AGRICULTURAL MARKETING

Market: Meaning:

The word market comes from the latin word „marcatus which means merchandise or trade or a place where business is conducted. Word „market has been widely and variedly used to mean (a) a place or a building where commodities are bought and sold, e.g., super market; (b) potential buyers and sellers of a product, e.g., wheat market and cotton market; Some of the definitions of market are given as follows:

1. A market is the sphere within which price determining forces operate.
2. A market is area within which the forces of demand and supply converge to establish a single price.
3. The term market means not a particular market place in which things are bought and sold but the whole of any region in which buyers and sellers are in such a free intercourse with one another that the prices of the same goods tend to equality, easily and quickly.
4. Market means a social institution which performs activities and provides facilities for exchanging commodities between buyers and sellers.
5. Economically interpreted, the term market refers, not to a place but to a commodity or commodities and buyers and sellers who are in free intercourse with one another.

Components of a Market:

For a market to exist, certain conditions must be satisfied. These conditions should be both necessary and sufficient. They may also be termed as the components of a market.

1. The existence of a good or commodity for transactions(physical existence is, however, not necessary)
2. The existence of buyers and sellers;
3. Business relationship or intercourse between buyers and sellers; and
4. Demarcation of area such as place, region, country or the whole world. The existence of perfect competition or a uniform price is not necessary.

Dimensions of a Market:

There are various dimensions of any specified market. These dimensions are:

1. Location
2. Area or coverage
3. Time span

4. Volume of transactions
5. Nature of transactions
6. Number of commodities
7. Degree of competition
8. Nature of commodities
9. Stage of marketing
10. Extent of public intervention
11. Type of population served
12. Accrual of marketing margins

Market structure

Meaning:

The term structure refers to something that has organization and dimension – shape, size and design; and which is evolved for the purpose of performing a function. A function modifies the structure, and the nature of the existing structure limits the performance of functions. By the term market structure we refer to the size and design of the market.

1. Market structure refers to those organizational characteristics of a market which influence the nature of competition and pricing, and affect the conduct of business firms;
2. Market structure refers to those characteristics of the market which affect the traders behaviour and their performances;

3. Market structure is the formal organization of the functional activity of a marketing institution.

An understanding and knowledge of the market structure is essential for identifying the imperfections in the performance of a market.

Components of Market Structure:

The components of the market structure, which together determine the conduct and performance of the market, are:

1. Concentration of market power:
2. Degree of product differentiation:

3. Conditions for entry of firms in the market:

4. Flow of market information:

5. 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 behaviour of firms, especially in relation to pricing and their practices in adapting and adjusting to the market in which they function. Specifically, market conduct includes:

(a) Market sharing and price setting policies;

(b) Policies aimed at coercing rivals; and

(c) Policies towards setting the quality of products.

The term market performance refers to the economic results that flow from the industry as each firm pursues its particular line of conduct. Society has to decide the criteria for satisfactory market performance. Some of the criteria for measuring market performance and of the efficiency of the market structure

For a satisfactory market performance, the market structure should keep pace with the following changes:

1. Production pattern:

2. Demand pattern:

3. Costs and patterns of marketing functions:

4. Technological change in Industry:

Agricultural Marketing:

Concept and Definition:

The term agricultural marketing is composed of two words-agriculture and marketing. Agriculture, in the broadest sense, means activities aimed at the use of natural resources for human welfare, i.e., it includes all the primary activities of production. But, generally, it is used to mean growing and/or raising crops and livestock. Marketing connotes a series of activities involved in moving the goods from the point of production to the point of consumption. It includes all the activities involved in the creation of time, place, form and possession utility. According to Thomsen, the study of agricultural marketing, comprises all the operations, and the agencies conducting them, involved in the movement of farm-produced foods, raw materials and their derivatives.

Scope and Subject Matter of Agricultural Marketing:

Agricultural marketing in a broader sense is concerned with:

- The marketing of farm products produced by farmers
- The marketing of farm inputs required by farmers in the production of farm products

Subject of agricultural marketing

This includes product marketing as well as input marketing. The subject of output

marketing is as old as civilization itself. The importance of output marketing has become more conspicuous in the recent past with the increased marketable surplus of the crops following the technological breakthrough. The farmers produce their products for the markets. Input marketing is a comparatively new subject. Farmers in the past used such farm sector inputs as local seeds and farmyard manure. These inputs were available with them; the purchase of inputs for production of crops from the market by the farmers was almost negligible. The new agricultural technology is input-responsive. Thus, the scope of agricultural marketing must include both product marketing and input marketing.

Specially, the subject of agricultural marketing includes marketing functions, agencies, channels, efficiency and costs, price spread and market integration, producer s surplus, government policy and research, training and statistics on agricultural marketing.

Difference in Marketing of Agricultural and Manufactured Goods:

The marketing of agricultural commodities is different from the marketing of manufactured commodities because of the special characteristics. The special characteristics which the agricultural sector possesses, and which are different from those of the manufactured sector, are:

1. Perish ability (فترة الهلاك) of the Product:

Most farm products are perishable in nature; but the period of their perishability varies from a few hours to a few months.

2. Seasonality of Production:

Farm products are produced in a particular season; they cannot be produced throughout the year. In the harvest season, prices fall. But the supply of manufactured products can be adjusted or made uniform throughout the year. Their prices therefore remain almost the same throughout the year.

3. Bulkiness(ضخامة) of Products:

The characteristic of bulkiness of most farm products makes their transportation and storage difficult and expensive. This fact also restricts the location of production to somewhere near the place of consumption or processing. The price spread in bulky products is higher because of the higher costs of transportation and storage.

4. Variation in Quality of Products:

There is a large variation in the quality of agricultural products, which makes their grading and standardization somewhat difficult. There is no such problem in manufactured goods, for they are products of uniform quality.

5. Irregular Supply of Agricultural Products:

The supply of agricultural products is uncertain and irregular because of the dependence of agricultural production on natural conditions. With the varying supply, the demand remaining almost constant, the prices of agricultural products fluctuate substantially.

6. Small Size of Holdings(المقتنيات) and Scattered Production(الانتاج المبغثر):

Farm products are produced throughout the length and breadth of the country and most of the producers are of small size. This makes the estimation of supply difficult and creates problems in marketing.

7. Processing:

Most of the farm products have to be processed before their consumption by the ultimate consumers. This processing function increases the price spread of agricultural commodities.

Importance Of Agricultural Marketing

Agricultural marketing plays an important role not only in stimulating production and consumption, but in accelerating the pace of economic development. Its dynamic functions are of primary importance in promoting economic development.

Optimization of Resource use and Output Management:

An efficient agricultural marketing system leads to the optimization of resource use and output management. An efficient marketing system can also contribute to an increase in the marketable surplus by scaling down the losses arising out of inefficient processing, storage and transportation.

Increase in Farm Income

An efficient marketing system ensures higher levels of income for the farmers by reducing the number of middlemen or by restricting the commission on marketing services and the malpractices adopted by them in the marketing of farm products. An efficient system guarantees the farmers better prices for farm products and induces them to invest their surpluses in the purchase of modern inputs so that productivity and production may increase.

Widening of Markets(توسيع الاسواق):

A well-knit(متماسكة بشكل جيد) marketing system widens the market for the products by taking them to remote corners both within and outside the country, i.e., to areas far away from the production points. The widening of the market helps in increasing the demand on a continuous basis, and thereby guarantees a higher income to the producer.

Growth of Agro-based Industries:

An improved and efficient system of agricultural marketing helps in the growth of agro-based industries and stimulates the overall development process of the economy.

Price Signals:

An efficient marketing system helps the farmers in planning their production in accordance with the needs of the economy.

Adoption and Spread of New Technology

The marketing system helps the farmers in the adoption of new scientific and technical knowledge. New technology requires higher investment and farmers would invest only if they are assured of market clearance.

Employment:

The marketing system provides employment to millions of persons engaged in various activities, such as packaging, transportation, storage and processing, etc.

Addition to National Income:

Marketing activities add value to the product thereby increasing the nation s gross national product and net national product.

Better Living:

The marketing system is essential for the success of the development programmes which are designed to uplift the population as a whole.

Creation of Utility(خلق المنفعة):

Marketing adds cost to the product; but, at the same time, it adds utilities to the product. The following four types of utilities of the product are created by marketing:

(a) Form Utility(شكل الفائدة): The processing function adds form utility to the product by changing the raw material into a finished form. With this change, the product becomes more useful than it is in the form in which it is produced by the farmer.

(b) Place Utility: The transportation function adds place utility to products by shifting them to a place of need from the place of plenty. Products command higher prices at the place of need than at the place of production because of the increased utility of the product.

(c) Time Utility: The storage function adds time utility to the products by making them available at the time when they are needed.

(d) Possession Utility(فائدة الحيازة): The marketing function of buying and selling helps in the transfer of ownership from one person to another. Products are transferred through marketing to persons having a higher utility from persons having a low utility.

Classification of Markets:

Markets may be classified on the basis of each of the twelve dimensions mentioned below.

1. On the basis of Location:

On the basis of the place of location or operation, markets are of the following types:

a) **Village Markets:** A market which is located in a small village, where major transactions take place among the buyers and sellers of a village is called a village market.

b) **Primary wholesale Markets:** These markets are located in big towns near the centers of production of agricultural commodities. In these markets, a major part of the produce is brought for sale by the producer-farmers themselves.

c) **Secondary wholesale Markets:** These markets are located generally in district headquarters or important trade centers or near railway junctions. The major transactions in commodities take place between the village traders and wholesalers. The bulk of the arrivals in these markets is from other markets.

d) **Terminal Markets:** A terminal market is one where the produce is either finally disposed of to the consumers or processors, or assembled for export. Merchants are well organized and use modern methods of marketing. Commodity exchanges exist in these markets, which provide facilities, for forward trading in specific commodities. Such markets are located either in metropolitan cities or in sea-ports – in Bombay, Madras, Calcutta and Delhi.

e) **Seaboard Markets:** Markets which are located near the seashore and are meant mainly for the import and/or export of goods are known as seaboard markets. Examples of these markets in India are Bombay, Madras, Calcutta.

2. On the Basis of Area/Coverage:

On the basis of the area from which buyers and sellers usually come for transactions, markets may be classified into the following four classes:

a) **Local or Village Markets:** A market in which the buying and selling activities are confined among the buyers and sellers drawn from the same village or nearby villages. The village markets exist mostly for perishable commodities in small lots.

b) **Regional Markets:** A market in which buyers and sellers for a commodity are drawn from a larger area than the local markets. Regional markets in India usually exist for food grains.

c) **National Markets:** A market in which buyers and sellers are at the national level. National markets are found for durable goods like jute and tea.

d) **World Market:** A market in which the buyers and sellers are drawn from the whole world. These are the biggest markets from the area point of view. These markets exist in the commodities which have a world-wide demand and/or supply.

3. On the Basis of Time Span(الفترة الزمنية):

On this basis, markets are of the following types:

a) **Short-period Markets:** The markets which are held only for a few hours are called short-period markets. The products dealt within these markets are of highly perishable nature, such as fish, fresh vegetables, and liquid milk.

b) **Long-period Markets:** These markets are held for a long period than the short-period markets. The commodities traded in these markets are less perishable and can be stored for some time; these are food grains and oilseeds. The prices are governed both by the supply and demand forces.

c) **Secular Markets:** These are markets of permanent nature. The commodities traded in these markets are durable in nature and can be stored for many years. Examples are markets for machinery and manufactured goods.

4. On the Basis of Volume of Transactions(عملية تجارية) :

There are two types of markets on the basis of volume of transactions.

a) **Wholesale Marketsاسواق الجملة :** A wholesale market is one in which commodities are bought and sold in large lots or in bulk. Transactions in these markets take place mainly between traders.

b) **Retail Marketsاسواق المفرد :** A retail market is one in which commodities are bought by

and sold to the consumers as per their requirements. Transactions in these markets take place between retailers and consumers. The retailers purchase in wholesale market and sell in small lots to the consumers. These markets are very near to the consumers.

5. On the Basis of Nature of Transactions:

The markets which are based on the types of transactions in which people are engaged are of two types:

a) **Spot or Cash Markets:** A market in which goods are exchanged for money immediately after the sale is called the spot or cash market.

b) **Forward Markets:** A market in which the purchase and sale of a commodity takes place at time „t but the exchange of the commodity takes place on some specified date in future i.e., time t + 1. Sometimes even on the specified date in the future(t+1), there may not be any exchange of the commodity. Instead, the differences in the purchase and sale prices are paid or taken.

6. On the Basis of Number of Commodities in which Transaction Takes place:

A market may be general or specialized on the basis of the number of commodities in which transactions are completed:

a) **General Markets:** A market in which all types of commodities, such as food grains, oilseeds, fiber crops, gur, etc., are bought and sold is known as general market. These markets deal in a large number of commodities.

b) **Specialized Markets:** A market in which transactions take place only in one or two commodities is known as a specialized market. For every group of commodities, separate markets exist. The examples are food grain markets, vegetable markets, wool market and cotton market.

7. On the Basis of Degree of Competition:

Each market can be placed on a continuous scale, starting from a perfectly competitive point to a pure monopoly or monopsony situation. Extreme forms are almost non-existent. Nevertheless, it is useful to know their characteristics. In addition to these two extremes, various midpoints of this continuum have been identified. On the basis of competition, markets may be classified into the following categories:

Perfect Markets: A perfect market is one in which the following conditions hold good:

a) There is a large number of buyers and sellers;

b) All the buyers and sellers in the market have perfect knowledge of demand, supply and prices;

c) Prices at any one time are uniform over a geographical area, plus or minus the cost of getting supplies from surplus to deficit areas;

d) The prices are uniform at any one place over periods of time, plus or minus the cost of storage from one period to another;

e) The prices of different forms of a product are uniform, plus or minus the cost of converting the product from one form to another.

Imperfect Markets: The markets in which the conditions of perfect competition are lacking are characterized as imperfect markets. The following situations, each based on the degree of imperfection, may be identified:

a) **Monopoly Market:** Monopoly is a market situation in which there is only one seller of a commodity. He exercises sole control over the quantity or price of the commodity. In this market, the price of commodity is generally higher than in other markets. Indian farmers operate in a monopoly market when purchasing electricity for irrigation. When there is only one buyer of a product the market is termed as a monopsony market.

b) **Duopoly Market:** A duopoly market is one which has only two sellers of a commodity. They may mutually agree to charge a common price which is higher than the hypothetical price in a common market. The market situation in which there are only two buyers of a commodity is known as the duopsony market.

c) **Oligopoly Market:** A market in which there are more than two but still a few sellers of a commodity is termed as an oligopoly market. A market having a few (more than two) buyers is known as oligopsony market.

d) **Monopolistic competition:** When a large number of sellers deal in heterogeneous and differentiated form of a commodity, the situation is called monopolistic competition. The difference is made conspicuous by different trade marks on the product. Different prices prevail for the same basic product. Examples of monopolistic competition faced by farmers may be drawn from the input markets. For example, they have to choose between various makes of insecticides, pumpsets, fertilizers and equipments.

8. On the Basis of Nature of Commodities:

On the basis of the type of goods dealt in, markets may be classified into the following categories:

a) **Commodity Markets:** A market which deals in goods and raw materials, such as wheat, barley, cotton, fertilizer, seed, etc., are termed as commodity markets.
b) **Capital Markets:** The market in which bonds, shares and securities are bought and sold are called capital markets; for example, money markets and share markets.

9. On the Basis of Stage of Marketing:

On the basis of the stage of marketing, markets may be classified into two categories:

a) **Producing Markets:** Those markets which mainly assemble the commodity for further distribution to other markets are termed as producing markets. Such markets are located in producing areas.

b) **Consuming Markets:** Markets which collect the produce for final disposal to the consuming population are called consumer markets. Such markets are generally located in areas where production is inadequate, or in thickly populated urban centres.

10. On the Basis of Extent of Public Intervention:

Based on the extent of public intervention, markets may be placed in any one of the following two classes:

a) **Regulated Markets:** Markets in which business is done in accordance with the rules and regulations framed by the statutory market organization representing different sections involved in markets. The marketing costs in such markets are standardized and practices are regulated.
b) **Unregulated Markets:** These are the markets in which business is conducted without any set rules and regulations. Traders frame the rules for the conduct of the business and run the market. These markets suffer from many ills, ranging from unstandardised charges for marketing functions to imperfections in the determination of prices.

11. On the Basis of Type of Population Served:

On the basis of population served by a market, it can be classified as either urban or rural market:

a) **Urban Market:** A market which serves mainly the population residing in an urban area is called an urban market. The nature and quantum of demand for agricultural products arising from the urban population is characterized as urban market for farm products.

b) **Rural Market:** The word rural market usually refers to the demand originating from the rural population. There is considerable difference in the nature of embedded services required with a farm product between urban and rural demands.

12. On the Basis of Accrual of Marketing Margins:

Markets can also be classified on the basis of as to whom the marketing margins accrue.