

# Marketing: A key element in agriculture production

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## Marketing is a key element in agriculture production

Marketing of agricultural products is based on the following basic principles.

- There must be a demand for the product. If there is no demand, there is no market.
- The price must be affordable and in line with other producers.
- The place (location) must be convenient – easily accessible.
- Promotion is advertising by word of mouth (reputation) or through radios, newspapers among other platforms.

Also the consumers' needs, wishes and finances (ability to buy) must be considered whilst competition from other farmers must be known and understood fully.

## Different stages in marketing produce

Produce preparation	This involves cleaning, sorting and grading.
Packaging	The types of packaging used may range from simple jute bags to plastic packaging for the direct transport of fruits to consumers.
Handling	Products are handled several times on their way to the market. Handling includes loading and unloading, re-packaging, weighing, etc.
Transport	Costs are incurred by farmers when they take their produce to the market. These costs may be the payments to a transporter or they

	may also include the running costs of farmer's own transport.
Storage	Products that are not sold immediately are usually stored. It is an important cost for many products. The main purpose of storage is to extend the availability of produce over a longer period than if it were sold immediately after harvest. The assumption behind storing produce for the market is that the price will rise enough while the product is being stored to cover the costs of storage.
Losses	Losses include loss of weight in storage and transit, loss of colour, shape, bruises, over-ripening, etc. The cost of these is measured by cash paid out. It is measured by loss of income.
Other marketing costs	Other marketing costs include fees and commissions

### Target markets for various farming products

Target market	Description	Advantages	Disadvantages
Fellow farmers	Other farmers in the area	<ul style="list-style-type: none"> <li>• No transport costs</li> <li>• Chance to build relations</li> </ul>	<ul style="list-style-type: none"> <li>• Prices usually low</li> </ul>
Individual or household consumers	Local consumers or from other areas who buy for final consumption.	<ul style="list-style-type: none"> <li>• Can offer good prices</li> <li>• No transport costs</li> </ul>	<ul style="list-style-type: none"> <li>• Buy in small quantities</li> </ul>
Local retailers / vendors	Include shops and butcheries operating at local business centres	<ul style="list-style-type: none"> <li>• No transport costs</li> <li>• Convenient and fast transactions</li> <li>• Good for learning and research</li> </ul>	<ul style="list-style-type: none"> <li>• They dictate prices</li> <li>• Low demand due to few buyers</li> </ul>
Urban retailers / vendors	Include supermarkets, butcheries and vendors from urban areas	<ul style="list-style-type: none"> <li>• High potential for regular business</li> <li>• Buying in bulk</li> </ul>	<ul style="list-style-type: none"> <li>• Can feed farmers with wrong information</li> <li>• Dictate prices</li> </ul>
Dealers or speculators	Those buying for resale at higher prices in other places or at later dates	<ul style="list-style-type: none"> <li>• Assist in wide product distribution</li> <li>• Mostly pay cash on the spot</li> </ul>	<ul style="list-style-type: none"> <li>• Can feed farmers with wrong information</li> <li>• Heavily negotiate prices</li> </ul>
Processors	Companies who buy for value addition and conversion into final products (include abattoirs and manufacturers)	<ul style="list-style-type: none"> <li>• Buy in bulk</li> <li>• Can have long term contracts</li> <li>• Can support with inputs</li> <li>• Opportunities for</li> </ul>	<ul style="list-style-type: none"> <li>• Delays in payment</li> <li>• Failure to honour contractual agreements</li> <li>• Sometimes dictate prices</li> </ul>

		long-term relations	
Institutional consumers	Schools, hospitals, churches and other organizational buyers who buy for final consumption	<ul style="list-style-type: none"> <li>• Buy in large quantities</li> <li>• Offer good prices</li> <li>• Opportunities for long-term relations</li> </ul>	<ul style="list-style-type: none"> <li>• Demand formal transactions</li> <li>• Have high demands for quality, reliability and consistency</li> </ul>
NGOs	Development organizations buying for projects	<ul style="list-style-type: none"> <li>• Give accurate information</li> <li>• Can be good business ambassadors</li> <li>• Buy in bulk</li> </ul>	<ul style="list-style-type: none"> <li>• Occasional orders</li> <li>• Can distort market prices</li> </ul>
Government bodies / parastatals	Arms of the government with a mandate to buy and process or sell agricultural products (like GMB and CSC)	<ul style="list-style-type: none"> <li>• Buy in bulk</li> <li>• Long term relations</li> <li>• Can support with inputs</li> <li>• Spread orders as a social responsibility</li> </ul>	<ul style="list-style-type: none"> <li>• Late payment</li> <li>• Failure to fulfil promises</li> <li>• Slow processes</li> </ul>
Travellers	Public buyers passing by to other areas	<ul style="list-style-type: none"> <li>• Can be good ambassadors</li> <li>• Buy in a hurry</li> <li>• Can produce good margins</li> </ul>	<ul style="list-style-type: none"> <li>• Buy small quantities</li> <li>• Have little time to consider buying many</li> <li>• No relationship</li> </ul>
Foreign markets	Customers beyond national borders	<ul style="list-style-type: none"> <li>• Exposure to other countries</li> <li>• High return potential</li> </ul>	<ul style="list-style-type: none"> <li>• Demand to high standards</li> <li>• Complicated processes</li> <li>• quickly affected by government policies</li> </ul>

## Available Marketing Channels

Marketing channel	Description	Advantages	Disadvantages
Direct / private sales	Direct dealing with client without any middlemen	<ul style="list-style-type: none"> <li>• Shortens distribution channel</li> <li>• Opportunity for long-term relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Possibilities of being tricked as one buyer is involved at a time.</li> <li>• Farmers often overpowered in negotiations as there no regulator involved.</li> </ul>
Auction sales	Facilitated public sales where many buyers bid for products	<ul style="list-style-type: none"> <li>• Collection of many products available for farmers</li> <li>• Chance to compare quality and learn</li> <li>• Chance to team up and share ideas with other farmers</li> <li>• Involvement of facilitators reduce unfairness</li> <li>• Competition of buyers, may raises prices</li> <li>• Can move volume products</li> </ul>	<ul style="list-style-type: none"> <li>• Buyers can form cartels and team up against sellers</li> <li>• Grading can be biased against farmers</li> <li>• Facilitators can collaborate with buyers</li> <li>• Extra costs incurred to take products to the market</li> <li>• Long distances to auction places usually stress farmers during transporting their produce for marketing.</li> <li>• Not frequent especially for livestock</li> </ul>
Collection point sales	Producer gather products and arrange with one buyer to come and buy	<ul style="list-style-type: none"> <li>• Can be arranged any time</li> <li>• Bulk purchases are arranged</li> <li>• Promotes unity among farmers</li> </ul>	<ul style="list-style-type: none"> <li>• No competition of buyers</li> <li>• Buyer heavily negotiates</li> <li>• Buyer can supply incorrect market information for bargaining purposes</li> </ul>
Farm-gate sales	Sales at homestead of farm	<ul style="list-style-type: none"> <li>• No transport costs to selling point</li> <li>• Easy to withdraw products from the sales offer</li> <li>• Gives buyers chance to tour the farm</li> </ul>	<ul style="list-style-type: none"> <li>• No chance to collaborate with other farmers</li> <li>• Buyer can supply incorrect market information for bargaining purposes.</li> <li>• Exposure of production facilities may displease buyers</li> </ul>
Assembly market sales	Selling at informal market where sellers gather to sell their products (like Mbare)	<ul style="list-style-type: none"> <li>• Known source of products by buyers</li> <li>• Collaboration of sellers</li> <li>• Competition to improve quality and service</li> </ul>	<ul style="list-style-type: none"> <li>• Unstable prices following demand and supply of products</li> <li>• Risky for perishables if demand is low</li> </ul>

## **Challenges associated with marketing of agricultural products**

- High storage losses
- Low farm-gate prices
- Market choices limited
- Lower Profits
- High transport cost
- Ripped off by middle man
- Lack of marketing information
- Poor timing at production and at selling

## **Possible Solutions**

### **Marketing information**

In order to take advantage of constantly changing markets, farmers must have access to current and historical information. A marketing plan is based on past experience while being flexible enough to quickly adapt to change market conditions and hence the need for farmers to keep records. Information on trends in seasonal price fluctuations is available and should be available to farmers. Among other decisions, the choice of whether or not to store crops until prices improve is an important one. Contact with buyers and other sellers will inform the farmer about the current prices. Newspapers, radio programmes, selected NGOs and even government departments can also supply important information.

### **Timing and pricing**

With reliable historical information concerning price fluctuations from season to season, we can determine when the markets are likely to be more or less favourable. If you have decided to store your produce for prices to improve, there is however a cost for storage to be met. The important question is whether or not the cost is justified by the price advantage anticipated during a period of scarcity, that is, during winter periods when only horticultural products are abundant.

### **Contract farming**

It is when the grower and buyer agree to terms and conditions for the future sale and purchase of a crop or livestock product. In conjunction with the marketing arrangements the buyer may agree to supply selected inputs, including on occasions land preparation and technical advice. The farmer also agrees to follow recommended production methods, inputs regimes, and cultivation and harvesting specifications.

### **Marketing as farmer group/Group marketing**

The group approach seems to be more advantageous as compared to individual marketing, as the following benefits could be derived:

- The group can mobilise resource to set up storage facilities hence reduces losses
- Higher prices for commodities because of bargaining power
- Value addition is possible in order to respond to market demands
- Lower transportation costs

- Lower transaction costs
- Market access enhanced because of bulking
- Market information easily shared
- Elimination of some middlemen
- Allows small holder farmers to control their livelihoods
- Advocacy for the farmer policy change is possible
- Attainment of higher profits is possible

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