets

- **THE 2 STRATEGIES:**

- 1) **Stimulating demand by the help of market and marketing research**

- 2) **Better management of the 4p's → widening of market**

- **E.g.: ALFORA**

Cont'd.....

4. Growth of Agro-based Industries

- Many industries depend on agriculture for the supply of raw materials.
- E.g.: sugar vs. agriculture industry
textile vs. agriculture industry

5. Adoption and Spread of New Technology

- Efficient marketing system.....better benefit.....inv't ability↑ technology adoption

Cont'd.....

6. Employment

- 80%....IN 2015

7. Addition to National Income

- GNP and NNP \uparrow b/c..... inflow \uparrow and outflow \downarrow
- **46 % of GDP, >80% EXPORT.....IN 2015**

8. Better Living

- **Farmers' living standards has been improving from hand to mouth to marketable surplus**

9. Creation of Utility-form, place, time, economic, and possession utility

1.4 Characteristics of Agricultural Products

1. *Perishability* :

– Because of their perishability they are vulnerable to **price fluctuations**.

- **Marketer's role:**

- suitable transportation and storage system, and
- Creating market linkage

2. *Bulkiness* –most farm products have low value but high transportation cost.....marketing is complicated

- **Marketing implication:**

- Increased size and speed of transportation,
- large store, and
- Creating Market linkage

3. Seasonality:

- ***The effect of nature on farm productivity***
- ***Your role as a marketing advisors***
 - ***Prepare additional water sources in addition to rain fall***
 - ***Creating seasonal demand***

4. Quality Variation

- Good quality and large yields go hand in hand. When yields are poor, quality is frequently poor.
- **The effect of quality variation:**
 - disorganize the market,
 - cause wide price fluctuations,
 - add to the costly storage,
 - complicate grading.

5. Raw Materials: the outputs of the agricultural sectors are mostly raw materials for future production.

Next session's discussion points

- 1. Problems of agricultural marketing**
- 2. Suggested solution to the problems**
- 3. Differences of agricultural and manufactured products**
- 4. Producers' surplus**

1.5 Problems of Marketing of Agricultural Products In LDCs

1. Large Number of Middlemen

- producer's share in consumer's Birr is reduced.
- **What is the problem.....?**
 1. **Productivity of farmers will be low**
 2. **Role to the economy below expectation**

2. Small and Scattered Holding

- marketable surplus generated is very meager.
- Lower bargaining power

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3. Forced Sales

- Farmers sell their produce at an:
 - unfavorable place,
 - unfavorable time and
 - usually they get unfavorable terms.

4. Technological Development Problems in Farm Production

- For example,
 - mechanical picking of cotton associated with the problem of mixing trash with cotton;
 - potato diggers are found to cause cuts on the potato;
 - sugarcane harvesters effects the problem of trash mix with the cane, etc.

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5. Lack of Transport Facilities

- **Lack of transport services refer to:**
 - absence of the transport service in reasonable agricultural marketing areas,
 - seasonality of transport service,
 - **high freight charges due to inadequacies,**
 - **lack of all-weather roads and transport vehicles,**
 - **unsuitability of the present transport facilities for transportation of some products like fruits, vegetables, eggs, etc.**

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6. Poor Handling, Packing, Packaging, and Processing Facilities

- **Causes Wilt and rot of commodities...wastages**

7. Inadequate Storage Capacity and Warehousing Facilities

8. Lack of Uniform Standardization and Grading

9. Adulteration of Product and Malpractices in Market

- **Mixing inferior and superior products**
 - **The case of addis ababa jeisso made injera**
- **manipulation of weights**

Cont'd.....

10. Growth of Urban Centers

- marketing problems
- Farm land problems
- Ecological problems

11. Communication Problem

- Availability
- Quality
- Literacy

Cont'd.....

12. Lack of Information about Production and Marketing

- Market information is of two types

1. market intelligence

- indicates a record of past information in relation to prices, market, etc.
- The purpose:
 - Input for decisions making

2. market news

- provides current information on prices, arrivals, etc.

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13. Lack of Farmers' Organization

- **traders are an organized body.....better bargaining power.....farmer exploitation**

14. Inadequate Research on Marketing

- **consumer demands and preferences,**
- **handling and packaging.**

Suggestions To Improve The Agricultural Problems In LDCs

- **1. Establishment of Regulated Markets**
- A regulated market is one, which aims at
 - the elimination of the unhealthy and unscrupulous practices,
 - reducing marketing charges and
 - providing facilities to producers.

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- **Benefits of regulated market:**
 - Farmers are encouraged to bring their produce **directly to the markets**
 - Protect farmers **exploitation** of market functionaries
 - Farmers are ensured **better prices** for their produce
 - Farmers have access to **up-to-date market information**
 - **marketable surplus of the farmers**
 - **Marketing costs are lowered and**
 - **producers share will be increased.**

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- **2. Standardization and Grading**
- standards should reflect market needs and wants.
- One grade should have the same implications to producers, traders and consumers in the quality of the product.
- It must have mutually acceptable description.
- **3. Improvement in Handling and Packing**

Cont'd.....

- **4. Provision of Storage Facilities**
- appropriate storage facilities depending on the nature and characteristics of products and the climatic conditions of an area. If not..... **physical damage** and **quality deterioration**
- **A licensed warehouse has the following benefits:**
 - 1) Reduces the wastage** in storage of various commodities by providing scientific storage facilities
 - 2) Assists the government** in orderly marketing of agricultural commodities by introducing standard grade and specifications
 - 3) Issues warehouse receipts**, a negotiable instrument in which commercial banks advance finance to the producers and dealers
 - 4) Assists government** in the scheme of price support operations.

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- **5. Improving Transport Facilities**
- **6. Market Information**
- **7. Market Research**
- **8. Market Extension**
- This involves the dissemination of needed information on marketing to producers.
- The farmers will be advised on consumer preferences, grading, packaging, transport, etc., in order to help them to secure better returns.

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- **9. Provision of Agricultural Marketing Training to Farmers**
- The farmer needs to be trained in **product planning** i.e. crops and varieties to be grown, preparation of produce for marketing, malpractices and rules and regulations, market information, promotion of group marketing, etc.
- **10. Cooperative Marketing**
- Cooperative marketing are organized by farmers themselves and the profits are distributed among the farmer-members based on the quantity of the produce marketed by them.

Cont'd.....

- **The benefits of cooperative marketing include:**

- 1) Make arrangement for the sale of produce of the members
- 2) Provides credit facilities to the members on the security of agricultural produce
- 3) Provide grading facilities, which would result in better price
- 4) Make arrangement for scientific storage of the member's produce
- 5) Arrange the supply off inputs required by the farmers
- 6) Undertake the system of pooling the produce of the members to enhance the bargaining power through unity of action
- 7) Arrange for the export of the produce to enable the farmers get better returns
- 8) Act as an agent of the government in procurement of food-grains, etc.

Cont'd.....

- 11. Provision of Cold Storage Facilities and Refrigerated Transport
- 12. Development of Physical Market

1.6 Differences In The Marketing Of Agricultural Products And Manufacturing Products

1. **Perishability of the Product**

- Price predictability of farm and manufactured products.
- **2. Seasonality of Production**
- **3. Bulkiness of the product**
- Farm products-bulki one time production.....but
Manufactured goods bulkiness is not production issue.

Cont'd.....

- **4. Small holding and scattered production**
- in farm products there is **scattered production.....estimation of SS difficult but not in manufactured products**
- **Small holding.....the bargaining power of individual farmer is low.....but manufacturers are relatively large holders.....individual manufacturer has better bargaining power**

1.7 Types Of Agricultural Marketing Infrastructure

- **Group assignment**
- **Weight 15% (5% for paper 10% presentation)**
- What are the agricultural marketing infrastructures available to the Ethiopian farmers, or farmers in any regional state of Ethiopia, or farmers around mekelle zonal administration? Your answer must contain the following:
 - a) the available infrastructures in the selected area
 - b) The unavailable infrastructures in the selected area
 - c) Your general suggestions in regard to the infrastructures of agricultural marketing in the selected area

The Basic Infrastructures Of ACM

- **Roads**
- **Irrigation**
- **Storage Technology to Reduce Post-Harvest Losses**
- **Wholesale markets and trading centers**
- **Agro-processing**
- **Information and communications technology**

1.8. producer's surplus of agricultural commodities

- **What is producer's surplus?**
- This is the quantity, which is actually made available to the non-producing population of the country.
- **The role of producer's surplus**
 1. Framing sound price policies
 2. Developing proper procurement and purchase strategies.
 3. Checking undue price fluctuation
 4. Ease Estimation of external trade
 5. Development of transport and storage systems

Cont'd.....

- The producer's surplus is of two types:
- **1. Marketable Surplus**
- The marketable surplus is that quantity of the produce, which can be made available to the non-farm population of the country.
- This may be expressed as follows:
- **$MS = P - C$**
- *Where:*
- Ms = Marketable Surplus
- P = Total production, and
- C = Total requirements (family consumption farm needs, payment to labor, artesian landlord and payment for social and religious work).

Cont'd.....

- **2. Marketed Surplus**

- Marketed surplus is that quantity of the produce which the producer – farmer actually sells in the market irrespective of his requirement for family consumption, farm needs and other payments.
- **Marketed Surplus $>, =, <$ Marketable Surplus**

- 1. Marketed Surplus $>$ Marketable Surplus**

when the farmer retains a smaller quantity of the crop than his actual requirement for family and farm needs.

- This situation of selling more than the marketable surplus is termed as **distress or forced sale**.
- Such farmers generally buy the product from the market in a later period to meet their family and/or farm requirements.

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2. Marketed Surplus < Marketable Surplus

when the farmer retains some of the surplus produce. This situation holds true under the following conditions.

- Large farmers generally sell less than the marketable surplus because of their better retention capacity. They retain extra produce in the hope that they would get a higher price in the later period.
- Farmers may substitute one crop for another. Crop either for family consumption purpose or for feeding their livestock because of the variation in prices.

3. Marketed Surplus = Marketable Surplus

- when the farmer neither retains more nor less than his requirements.
 - This holds true for perishable commodities and of the average farmer.

1.8.2 Factors Affecting Marketable Surplus

1. Size of holding:

- There is a positive relationship between the size of the holding and the marketable surplus

2. Production:

- the higher the production on a farm, the larger will be the marketable surplus, and vice versa.

3. Price of the commodity:

- the price of the commodity and the marketable surplus have a positive as well as a negative relationship, depending up on whether one considers the short or long run effect.

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4. Size of family:

- the larger the number of members in a family, the smaller the surplus on the farm.

5. Requirement of seeds and feeds:

- The higher the requirement for these uses, the smaller the marketable surplus of the crop.

6. Nature of commodity:

- the marketable surplus of non-food crop is generally higher than that for food crops.

7. Consumption habits:

- the quantity of output retained by the farm family depends on the consumption habits.