Marketing extension guide

HORTICULTURAL MARKETING
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HORTICULTURAL MARKETING

by

Grahame Dixie

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Grahame Dixie
1 An introduction to horticultural marketing
Main points in Chapter 1

WHAT IS MARKETING?

Definitions emphasize ...

The importance of profit;
Supplying what customers want;
Moving produce from farmer to consumer.

HOW CAN IMPROVED MARKETING HELP FARMERS?

The marketing weaknesses of small farmers;
Farmers’ perceptions of their problems;
How extension advisors can help identify solutions.

WHAT ARE THE ADVANTAGES OF SMALL AND LARGE FARMS?

WHAT DOES MARKETING CONTRIBUTE ...

to the rural economy?
to the consumer?

WHAT IS MARKETING?

There are many definitions of “marketing.” Here are two particularly relevant to horticultural marketing.

The first is ...

Marketing involves finding out what your customers want and supplying it to them at a profit

This stresses two important points:

• the marketing process has to be customer oriented;
• marketing, a commercial process, has to provide farmers, transporters, traders, processors, etc. with a profit or they will be unable to stay in business.

Marketing therefore involves:

• identifying buyers;
• understanding what they want in terms of products and how they want to be supplied;
• operating a production-marketing chain that delivers the right products at the right time;
• making enough profit to continue to operate.
The second useful definition is ...

The series of services involved in moving a product from the point of production to the point of consumption

This definition emphasizes that marketing is a series of inter-connected activities. In the case of horticultural marketing these include:

- planning production;
- growing and harvesting;
- grading of products and their packing, transport, storage, processing, distribution and sale;
- sending information from production area to market (e.g. products available, volumes) and from market back to producing areas (e.g. prices and supply levels, consumer preferences and changes in taste).

All of these activities are links in the production-marketing chain. Like any chain, it is only as good as its weakest link.

Marketing systems are dynamic. They are competitive and involve continuous change and improvement. Suppliers who have lower costs, are more efficient and can deliver quality products are those who survive and prosper. Those who have high costs, do not adapt to changes in market demand and provide poorer quality are often forced out of business.

HOW CAN IMPROVED MARKETING HELP FARMERS?

Most farmers see themselves as “price takers”, thinking that they have no control over prices and have to accept what is offered. They do not always know how to find new buyers nor how market demand is changing and which products are most profitable to grow. They lack the understanding to improve the prices they receive and the profitability of their production.

Your role as an extension advisor should be to help farmers become better informed about the market. They can then start to make decisions on how to improve their marketing. However, you must never tell farmers what they should do or what products to sell. Commercial decisions like these must be made by the farmers themselves. There are two reasons for this:

1. Farmers need to become owners of new ideas. In this way they become committed and aware that they are responsible for the success or failure of what they do. This increases the chances of a successful outcome.
2. If an extension officer (or NGO specialist) recommends a course of action that fails, he or she will be blamed by the farmers.
When asked about their problems, farmers commonly identify marketing issues as their key constraint. Problems highlighted are usually lack of markets, poor prices, inadequate roads and poor communications.

However, while farmers can usually state clearly their problems they often face difficulties in identifying potential solutions. This guide aims to help you to help farmers work out what to do.

Farmers are generally highly skilled in agricultural techniques but marketing requires learning new skills, new techniques and new sources of information. Armed with business and marketing skills farmers will be better able to run their farms profitably.

Small-scale farmers face the biggest marketing problems. Box 1 compares the strengths and weaknesses of large-scale farms and small-scale farms. The conclusion from this box is that small farmers need the most support and that their success depends on getting the best prices possible. This can be done by obtaining better information about marketing and the different marketing options available to them.
**Box 1**  
**Strengths and weaknesses of small and large farms**

**Small farms**

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<th>Weaknesses</th>
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<td>Cheap family labour is available. Smalls farms are suitable for labour-intensive products (e.g. those requiring transplanting, pruning and multiple harvests by hand). Small farms can grow products that require attention to detail. Small farms can effectively supply low-volume specialized niche markets and value-added products, such as herbs, flowers and ornamental plants. They can also supply local processors.</td>
<td>Small farms produce only limited quantities. They are often located far away from major markets. Education standards are often low. Small farmers are reluctant to introduce new technology. They face difficulties in obtaining information, capital and support. They are weak in negotiation and often lack confidence, especially when dealing with traders and companies. Small farmers tend to be averse to risk. They need income stability and cannot afford losses.</td>
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**Large farms**

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<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<td>Large farms are suitable for mechanized, large-scale production for major crops like wheat, sugar cane and maize. They can grow crops that require a large capital investment. They are best equipped to produce and sell produce in large volumes to major buyers. They have access to capital, information and technology.</td>
<td>Large farmers often have high overhead costs. They can be poor at organizing and controlling large numbers of workers. They cannot easily service small and niche markets. In some countries they may be criticized for using land that could be used by poor farmers.</td>
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WHAT IS THE ROLE OF MARKETING?

Marketing and the rural economy
Those who carry out marketing have a strong incentive to increase the value of rural trade, because increased sales should lead to higher profits. Rural businesses include suppliers of inputs, buyers of produce, transporters, storage companies, processors and wholesalers. They can range in size from individual entrepreneurs to large-scale agribusinesses, but whatever their size, all stand to gain from improvements in the marketing process.

Businesses are often said to be exploiting farmers and making unfair profits. They certainly try to maximize their profits, but without such businesses farmers would not be linked to markets and would not be able to sell all their produce. Traders and other rural businesses can help farmers find new markets and lower their costs. All of this leads to improved production opportunities and higher incomes for farmers.

Rural marketing businesses are often small, have limited resources and are traditional in outlook. Identifying new markets, advising on technologies and improving understanding of markets are all ways in which extension workers can help traders and farmers to increase sales.

Governments can help farmers in many ways, without actually working with them directly. Promotion of competition, provision of market information and improvement of market infrastructure are powerful ways to ensure good returns for farmers.

Marketing and consumers
Consumers want to pay low prices. Farmers want to receive high prices and to be paid as much of the consumer price as possible. The best way of achieving a balance between these two conflicting aims is through an efficient and low-cost marketing chain. This generally involves using larger scale transport (achieving economies of scale), reducing losses, and reducing other costs. An example of how costs can be reduced is the promotion of competition between buyers.

Consumer preferences for food products are constantly changing and developing, particularly in the case of horticultural products. Consumers need a production-marketing chain that can respond to their changing tastes. The marketing system needs to deliver the volumes, quality and variety of safe and nutritious food products that consumers require. It needs to be sufficiently dynamic so that it can continue to provide consumers with choice by developing and delivering new products.
Many farmers are blind to the requirements of the market.

Marketing extension lifts that blindfold.