



A guide to **MARKETING COSTS and how to calculate them**

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS



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A guide to MARKETING COSTS and how to calculate them

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Foreword

The intention of this Guide is to explain basic concepts of agricultural marketing costs and marketing margins. It identifies the main types of marketing costs, provides brief advice on how to calculate them and discusses the interpretation of marketing margins.

An understanding of costs and margins is essential for all those involved with agricultural marketing. Farmers seeking to produce new crops need to be aware not only of their likely production costs but also of the costs of marketing these crops. Extension workers need to be able to advise farmers and farmers' groups on such matters. Wholesale and retail traders must, of course, be fully aware of their costs if they are to trade profitably. Finally, government officials concerned with monitoring the efficiency of agricultural markets need to have a full understanding of marketing costs and margins and need to be able to monitor these on a regular basis if they are to propose viable improvements, such as new markets.

In part, the aim of this Guide is to correct some of the widely held misunderstandings over marketing costs. iii

Traders' margins are often looked upon as being excessive; frequently this is because the observer lacks a full appreciation of all the costs involved.

This Guide should be particularly useful to marketing officers and extension workers who are called upon during their work to advise farmers on marketing and prices. It is hoped that it will be used by agricultural training colleges for their courses in agricultural marketing. The Guide can be used together with other guides in the FAO Marketing Extension Guide series.

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