

NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF MANAGEMENT SCIENCES

Course Code: MKT 305

Course Title: Agricultural Marketing

COURSE GUIDE

Course Code: **MKT 305**

Course Title: **Agricultural Marketing**

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COURSE CONTENTS

MODULE 1: INTRODUCTION TO THE CONTEXT OF MARKETING AND AGRICULTURAL MARKETING

Unit 1: Introduction to Agriculture and Marketing

Unit 2: Marketing and Agricultural Marketing

Unit 3: Evolution and Concepts of Marketing

Unit 4: Meaning and Definitions of Marketing

Unit 5: Types of Markets

Unit 6: Morphology of Markets

MODULE2:THE CONTEXT OF THE ROLES, GROWTH AND THE PROBLEMS OF AGRICULTURAL MARKETING

Unit 7: Modes of Distribution in Agricultural Marketing

Unit 8: Roles of Farmers in Agricultural Marketing

Unit 9: Roles of Middlemen in Agricultural Marketing

Unit 10: Production, Distribution and Marketing of Agricultural Crops in Nigeria

Unit 11: Prospects and Problems of Agricultural Marketing in Nigeria

Unit 12: Problems and Past Efforts at Solving the Problems of the Nigerian Agricultural Sector

Unit 13: Major Problems Confronting Agricultural Marketing in Nigeria

MODULE 3: THE CONTEXT OF STANDARDIZATION, STRATEGIES AND PRICING POLICIES OF AGRICULTURAL MARKING IN NIGERIA

Unit 14: Standardization of Agricultural Marketing

Unit 15: Problems of Standardization

Unit 16: Pricing Policies and Strategies of Agricultural Marketing

Unit 17: Promotion Policies and Strategies of Agricultural Marketing

Unit 18: Planning of Agricultural Marketing

Unit 19: Efficient and Effective Agricultural Marketing in Nigeria

Unit 20: International Marketing

MKT 305: AGRICULTURAL MARKETING

1.0 INTRODUCTION

MKT305: Agricultural Marketing is a two credit course for the Undergraduate students in Marketing Programme. The course consists of twenty-one (20) units i.e., three (3) modules of at least six (6) units per module. The material has been developed to suit Undergraduate students in Marketing at the National Open University of Nigeria (NOUN) by adopting an approach that highlights the key areas of marketing. The course guide tells you briefly what the course is all about, what course materials you will be using and how you can work your way through these materials. It suggests some general guidelines for the amount of time you are likely to spend on each unit of the course in order to complete it successfully. It also gives you some guidelines on the Tutor Marked Assignments.

2.0 WHAT YOU WILL LEARN IN THIS COURSE

MKT305: Agricultural Marketing introduces you to various techniques, methodology, principles, practice, policies, and approaches etc, relating to marketing and agricultural marketing as it is practice elsewhere.

3.0 COURSE AIMS

This course ‘Agricultural Marketing’ aims to acquaint and give you an over view of the understanding of how agricultural products are transported, distributed and marketed through the various systems of marketing. The course also teaches us with the fundamentals and techniques involves in the growth, promotion of marketing as well as the problems of standardization of agricultural products.

4.0 COURSE OBJECTIVES

The objectives of the course are to:

1. Explain the context of the principles of agriculture and marketing of agricultural products in Nigeria
2. Examine the context of the roles, growth and problems of agricultural marketing in Nigeria
3. Analyse the significance of promotion, standardization and the likely problems associated with them.
4. Examine the relationship between farmers (producers) and the roles of the middlemen.
5. Examine the context of international marketing of agricultural products.

In addition, each unit also has specific objectives. The units’ objectives are also included at the beginning of a unit; you should read them before you start working through the unit. You may want to refer to them during your study of the unit to check on your progress. You should always look at the unit objectives after completing a unit, in this way, you can be sure that you have done what is required of the unit.

5.0 WORKING THROUGH THIS COURSE

To complete this course, you are required to read through the study units, read related books, and read other materials provided by the National Open University of Nigeria (NOUN). Each unit contains self-assignment exercises, and at certain points during the course, you will be expected to submit assignments. At the end of the course is a final examination. The course should take you about a total of about 18 weeks to

complete. Below are the components of the course, what you have to do and how you should allocate your time to each unit in order to complete the course successfully on time

6.0 COURSE OUTLINE PROGRAMME PROPOSAL (OPP) FOR MKT 305

This course is designed to give students a broad view of what agricultural marketing is all about. The contents are to familiarise the students with the definition of agricultural marketing; growth of agricultural marketing; role of the farmer in agricultural marketing; expansion of agricultural products pricing policies and strategies in agricultural marketing; impact of freight changes on agricultural products; distribution policies and strategies in agricultural marketing; modes of distribution of agricultural products in Nigeria; the cost of physical distribution of agricultural products in Nigeria; storage operations in agricultural marketing; promotions policies and strategies in agricultural marketing; problems of standardization in agricultural marketing, role of government in agricultural marketing; international marketing of agricultural products, commodity marketing; how future markets works; hedging; planning in agricultural marketing; agricultural futures and options contract specifications; agricultural marketing and the internet system; problems of agriculture marketing in Nigeria; towards efficient and effective agricultural marketing in Nigeria. The main focus of the course is on meaning, growth, roles, standardization and the problems confronting agricultural marketing in Nigeria.

7.0 COURSE MATERIALS

Major Components of the course are:

1. Course guide;
2. Study units;
3. Textbooks;

8.0 COURSE MARKING SCHEME

The course total course marking scheme

ASSESSMENT	MARKS
Assignment	Twenty assignments, best 12 marks of the twenty count @5% each =30% of the course marks
Final Examination	70% of overall course marks
Total	100% of Course Marks

9.0 COURSE OVERVIEW

This table brings together the units, the number of weeks you should take to complete them and the assignments that will follow them.

UNIT	TITLE OF WORK	WEEKS ACTIVITY	ASSESSMENT (END OF UNIT)
	COURSE GUIDE		
	MODULE 1: INTRODUCTION TO THE CONTEXT OF MARKETING AND AGRICULTURAL MARKETING		
1	Introduction to Agriculture and Marketing	1	Assignment 1
2	Marketing and Agricultural Marketing	1	Assignment 2
3	Evolution and Concepts of Marketing	1	Assignment 3
4	Meaning and Definitions of Marketing	1	Assignment 4
5	Types of Markets	1	Assignment 5
6	Morphology of Markets	1	Assignment 6
	MODULE 2: THE CONTEXT OF THE ROLES, GROWTH AND THE PROBLEMS OF AGRICULTURAL MARKETING		
1	Modes of Distribution in Agricultural Marketing	1	Assignment 7
2	Roles of Farmers in Agricultural Marketing	1	Assignment 8
3	Roles of Middlemen in Agricultural Marketing	1	Assignment 9
4	Production, Distribution and Marketing of Agricultural Crops in Nigeria	1	Assignment 10
5	Prospects and Problems of Agricultural Marketing in Nigeria	1	Assignment 11

6	Problems and Past Efforts at Solving the Problems of the Nigerian Agricultural Sector	1	Assignment 12
7	Major Problems Confronting Agricultural Marketing in Nigeria	1	Assignment 13
	MODULE3: THE CONTEXT OF STANDARDIZATION, STRATEGIES AND PRICING POLICIES OF AGRICULTURAL MARKING IN NIGERIA		
1	Standardization of Agricultural Marketing	1	Assignment 14
2	Problems of Standardization	1	Assignment 15
3	Pricing Policies and Strategies of Agricultural Marketing	1	Assignment 16
4	Promotion Policies and Strategies of Agricultural Marketing	1	Assignment 17
5	Planning of Agricultural Marketing	1	Assignment 18
6	Efficient and Effective Agricultural Marketing in Nigeria	1	Assignment 19
7	International Marketing	1	Assignment 20

10.0 TUTORS AND TUTORIALS

There are 20 hours of tutorial provided in support of this course. You will be notified of the dates, times, and location of these tutorials, together with the names and phone numbers of your tutor as soon as you are allocated to a tutorial group. Your tutor will mark and comment on your assignments, keep a close watch on your progress and on any difficulties you might encounter and provide assistance to you during the course. You must mail your tutor-marked assignments to your tutor before the due date (at least two working days are required). They will be marked by your tutor and returned to you as soon as possible. Do not hesitate to contact your tutor by telephone, e-mail, or through discussion board if you need help.

The following might be circumstances in which you would find help necessary.

- You do not understand any part of the study units or the assigned reading
- You have difficulty with self-test or exercise
- You have a question or problem with an assignment which your tutor's comment on an assignment or with the grading of an assignment.

You should try your best to attend the tutorials. This is the only chance to have face-to-face contact with your tutor and to ask questions which are answered instantly.

11.0 STUDY UNITS

The study units in this course are as follows:

MODULE 1: INTRODUCTION TO THE CONTEXT OF MARKETING AND AGRICULTURAL MARKETING

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Unit 14: Standardization of Agricultural Marketing

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Unit 17: Promotion Policies and Strategies of Agricultural Marketing

Unit 18: Planning of Agricultural Marketing

Unit 19: Efficient and Effective Agricultural Marketing in Nigeria

Unit 20: International Marketing

12.0 ASSESSMENT

There are two aspects to the assessment for this course: The first is the Tutor-Marked Assignment (TMA); and secondly, the e-examination. Within each unit are self-assessment exercises, which are aimed at helping you to check your assimilation as you proceed. Try to attempt each of the exercises before finding out the expected answers from the literature.

13.0 TUTOR-MARKED ASSIGNMENT (TMA'S)

This is your continuous assessment exercise and it accounts for 30% of your total score. You are expected to answer at least four sets of TMA's questions, before you sit for the end of course examination. Your best three TMA's will account for the 30% total score.

14.0 FINAL EXAMINATION AND GRADING

Your course examinations' would earn you 70% which would be added to your TMA score (30%). The time for the examination would be communicated to you.

15.0 SUMMARY

This course, *Agricultural Marketing* (MKT 305) is designed to give you some knowledge which would help you understand the basic fundamentals of marketing of agricultural products, their objectives, evolution concepts, growth, roles of farmers and middlemen, standardization and problems, promotion, policies and strategies in agricultural marketing as well as the general problems confronting agricultural marketing in Nigeria. After going through this course, you would be in a good position to pass your e-examination at the end of the semester and programme, the knowledge gained could be applied in assessing the significance of marketing of agricultural products. The roles of farmers and middlemen cannot be underestimated in agricultural marketing. The various policies on promotion and standardization of agricultural products have to be observed, maintained and sustained. The course has helped to contribute to the development of scholarly thoughts in examination and management of agricultural products.

We wish you success in this interesting course and hope you will use what you have learnt, in this undergraduate programme as a gateway to master's degree program in marketing or any other related course.

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MODULE 1: INTRODUCTION TO THE CONTEXT OF MARKETING AND AGRICULTURAL MARKETING

Unit 1: Introduction to Agriculture and Marketing

Unit 2: Marketing and Agricultural Marketing

Unit 3: Evolution and Concepts of Marketing

Unit 4: Meaning and Definitions of Marketing

Unit 5: Types of Markets

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MODULE 2: THE CONTEXT OF THE ROLES, GROWTH AND THE PROBLEMS OF AGRICULTURAL MARKETING

Unit 7: Modes of Distribution in Agricultural Marketing

Unit 8: Roles of Farmers in Agricultural Marketing

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Unit 19: Efficient and Effective Agricultural Marketing in Nigeria

Unit 20: International Marketing

MODULE ONE: INTRODUCTION TO THE CONTEXT OF MARKETING AND AGRICULTURAL MARKETING

UNIT 1: INTRODUCTION TO AGRICULTURE AND MARKETING

TABLE OF CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Meaning of Agriculture

3.1.1 Scope of Agriculture

3.2 Meaning of Marketing

3.3 The Essentials of Agricultural Marketing

3.4 Need for Agriculture and Marketing

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Readings

1.0 Introduction

Having gone through the course guide, this unit will introduce you to what Introduction to Agriculture and Marketing is; you will be exposed to the meaning of agriculture, meaning of marketing and the link between agriculture and marketing as it relates to the marketing of agricultural products, goods and services. The essence of this unit is to acquaint you to what agricultural marketing entails.

2.0 Objectives

At the end of this unit, you should be able to:

- Define and Explain the Meaning of Agriculture.
- Explain the Meaning of Marketing
- Determine the link between Agriculture and Marketing.

3.0 Main Content

3.1 Meaning of Agriculture

Originally the term agriculture is derived from two Latin words “Ager” and “Cultura”. Ager means land and Cultura means cultivation i.e. tilling the soil and preparing it for planting of crops. Putting the two words together i.e. land and cultivation, agriculture could be regarded as land cultivation. In this modern day farming, this definition is no longer acceptable as agriculture means more than land cultivation. Modern agriculture therefore could be defined as the production of crops and rearing of animals for the purpose of producing food for man’s use and raw materials for industries.

Generally speaking, modern agriculture involves the following activities. These are as follows:

- a. Cultivation of the land for the production of crops
- b. Rearing of farm animals for the production of food and raw materials
- c. Partial processing of farm products
- d. Preservation and storage of farm products, and
- e. Marketing of agricultural products.

From the above definition, it implies that modern agriculture does not end in the production of food for man alone. In this modern day farming, farmers also cultivate land for the production of crops for feeding livestock. Similarly, farmers grow cotton not for food but to supply raw materials for textile industry. The conversion of raw cassava tuber to garri and groundnut into groundnut oil and groundnut cake comes under the term processing. A farmer’s job therefore includes the production of large quantities of the farm products, preserving them against wastage and selling them to make profit which he add to his capital or uses in obtaining other necessities of life.

3.1.1 Scope of Agriculture

The scope of agriculture is as wide as human endeavor, because there is no part of human activity that is not touched by agriculture. The discussion of the areas of specialization in agriculture will give us an insight into the scope of agriculture.

This area of specialization will be classified into three. All the areas related to plant activities will be grouped under crop husbandry, those relating to animal activities will be grouped under animal husbandry and others that cannot fit into these two groups will be classified as other areas. General speaking, the

scope of agriculture is broad and can be categorized into two. These categorizations are broad in nature and are further sub-classified into other sub areas, which will be discuss in subsequent units.

However, the following are the main classification of agriculture:

- a. Crop farming or husbandry areas
- b. Animal farming or husbandry areas

3.2 Meaning of Marketing

Originally, the term market is derived from the Latin words ‘mar-ket’, which means ‘contact point’. A market is a contact place of buying and selling. Marketing is the process through which producers and consumers are brought into contact formally or informally for the exchange of goods and services involving the performance of marketing activities. It is a management function that organized and directs all business activities involved in assessing and converting consumer purchasing power into effective demand for a specific product or service and in moving it to the final consumer or user so as to achieve the profit target or other objectives set by the producer.

Marketing is the process of identifying anticipating and analyzing the general satisfaction of human wants and needs and it encompasses everything. Marketing is different from selling based on the fact that it identifies and anticipates consumer needs even before production. A market is place where people meet to buy and sell goods or commodities on daily and on periodic bases. This could be in form of every five days and even on weekly basis. Usually, this type of market is found in the rural and urban areas with a basic feature of buyers and sellers meeting to exchange the title-ownership of the commodities brought to the market. Details on the meaning and scope of marketing well be discuss in our subsequent units

Self-Assessment Exercise

Explain what agriculture and marketing is all about.

3.3 Link between Agriculture and Marketing

There is a high level of linkage, interconnection, and interrelationship between agriculture and marketing. The level of linkage is as good and cordial as the relationship between the human neck and head. Every agricultural product or goods produce needs to be marketed immediately (perishable products) or preserved

(cash or bulky products) for future use after harvest of such products have been made. One of the essentials of marketing of agricultural products is to allow the primary producers to achieve their aims/objectives and also be self-fulfill in the field of occupation or career of profession they are engaged in. Agriculture goes with marketing or simply put agriculture cannot be complete without the marketing of its proceeds. In fact, marketing is one of the core functions of agriculture. One of the core ways of advertising agricultural products is through the marketing of its products unlike in the manufacturing sectors where their goods or products require advertisement through all its mediums to create general awareness to the public.

3.4 Need for Agriculture and Marketing

There are many reasons for the study of agriculture and marketing due to its significance. However, the following are the need why agricultural marketing is study.

- a. To transfer the products to the final consumers
- b. To know where and when to sell your products
- c. To know how the market can be expanded or how existing market can be expanded
- d. To know how and when to combat unethical practices
- e. To know what to produce, how to produce and for whom to produce for
- f. To know how much marketing job should be done, either as an individual or as a member of the group
- g. To find out which of many different marketing arrangement are being offered by different methods of selling their products.

4.0 Conclusion

Marketing is one of the core functions of agriculture. Without marketing, agricultural products produces in rural areas cannot get to urban areas. Marketing aids the spread of agricultural products. Marketing entails movement of products through the middlemen.

5.0 Summary

The purpose for the production of agricultural products is not complete without marketing. Marketing showcase the areas where agricultural products are coming from. Marketing links the demand for a product to the supply of products. Marketing of agricultural products creates awareness, employment, and job opportunities for both the locals and foreigners.

6.0 Tutor-Marked Assignment

Explain the link between agriculture and marketing.

7.0 References/Further Readings

- Adegeye A.J and Dittoh J.S (1985),*Essentials of Agricultural Economics*.CARD University of Ibadan.
- Kohls, R. L. (1970), *Marketing of Agricultural Products*.Macmillan Publishers, New York.

UNIT 2: MARKETING AND AGRICULTURAL MARKETING

TABLE OF CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Definition of Marketing.

3.1.1 Similarities between Marketing and Agricultural Marketing

3.1.2 Marketing

3.1.3 Agricultural Marketing

3.2 Importance of Efficient Marketing

3.3 Marketing of Agricultural Products

3.4 Marketing Functions

3.5 Problems of Agricultural Marketing

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Readings

1.0 Introduction

In the last section you have an idea about what Introduction to Agriculture and Marketing is all about. This unit will take you a step further into the meaning of marketing and agricultural marketing. In this unit the focus will be on agricultural marketing. In this unit the student will be made to know the differences between market and marketing. Efforts will be made to discuss the various meanings of marketing and the peculiar characteristics of agricultural marketing, functions and some of the problems of agricultural marketing.

2.0 Objectives

In this unit the student is expected to know the:

- a. Meaning of marketing
- b. Conditions for efficient marketing

- c. Essential features of agricultural product
- d. Meaning and types of marketing functions and,
- e. Major problems of agricultural marketing.

3.0 Main Content

3.1 Definition of Market

A market is that contact place/location where people converge for the purpose of buying and selling. It can also be defines as that point where transactions of goods and services takes place. However, for whatever point or location that hasbe designated as market, its concerned with the promotion, selling and trading of goods/products and services. However, the meaning and definitions of market varies from one disciple to another. However, we shall be considering the perceptions of the definitions of three different disciples.

- a) To geographers' their perception on the definition of the concept of market is on that spatial location of the earth surface where contacts and transactions take place. These groups of scholars are more concerned about the ideal space on which transaction and trading (buying, selling, services) activitiestake place.
- b) To marketers, their perception of the definition of the concept of market is on any transaction that centered purely on buying and selling of goods and services. These groups of scholars went further to say that a market is that contact place or a total system wherebusiness activities are designed to plan, price, promote and distribute want-satisfying goods and services to present and potential customers.
- c) To economist, their perception of the definition of the concept of market is purely on profit making. These groups of scholars believed that a market is that place where trading activities take place for the purpose of profit making. They are of the opinion that for buying and selling to take place, there must be some elements of profit making and profit sharing.

3.1.1 Similarities between Marketing and Agricultural Market

Scholars' have different views and perceptions of the meaning of the term marketing and agricultural marketing. Most of their definition's and explanation on the concepts of marketing shows that marketing means contact points for the purpose of buying and selling. As we all know, marketing centered on the exchange and flow of goods and services from point of production to points of consumption, these is for the attainment of human satisfaction. However, the main difference between the two concepts, marketing

and agricultural marketing is that the latter is more concerned about the selling, advertisement, and promotion of agricultural goods, products and services or a combination of the above while the former is purely concerned with the promotion and selling of goods/products.

3.1.2 Marketing

For marketing to take place the drive for supply (production) must meet with the drive for demand (consumption). For the purpose of this course, we shall consider the following as explanations for the meaning of marketing and agricultural marketing: The term 'marketing' has been defined in many ways by different authorities. It is useful for us to pause for a while and consult some of these definitions:

- a) The management function that organizes and directs all business activities involved in assessing and converting consumer purchasing power into effective demand for a specific product or service, and in moving it to the final consumer or user so as to achieve the profit target or other objectives set up by the company (British Institute of Marketing).
- b) Marketing consists of the performance of business activities that direct the flow of goods and services from producer to consumer or user. (American Marketing Association).
- c) Marketing is the business process by which products are matched with markets and through which transfer of ownership are affected (Cundiff and Still, 1964).
- d) Marketing is a total system of business activities designed to plan, price, promote, and distribute want-satisfying goods and services to present and potential customers (Stanton, 1964).
- e) Marketing is human activity directed at satisfying needs and wants through exchange process, while also aspiring to achieve the market's objectives (Olufokunbi, 1993).
- f) Marketing is social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with other. (Kotler, 1984).
- g) Marketing is the function that assesses consumer needs and then satisfies them by creating an effective demand for, and providing, the goods and services at a profit (Johnson, 1982).
- h) Marketing is the business function that identifies customers' needs and wants, determines which target markets the organisation can serve best, and designs appropriate products, services, and programs to serve, these markets (Kotler and Armstrong, 1996).

It is very clear from these definitions that the term 'marketing' is open to varying definitions as each authority thinks fit, hence no particular one has universal acceptance. However, the common theme is that marketing is more than selling; it is the whole process that occurs between the production of any surplus

goods or services and their consumption or use, and it is consumer- oriented. In actual fact, the most important need of the student is not an exact definition, but to acquire sound understanding of what marketing means. Perhaps as a way of getting a better understanding of the term, we may re- examine the definition given by Stanton (1964):

'Marketing is a total system of business activities designed to plan, price, promote and distribute want-satisfying goods and services to present and potential customers'.

This definition given by Stanton has some significant implications.

Firstly, it connotes that the entire system of business action should be market – or customer-oriented. That is, customers' wants must be recognized and satisfied effectively.

Secondly, it suggests that marketing is a dynamic business process - a total, integrated process-rather than a fragmented assortment of institutions and functions. Thus marketing is not any one activity, nor is exactly the sum of several; rather it is the result of the interaction of many activities.

Thirdly, the marketing program starts with a product idea and does not end until the customer's wants are completely satisfied, which may be some time after the sale is made. Fourthly, the definition implies that to be successful, marketing must maximize profitable sales over the long run. Thus, customers must be satisfied in order for a company to get the repeat purchase, which ordinarily is so vital to success. What do we gain from the above analysis? Evidently, it should be clear to us that marketing is much more than just an isolated business function. As Kotler and Armstrong put it, "it is a philosophy that guides the whole organisation... its goal is to create customer satisfaction profitably by building value-laden relationships with customers". We can also reason that the marketing department cannot accomplish this goal by itself. Consequently, it necessarily needs to work closely with other departments in the company, as well as forge some working relationship with other organisations throughout its entire value-delivery system to provide superior values to customers.

From the systems view therefore, marketing involves the whole company, since everyone in the organisation should be seen to be involved in selling and satisfying customers. Everyone should also be seen to be making the highest profit for the enterprise, and using the resources of the company as efficiently as possible. It is thus important to stress that no section of the company should arrogate this marketing responsibility to itself. This is because the concept of marketing is a corporate affair, and management at all levels must understand the philosophy behind it. To this end therefore, marketing may be said to involve

finance, production, research, development, merchandising, and advertising, promotion, distribution and selling procedures.

- a) Marketing is the performance of all activities involved in the flow of goods and services from the point of initial production until they are in the hands of the ultimate consumers.
- b) It is the process of satisfying human needs by bringing products to people in the proper form, at the proper time and place they need the products.
- c) Marketing however has several other meanings from the perspective of product, business firms and the society as a whole. While the consumers are interested in getting what they want at the lowest possible cost, the producers are interested in obtaining the highest possible returns from the sale of their products. The various firms engaged in doing the various marketing tasks are interested in the profitability of their particular business operation. The overall ruler of marketing activities in a society organized in a private enterprise framework is the consumer. The consumer is king.
- d) Marketing is the process through which producers and consumers are brought into contact formally or informally for the exchange of goods and services involving the performance of marketing activities. It is a management function that organizes and directs all business activities involved in assessing and converting consumer purchasing power into effective demand for a specific product or service and in moving it to the final consumer or user so as to achieve the profit target or other objectives set by the producer.

3.1.3. Agricultural Marketing:

Agricultural Marketing can be defined as the performance of all business activities that involved the flow of agricultural produce from the point of initial agricultural production to the hands of ultimate consumers. This form of marketing is more prone to rural based areas (primary producer) where these products, goods and services as the case may be are produce, process and package than in urban based areas (secondary and tertiary consumers) where the demand for these products is high. Various firms engaged in doing various marketing tasks are interested in the profitability of their business; hence the definition above depicts the following:

Production of agricultural produce

Co-ordination and movement of the produce through various channels such as:

(Wholesalers----Retailers----Consumers) and (Wholesalers----Agents-----Retailers----Consumers)

3.2 Importance of Efficient Marketing

Any efficient marketing system should address the following:

- a) Supply of food crops and livestock in the form, place, and time the consumers want them.
- b) Location of where there are surpluses of produce and bringing them to where there are shortages.
- c) Marketing is important for countries whose products are export oriented since earnings from such exports are used to finance other development programs.
- d) Marketing is an indicator of consumer preferences through the prices they are prepared to pay and this also affects the production decisions of farmers, as they are likely to produce commodities that have high demand.
- e) Efficient marketing system leads to increase in employment, rise in the standard of living of the people and wealth of the community.
- f) It also leads to increased incentives for government to provide infrastructures such as roads, water, electricity, and storage facilities.
- g) It leads to stimulation of research into techniques of food preservation, preparation and processing to meet the needs and tastes of the people.
- h) It ensures that supplies of goods that are seasonal become available throughout the year with little variation in prices.

3.3 Marketing of Agricultural Products

The marketing of agricultural products is very unique because of the special characteristics of most of the agricultural products. These characteristics include;

- a) **Seasonality:** Agricultural products are seasonal, whereas demand for them is fairly stable throughout the year. It is the function of marketing to ensure that the seasonal agricultural products are available throughout the year.
- b) **Bulkiness:** Agricultural products are very bulky due to their high water content. For them to attract high values they have to be processed to reduce the water content (changing the form/utility) before they are marketed. Examples of bulky agricultural products are cassava, yam, sugar cane and plantain.
- c) **Perishability:** Agricultural products are highly perishable. Vegetables cannot stay for more than two days after being harvested before consumption except they are frozen or dried. This characteristic increases the marketing cost because they must get to the final consumer as quickly as

possible. The problem is compounded by the inefficient storage facilities in the country due to incessant power failure to operate the available cold rooms and refrigeration.

- d) Production in the Hands of Peasant Farmers:** Small-scale farmers handle over 70 percent of agricultural productions in Nigeria. This group of farmers operates smallholding that are scattered over appreciable long distances. The surpluses from these farms cannot easily be assembled because of the deplorable state of the feeder roads and networks in the rural areas of the country. Also, the transportation system is very expensive in the rural areas due to high cost of vehicle maintenance and state of the rural road networks.
- e) Processing Cost:** Most agricultural products are not consumed in the state they are produced. The processes of processing them into the form expected by the consumers increase the marketing cost.

3.4 Marketing Functions

(a) Definition of Marketing Functions

These are the activities performed by a marketing system in presenting goods to consumers in the form, place and time they want the goods so that both producers and consumers gain.

Marketing functions describe what happens or what can happen to the product between the time of production and time of purchase by the final consumers.

They are the major specialized activity performed in accomplishing the marketing process.

(b) The Major Marketing Functions

There are three major marketing functions. These are as follows:

- Exchange functions
- Physical functions
- Facilitating functions

(i) Exchange Functions: These are activities involved in the transfer of title to good. It is at this stage that price determination enters the study of marketing. The activities involved include;

- Seeking out the sources of supply.
- Buying the products and activities associated with purchase
- Assembling of products.

- Selling; activities associated with merchandizing such as physical display of goods, advertising to create demand.

(ii) Physical Functions: Activities that involve handling, movement and physical change of the goods to solve the problem of when, what and where utilities in marketing, the functions are: Storage, Transportation, and Processing.

(iii) Facilitating Functions: They are activities that make possible the smooth performance of the exchange and physical functions. They include;

- Standardization
- Financing
- Risk bearing
- Marketing intelligence.

3.5 Problems of Agricultural Marketing

Agricultural marketing is bedeviled by a lot of problems. Some of the problems arise because of the basic characteristics and problems of Nigeria's agriculture.

Some of the problems of agricultural marketing include;

- Supply of agricultural produce from scattered farms
- Lack of transport facilities
- Inefficient handling, packaging, and processing facilities
- Inadequate storage and warehousing facilities
- Lack of uniform weights and measures
- Adulteration of produce
- Instability in prices
- Lack of market information
- Inadequate research on marketing

4.0 Conclusion

Agricultural marketing is the performance of all activities involved in the flow of goods and services from the point of initial production until they are in the hands of the ultimate consumers.

5.0 Summary

In this unit the student has learnt that: Efficient marketing ensures adequate supply of food and export commodities as well as guarantees employment and research. Marketing of agricultural products is unique due to some peculiar characteristics of agricultural products. Marketing functions are the activities performed by a marketing system in presenting goods to consumers in the form, place and time they want the goods so that both producers and consumers gain.

6.0 Tutor-Marked Assignment

- 1) Why is the marketing of agricultural products unique?
- 2) Write brief notes on the physical and exchange functions of the marketing functions

7.0 References/Further Readings

- Adegeye A.J and Dittoh J.S (1985): *Essentials of Agricultural Economics*. CARD University of Ibadan.
- Bovee, C.L. and J.V. Thill (1992): *Marketing* New York,,: McGraw — Hill, Inc. Stanton
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UNIT 3: EVOLUTION AND CONCEPTS OF MARKETING

TABLE OF CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Evolution of Marketing

3.2 Basic concepts underlying Marketing

3.3 Marketing Concept

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Readings

1.0 Introduction

In the last section you have an idea about what Marketing and Agricultural Marketing is all about. This unit will take you a step further into the evolution and concept of marketing. In this unit the focus will be on the evolution and concepts of marketing concepts. All we will be looking at is on the evolution and concepts of marketing.

2.0 Objectives

At the end of this unit you should be able to:

- Explain the theory of the evolution of marketing
- Explain the concepts of marketing
- The various era of the evolution of marketing era

3.0 Main Content

3.1 The Evolution of Marketing

Marketing develops as the society and its economic activities develop as well. The need for marketing arises and grows as the society moves from an economy of agriculture and self-sufficiency to an economy built around division of labor, industrialization and urbanization. During agrarian economy, the people are largely self-sufficient – they grow their own food, produce their own clothes, build their own houses, etc. There was no marketing, because, little or no exchange was in place. However, in the course of time, the concept of division of labor began to evolve. People concentrated on producing more than the quantity they needed; and whenever people make more than they wanted, the foundation is laid for trade, and trade (exchange) is at the heart of marketing. At first, the exchange process was a simple one. The emphasis was largely on the production of basic needs, which usually was in short supply. Little or no attention was devoted to marketing, and exchange was very local.

Then came the era of marketing; this came about when some producers began to manufacture their goods in large quantities in anticipation of future demands. At this juncture, it can be stated that marketing evolved in the United States as a by-product of the industrial revolution. Therefore, up to 1910, American economy was very low. It was characterized by shortages of economic resources (goods). The middlemen were very strong; the main problem was that of production and distribution.

Modern marketing came of age after World War I and II, when surplus and over-production became an important part of economic activities. In 1929, (the manufacturing era) there was manufacturing of goods and services, but below the expected demands. The main concern was to produce enough to meet the demands at hand. Between 1930 and 1940's (sales era / depression era), there was enough production of consumer goods and services. The major problem at hand was that of marketing/distribution. The concern was to design the most effective channel institutions among the various alternatives. Between 1940 and 1950's (war era), all efforts were geared towards the production of war equipment, at the expense of the consumer goods. When the war came to an end, there were shortages of consumer goods. Hence, efforts were geared toward the production of consumer goods. During these periods, various authors came up with different theories; for instance, Professor Joe Robinson wrote on monopolistic economy. His assumption was that if a company can produce an item in such a way that the marginal returns will offset its price from the marginal costs,

and the markets are segmented equally, then such company would be able to maximize her profits. Thus, people became interested in this theory.

There was another author named Wanded Smith. He wrote an article on ‘why people must segment their markets and differentiate their products’. His argument was based on the fact that various companies use different machine for the production of war equipment. Besides, consumer purchasing power and tastes are not the same. During this period, marketing concept evolved. Marketing concept is a business philosophy that states, “the satisfaction of consumer’s want is the economic and social justification for a firm’s existence”. It is a managerial philosophy for performing business activities, which see the entire business activities as a unit to be planned, mobilized to produce goods and services to satisfy consumers’ needs in such a way as to enhance the profit of the firm.

The 1960s (marketing control era) was the period when marketing department became well known and so much important in the U. S. A., for instance. One of the authors of the time, Peter Drunker states that marketing department is so complex that it can’t be handled by a single individual. The attention, at this period, was directed towards markets. Also, consumerism came up due to the failure of the marketing concept. Consumerism is an organized movement of citizens and government to strengthen the rights and power of buyers in relation to sellers. Consumerists seek to increase the amount of consumer information, education and protection. From the 1980’s to-date (societal era), communication has turned the whole world into a global village. Effort has been on how to satisfy the needs of the society, and consumers have become, increasingly, conscious of their rights. However, we can categorically say that the evolution of marketing is in the following era or stages: these are:

Production Era: This era is concerned about producing of goods in mass and as time when on there were goods that were unused and these goods had to be sold to avoid waste.

Selling Era: This era of selling was concerned with being able to persuade the people to buy the unused and surplus goods, and it is all about persuading the consumers to buy these goods.

Marketing Era: The excesses from the production of goods led to the selling of era and this led to the third era of marketing of these products within and outside the society. This era is concerned with the process through which producers and consumers are brought into contact formally or informally for the exchange of goods and services involving the performance of marketing activities.

Strategic Marketing Era: This era is concerned with the SWOT and PEST analysis. This is the era where you can put and send your products to, you want to know if you can meet up with the demands of the people around there, you want to know the exact kind of product that they want, and how you can meet up to their expectation.

Societal Marketing Era: This era is concerned that for whatever thing we do, we should carry and put the interest of the society along. If for example, 1% of a company's product can be put or plough back into the society e.g. (NACA/HIV) awareness of the people to make them known what these things are talking about.

Self-Assessment Exercise

Briefly differentiate between evolution and concepts of marketing

3.2 Basic Concepts Underlying Marketing

The following are some of the basic concepts underlying marketing

(a) Needs: The most basic concept underlying marketing is that of human needs. Human needs are states of felt deprivation. These needs include basic physical needs for food, clothing, shelter and safety; social needs for belonging and affection; and individual needs for knowledge and self-expression. The needs are in-built in human nature itself. Marketers did not invent it. That is, they naturally exist in the composition of human biology and human condition. When the needs are not satisfied, a person will try to reduce the need or look for an object that will satisfy it.

(b) Wants: Human wants are desires for specific satisfaction of deeper needs. For example, a man in the village needs rain, need food and wants fertilizer. Also, a man may want yam, rice, body cream, a bag, a wristwatch, etc. -but needs money. Human needs may be few, but wants are numerous. These wants are continually shaped and re-shaped by social forces and institutions such as families, church, schools and business corporations. Marketers don't create needs, needs pre-exist in markets. Marketers along with other inferential in the society, influence wants. They suggest and inform consumers about certain products and persuade them to purchase, stressing on the benefits of such products.

(c) Demands: People have almost unlimited wants, but limited resources. They want to choose products that provide the most value and satisfaction for their money. When backed by purchasing

power, wants become demands. That is, demands are wants for specific products that are backed up by an ability and willingness to buy them. For example, many desire a car such as Mercedes Benz, Toyota, BMW, Honda etc., but only a few are really willing and able to buy one. It is therefore important for marketing executives to measure not only how many people want their company's products, but also measure how many of them would actually be willing and able to buy them.

(d) Products: People, normally, satisfy their wants and need with products offered into the market. Broadly, a product can be defined as anything that can be offered to someone to satisfy a need or want. Specifically, a product can be defined as an object, service, activity, person, place, organization or idea. It should be noted that people do not buy physical objects for their own sake. For examples, a lipstick is bought to supply service-aid looking good (beauty); toothpaste for whiter teeth – prevent germs; aid fresh breath or sex appeal. The marketer's job is to sell the service packages built into physical products. If one critically looks at physical products, one realizes that their importance depend, not so much in owning them, as in using them to satisfy our wants. For example, we do not buy a bed just to admire it, but because it aids resting better.

(e) Exchange: Marketing takes place when people decide to satisfy needs and wants through exchange. Exchange is, therefore, the act of obtaining a desired object from someone by offering something in return. Exchange is only one of the many ways people can obtain a desired object. For example, hungry people can find food by hunting, fishing or gathering fruits. They could offer money, another food or a service in return for food. Marketing focuses on this last option. As a means of satisfying needs, exchange has much in its favor, people do not have to depend on others, nor must they possess the skills to produce every necessity for them. They can concentrate on making things they are good at making and trade the needed items made by others. Thus, exchange allows a society to produce much more than it would.

However, Kotler (1984), states that for exchange to take place, they must satisfy five conditions, namely:

- a. There must be, at least, two parties
- b. Each party has something that may be of value to the other party
- c. Each party is capable of communication and delivery
- d. Each party is free to accept or reject the offer; and
- e. Each party believes it is appropriate or desirable to deal with the other party.

These five conditions make exchange possible. Whether exchange actually takes place, however, depends on the parties coming to an agreement. If they agree, it is often concluded that the act of exchange has left both of them better off, or at least not worse off. Hence, exchange creates value, just as production creates value. It gives people more consumption possibilities.

(f) Markets: A market is defined as a set of all actual and potential buyers of a product and service. These buyers share particular needs or wants that can be satisfied through exchange. The size of a market depends on the need of people with common needs, and who have resources to engage in exchange, and are willing to offer these resources in exchange for what they want. To an African, the word ‘market’, almost invariably, means the market place where buyers and sellers gather to exchange their goods- whether it is a period market as in the rural areas or daily market, mostly found in the urban areas. However, economists often use the term to refer to a collection of buyers and sellers who transact in a particular product class, such as clothing market, electronic market, cattle market, etc.

(g) Marketers: A marketer is someone seeking a resource from someone else, and willing to offer something of value in exchange. A marketer could be a buyer and/or a seller.

Self- Assessment Exercise

State conditions under which exchange take place.

3.3The Marketing Concept

The marketing concept is a business philosophy that evolved to challenge the previous concepts. The marketing concept holds that the key in achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions, more effectively and efficiently than other competitors. Examples of marketing concepts relates to the following:

- a. Find wants and fulfill them
- b. Make what will sell, instead of trying to sell what you can make, and
- c. Love the customer and not the product etc.

However, the marketing concept rests on four main pillars, namely:

- a. A market focus

- b. Customer orientation
- c. Coordinated marketing and
- d. Profitability

These concepts are briefly examined below.

a. Market Focus- no company can operate in every market and satisfy every need; nor can it do a good job within one broad market. For example, in the automobile industry, *Toyota* has variety of brands of all kinds to satisfy their target markets, e.g. luxury buses, passenger buses etc. Also, in soft drink industry, Coca-Cola Nigeria Plc. has the 25cl and 35cl brands for its target markets.

b. Customer Orientation- a company can define its market carefully, and still fail at customer-oriented initiatives. Customer oriented thinking requires the company to define customer needs from the customer point of view, not from its own point of view. Every product involves trade-offs, and management cannot know what these are, without talking to customer and researching into customers' needs. For instance, a car buyer (*Toyota*) would like a high performance car that would never break down- a brand that is attractively styled and cheap. Since all of these features may not be in one car, car designers must make hard choices, not on what pleases them, but rather on what customers prefer or expect. The aim, after all, is to make a sale through meeting the needs of customers.

One may ask this question-why is it important to satisfy customers? It should, however, be noted that a company's sales- each period, come from two groups- new customers and repeat purchase customers. It always costs more to attract new customers than to retain current customers. Hence, customer-retention is more critical than customer attraction. The key to customer retention is customer satisfaction. Satisfied customers do the following:

- a) They buy again
- b) Talk favorably to others about the company
- c) Pay less attention to competitive brands and advertisements
- d) Buy other products from the same company.

To buttress these views, according to one Japanese businessman the aim of every business concern should go beyond satisfying customers- the focus should be to delight the customer. Sales people go beyond meeting the mere expectations of the customer; when they delight a customer, the customer talks to more acquaintances about the company. The delighted customers are more effective advertisers than the advertisements placed in the media.

Consequently, when a company creates a dissatisfied customer, they spread their feelings to others without being asked. This is because, bad words travel faster and further than good words, and can easily poison the public's attitude about the company. In summary, a customer-oriented company will track its customer-satisfaction level, each period, and set improvement goals.

c. Coordinated marketing - Coordinated marketing means two things, as you are going to see below.

1. The various marketing functions- sales force, advertising, product management, marketing research and host of others, must be coordinated all together. These marketing functions must be coordinated from the customer point of view.

2. Marketing must be well coordinated with the activities of other departments of the company. Marketing does not work when it is merely a department; it only works when all employees appreciate the effects they have on customer satisfaction. Let us examine the following case-a story about how Bill Marriott Jr. (Chairman of Marriott Hotels) interviews prospective managers.

d. Profitability- the purpose of the marketing concept is to help organisations to achieve their goals. In private firms, the major goal is profit, while in non-profit and public organisations; the goal is surviving and attracting enough funds to perform their work. In essence, the key is not to aim for profits as such, but to achieve them as a by-product of doing the job well. For example, the General Motors executive said- "we are in the business of making money, not cars"; here, he is misplacing the emphasis. A company makes money by satisfying customer needs better than competitors. This is not saying that marketers are unconcerned with 'profits'. Quite contrary, they are highly involved in analyzing the profit potential of different marketing opportunities. The sales-force/people focus on achieving sales volume goals, while marketing people focus on identifying profit making opportunities.

Self-Assessment Exercise

Write short note on marketing concept.

4.0 Conclusion

In this unit, you have learned about the term ‘marketing’, its functions and roles in socio-economic development of a nation. You also learned some basic terms, which are regarded as the basic concepts underlying marketing.

5.0 Summary

Although marketing cannot operate in isolation of other sectors of the economy; it plays an important role in economic development, since goods by themselves cannot get to the target users except through marketing institutions. In this unit as well, you have also been exposed to the stages of marketing era; this should further enhance your understanding of the concept of marketing.

6.0 Tutor-Marked Assignment

Discuss the evolution of marketing concepts with relevant examples.

7.0 References/Further Readings

- Adegeye A.J and Dittoh, J.S (1985): *Essentials of Agricultural Economics*. CARD University of Ibadan.
- Kohls R L (1970) *Marketing of Agricultural Products*. Macmillan Publishers, New York.

UNIT 4: MEANING AND DEFINITION OF MARKETING

TABLE OF CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Definition of Market

3.2 Marketing and Marketer

3.3 Conditions for Market Formation or Existence

3.4 Importance of Markets

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Readings

1.0 Introduction

In the last section you have an idea about what the Evolution and Concepts of Agricultural Marketing is all about? This unit will take you a step further into the meaning and definition of marketing. In this unit the focus will be on the meaning and definition of marketing. The analysis of demand and supply has made us to know what happens to the goods and services produced for the needs of the consumer. The environment in which the forces of supply and demand operate is the market. This unit therefore looks at the various definitions of market.

2.0 Objectives

At the end of this unit the student is expected to know the:

- Determine various definitions of a market
- States necessary conditions determining the formation a market
- States the importance of markets

3.0 Main Content

3.1 Definition of Market

Market refers to any group of transactions or business dealings between buyers and sellers. As opposed to simple selling, a market implies trade that is transacted with some regularity and regulation and in which a certain amount of competition is involved. This competition arises whenever groups of buyers and sellers come together and allows the operation of supply and demand. Market can denote potential or estimated consumer demand. The earliest markets in history conducted bartering. After the introduction of money, commercial codes were developed that ultimately led to modern national and international enterprises. As production expanded, communications and middlemen came to play an ever growing role in markets.

The term market is also used to denote: A place where people meet to buy and sell goods or commodities on daily, every five days and even on weekly basis. This type of market is found in the rural and urban areas with a basic feature of buyers and sellers meeting to exchange the title-ownership of the commodities brought to the market.

A market is any organization whereby the buyers and sellers of a commodity are kept in close touch with each other for the exchange of title-ownership of the commodity in the market. This particular definition of market takes care of marketing activities using the Internet facilities, Mobile Phones, and postal Services. The buyers and sellers do not have to come to a particular place, as is the case with the rural and urban markets for their marketing activities. They could contact themselves using the phones, Internet facilities and the postal services to transact marketing activities. The development of communications such as means of transport, postal, telephone, Internet facilities, telegraph services, banking and scientific grading of commodities have all helped to widen markets.

Another way of defining market is to indicate the type of commodity and the extent of the sale of the commodity. This type of market is called commodity market. Examples are cocoa market, yam market, egg market and so on.

3.2 Marketing And Marketers

Marketing means managing markets to bring about exchanges for the purposes of satisfying human needs and wants. If one party is more actively seeking an exchange than the other party, we call the first a marketer, and the second party a prospect. As earlier stated marketing is the process of identifying, anticipating and analysis and the general satisfaction of human wants and needs and it encompasses everything. It is different from selling based on the fact that it identifies and anticipates consumer needs even before production.

A marketer is someone seeking a resource from someone else and willing to offer something of value in exchange. Usually, the marketer is seeking a response from the other party, either to sell something or buy something. Hence, the marketer can be a seller or buyer. Let us imagine that several persons want to buy a very attractive house that has just been put up for sale. You will notice that each would-be buyer will try to market him or herself to be the one the seller selects. Thus, these buyers are doing the marketing. It could so happen that both the seller and the buyer are actively seeking an exchange, and in this instance, it is said that both of them are marketers. This situation is then referred to as one of mutual marketing. Normally, exchange processes involve some work. For example, sellers need to search for buyers, identify their needs, design good products and services, set prices for them, promote these goods and services, as well as store and deliver them. Activities such as product development, research, communication, distribution, pricing and service are core-marketing activities.

3.3 Conditions for Market Formation or Existence

The existence of any forms of a market depends on the following basic factors, namely;

- The commodities to sell must exist
- There must be sellers who are ready to sell the commodities
- There must be buyers who want to buy the commodities put up for sale
- The buyers must be able to strike bargains with the sellers on the prices of the commodities

- The process of striking a bargain is done through the process of haggling in most rural and urban markets. In most commodity markets, price determination is not by haggling but through a process of attaching specific prices to different quality grades of the commodity.

3.4 Importance of Markets

The importance of market been it of any type or kind are the same all over. However, the following are the importance of market.

The constitution of markets and market prices are central problems of economics.

The economic importance of a market is that it is a place where prices of commodities are determined and title-ownership is exchanged.

4.0 Conclusion

Market is a place where the forces of supply and demand operate to determine price and exchange title-ownership of goods and services.

5.0 Summary

In this unit the student has learnt that: Market is a place where prices of commodities are determined and title-ownership is exchanged. Availability of commodities to sell, presence of sellers and buyers are basic conditions for a market to exist. The constitution of markets and market prices are central problems of economics.

6.0 Tutor-Marked Assignment

Why is market important in economic study?

7.0 References/Further Readings

- Adegeye, A.J, and Dittoh, J.S (1985),*Essentials of Agricultural Economics*.CARD University of Ibadan.
- Kohls, R. L. (1970), *Marketing of Agricultural Products*.Macmillan Publishers, New York.

UNIT 5: TYPES OF MARKETS

TABLE OF CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Criteria for Categorizing Agricultural Markets

3.2 Degree of Competition

3.2.1 Perfect Markets

3.2.2 Imperfect Markets

3.2.2.1 Cases of Imperfect Markets

3.3 Volume of Trade

3.3.1 Retail Market

3.3.2 Wholesale Market

3.4 Commodity Traded

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Readings

1.0 Introduction

In the last section you have an idea about what the Meaning and Definition of Marketing is all about. This unit will take you a step further into the types of market. In this unit the focus will be on the

types of markets. In this unit, attempts will be made to categorize agricultural markets and discuss the various forms and the characteristics of these markets under each category.

2.0 Objectives

At the end of this unit the student is expected to know the:

- Criteria for categorizing markets
- Essential features of a perfect market
- Essential features of imperfect
- Characteristics of retail and wholesale markets and,
- Markets under the commodity traded form.

3.0 Main Content

3.1 Criteria for Categorizing Markets

There are three criteria for categorizing markets. These criteria are as follows;

- a) Degree of Competition
- b) Volume of trade
- c) Commodity traded

3.2 Degree of Competition

Competitions in economics are conditions that are present in markets where buyers and sellers interact to establish prices and exchange goods and services. Economic competition is the means whereby the self-interest of buyers and sellers acts to serve the needs of society as well as those of individual market participants. Society is served when the maximum number of goods is produced at the least possible prices.

Under the degree of competition, there are two main types of markets;

- Perfect markets
- Imperfect markets

3.2.1 Perfect Markets

The essential features of a perfect market are;

(a) Homogeneous Commodity

Any one unit of the commodity brought to the market is exactly like any other. There is no trade name or trade mark to distinguish the supply of one seller from that of another. It is of no consequence then from which seller a buyer makes his purchases.

For example, if garri is offered for sale, all the sellers will be selling garri. If it is white yam, all the sellers would be selling white yam.

(b) Many Buyers and Sellers

A large number of buyers and sellers would make it impossible for a few buyers and sellers to significantly influence the market demand, supply and prices either by curtailing purchases and supply respectively.

Apart from being many, the many buyers and sellers must be on the average small firms. The significance of a large number of small firms and many buyers is that the power to influence the behavior of the participants in the market is thoroughly dispersed. In other words, no single person or business has the power to dictate the terms on which the exchange of goods and services takes place (unlike the situation in a monopoly or oligopoly). Market results then are truly impersonal.

(c) Buyers and Sellers must be in Close Touch

Buyers and sellers should have complete knowledge of transactions within the market. This is necessary so that they could be immediately aware of what is happening in any part of the market. This is possible through the following means;

- Buyers and sellers to be present together in the same place.
- Modern methods of communication, such as telephones, postal services, and internet facilities can easily bring buyers and sellers into easy contact with one another in spite of the distance between them.

(d) Preferential Treatment

In a perfect market, there must not be any preferential treatment of favored customers or buyers and sellers.

(e) Free Entry and Exit into the Market

Buyers and sellers should be free to enter and leave the market. There should be no unionism of any kind that will hinder or limit the extent of entry and exit.

(f) Portability of Commodity

Commodity in a perfect market should be capable of being easily transported from one part of the market to another.

3.2.2 Imperfect Markets

Any deviation from those conditions that make a perfect market makes the market an imperfect one. Therefore, under imperfect markets the following features are discernable;

(i) Non-homogeneous Commodity

The same type of a commodity may be branded under different names or may be differentiated on the basis of further processing. For example, in the garri market, yellow garri is different from white garri while USA brand of rice is not the same as Golden brand of rice to an average housewife and Elephant cement is different from Dangote cement to a bricklayer.

(ii) Entry and Exit

Entry into imperfect market is not free. A prospective seller must join an existing association before he or she can be allowed to enter the market while buyers may be compelled to buy from particular sellers. For example, farmers' wives who bring the produce from their husbands' farms to the market cannot sell directly to the final consumers in most markets. They have to sell first to some designated middlemen who will eventually distribute to the retailers and the wholesalers before the final consumers can get the commodity to buy.

(iii) Preferential Treatment

Sellers in imperfect markets treat buyers differently since market information is hoarded. Sellers charge differential prices depending on who they are selling to.

3.2.2.1 Cases of Imperfect Markets

The following are cases of imperfect markets

(a) Monopoly:

In a monopolistic market, two conditions must be fulfilled:

- There is only one seller selling the commodity or the few sellers combine together to fix supply and price of the commodity.
- There is no substitute for the commodity.

(b) Oligopoly

In an oligopoly market;

- There are a few sellers and many buyers.
- It is called duopoly when there are just two sellers.
- Duopoly is thus a special case of oligopoly.

3.3 Volume of Trade

Markets can be classified on the basis of volume of trade and resource base of the operators. There are retail and wholesale markets.

3.3.1 Retail Market

- The sellers in this market are small traders.
- The sellers have small resource base hence they could only handle small volume of the commodity they sell.
- The retailers sell directly to the final consumers.

3.3.2 Wholesale Market

- The wholesalers are big traders.
- They have huge resource base.
- They handle large volume of the commodity market and perform the following functions

Functions of Wholesaler

(a) Breaking of Bulk

Producers prefer to sell directly to wholesalers who buy in bulk in order to avoid sundry marketing problems. The wholesalers then distribute the commodity to the retailers who buy in small quantities.

(b) Warehousing

The wholesalers relieve the manufacturers of the trouble and expense of holding large stocks by taking stock of what is produced so that the manufacturer can have their factory space cleared for further production.

The holding of stocks by the wholesalers is a valuable service, as it acts as a lubricant to the economic system, enabling distribution to work smoothly and preventing the development of bottlenecks.

(c) Expert Buying and Selling

Expert knowledge is required of the commodity bought and sold in the organized produce markets. Only wholesalers could employ specialists to examine, test and assess the commodities before purchase and sale.

(d) Marketing the Product

Wholesalers assist manufacturers in marketing their products by passing on to them information regarding consumers' demand which they obtained from the retailers with whom they (wholesalers) are in touch. This assists manufacturers to know the anticipated demand.

(e) Financing production and Distribution

In addition to financing the holding of stocks, the wholesalers often help to finance both the manufacturer and retailers directly. By prompt payment to the manufacturer or even giving soft loans and by allowing credit to the retailers the wholesalers help to finance the activities of the manufacturers and retailers.

(f) Preparing the Product for Sale

The wholesalers often process or prepare for sale the goods they receive from the manufacturer before passing them on to the retailers. The processing or preparation may take the form of packing, grading or branding.

3.4 Commodity Trade

It is assumed that markets exist for the buying and selling of commodities.

(a) Forms of Commodities

Commodities can assume many meanings such as;

- Consumer goods or final products such as, yam, rice, beef, eggs and so on.
- Producer goods or intermediate products such as, raw materials such as cocoa, cotton, rubber and so on.
- Production resources such as labor, capital, land and so on.

(b) Forms of Market

Using the various meanings of commodities we can therefore talk of the following markets:

- Markets for final products: yam market, rice market and so on.
- Markets for Intermediate products: cocoa market, groundnut market, leather market and so on.
- Markets for Production resources: labor market, land market.
- Financial market such as; capital market for new securities, money market for short term loans, stock exchange for transfer of securities and foreign exchange market for foreign exchange.

4.0 Conclusion

Markets are classified based on three criteria, namely; degree of competition, volume of trade and commodity traded.

5.0 Summary

In this unit the student has learnt that: Based on degree of competition there are perfect and imperfect markets. Based on volume of trade there are wholesale and retail markets and also, that based on commodity traded their consumer goods markets, producer goods markets, and production resources markets.

6.0 Tutor-Marked Assignment

Identify the three criteria for classifying markets and write on their characteristics giving examples in each case.

7.0 References/Further Readings

- Adegeye A.J and Dittoh, J.S (1985): *Essentials of Agricultural Economics*. CARD University of Ibadan.
- Kohls, R. L. (1970), *Marketing of Agricultural Products*. Macmillan Publishers, New York.

UNIT 6: MORPHOLOGY OF AGRICULTURAL MARKETS

TABLE OF CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Forms of Agricultural Markets

3.1.1 Bush Market

3.1.2 Roadside Markets

3.1.3 Village Markets

3.1.4 Street Markets

3.1.5 Township/Urban Markets

3.1.6 Itinerary/Mobile Markets

3.1.7 Ultra-Modern Markets

3.1.8 Internet Markets

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Readings

1.0 Introduction

In the last section you have an idea about what Types of Markets is all about. This unit will take you a step further into the morphology of agricultural marketing. In this unit, the focus will be on the morphology of agricultural marketing. In this section we will be examining the various morphology of agricultural markets as it's relates to marketing of agricultural products.

2.0 Objectives

At the end of this unit the student is expected to know the:

- Identification of the various forms of marketing agricultural products.
- Essential features of the various forms.
- Identify how these forms operate, where and how.
- Which of these forms involves the services of the middlemen.

3.0 Main Content

3.1 Morphology Of Agricultural Markets

The morphology of agricultural products means the same as the forms of marketing. The various forms of marketing of agricultural products are as follows.

3.1.1 Bush Market

Another name for bush market means the same as local market. In this market, there is a high level of contact between the sellers and the buyers. Bush market is that kind of market where the buyers goes directly to buy their farm products from the original producers in their local villages, farms or garden as the case may be. They meet the producers to purchase their products without any interference from the middlemen or from the third parties. Usually, market of this kind allows the buyers to have direct contact with the producers for their transaction. Products bought from this kind of markets are cheaper, fresh, natural, and quality if compared to any other kind of market. Most bush markets are located close to the farm or garden sites. The buyers are directly responsible for the package and transportation of these farm products. This market formation is very common in the rural areas where the products are produce. These market formations operate on daily basis as far there is availability of products to sell.

3.1.2 Roadside Markets

This is that kind of market generally found along major and minor roads and along road junctions in strategic areas or location. In this market, there is also some high level of contact and interaction between the sellers and the buyers. This market type is very common in both the urban and rural areas. Usually, sellers take advantage of these roadside to showcase and market their products/wares owing to the high volume of patronage on one side, or the inability to acquire a rented shop/store on the other or a combination of the above. This market structure allows the buyers to have direct and easy purchase of goods and services without necessary moving from one lane of shop to the other. However, customers spent some conservative time in the purchase of goods. At times, products from these markets are relatively cheaper if compared to other forms of market and may or not be of high quality. Roadside markets are easily accessible, recognized and patronized. These market structures also operate daily.

3.1.3 Village Markets

Village market is that found within the rural setting or environments where these agricultural products are produce. All bush markets are situated within one village or the order. Village markets have similar characteristics with that of the bush market except for that there are high levels of middlemen involved. These market structures can be found along major roads, street, Village Square, or a combination of the above in strategic areas or location. In these markets, there is also some high level of contact and interaction between the sellers and the buyers. As earlier mentioned, this market type is very common and important to rural dwellers. This market structure allows the buyers to have direct contact with the local producers (farmers) and purchase products cheaply by moving from one lane of shop to the other. However, customers spent some quality time with the producers in the course of purchase of goods/products. Products from these markets are relatively cheaper, natural, and fresh if compared to other forms of market. Markets of these magnitudes are mostly on periodic basis. These markets kinds can hold for every three to five day's interval. This break is to enable the farmers to harvest more farm products for sale in the next market day. Mostly local or primary products are produce, bought and sold is these kinds of market formation.

3.1.4 Street Markets

Street markets have similar characteristics and attributes like that of the roadsides markets. Generally speaking, these are markets located along major and minor streets. In most urban centers due to lack of space resulting from congestions, some of their markets are located on the streets. The popular Idumota and Balogun markets all in Lagos are located in major streets and along in strategic areas with dense population. In this market, there is high level of contact and interaction between the sellers and the buyers. Though these markets have stores where they stored goods/wares but they take advantage of the streets to display their wares on the floor. However, there is high level of congestion of people and vehicles all scrambling for space. This market structure or kind allows buyers to have direct and make easy purchase of goods and services. Usually, in big cities and locations streets markets covers some large space of land. At times about three to eight streets within a given area can be involves in such marketing. At time, these markets are organized in such a way different similar and different goods/wares are sold at different sections and segments of the streets. However, customers spent some quality and conservative time in the purchase of goods. At times, products from these markets are relatively cheaper. Streets markets are easily accessible, recognized and patronized. In urban areas these market structures also operate daily to meets with customers' demands.

3.1.5 Township/Urban Markets

This is the direct opposite of the village markets. These are markets formations that are erected/located within the urban setting or environments and in strategic areas to meets urban needs. The urban markets are used to showcase primary (local), secondary (manufactured), and tertiary (technology) goods or products. However, there are high levels of demand and supply for products, as well as the transaction of goods and services. The supply for agricultural products equates that manufactured goods. All settlement formations in towns or urban centers have various forms and structures of urban markets in place. The size, structure, and organizations of these markets vary from one urban location to another. The volumes of trades and income generation of these markets kind is no were comparable with other kind of markets explain above. High levels of middlemen and agents are involved. Markets of these kinds are better organization. These could be in the areas of shop numbering and lining of products, services facilities and provision, etc. Consumers spent some quality time with their customers in the course of purchase of their varieties of goods/products and

services. Products/goods from these markets are relatively cheaper, fresh, and of high quality if compared to other forms of market. Markets of these magnitudes could be on periodic or on daily basis. Periodic in the sense that these markets holds for every three to five day's interval as in the case of Agbara, Lusada, and Ikoga markets and that of the seven day's interval as in the case of Badagry market all within the Badagry Division of Lagos State. The main reasons for these periodic systems of markets formation are to enable the produces (farmers) to make harvest and send their products for sale at the next market.

3.1.6 Itinerary/Mobile Markets

Just as the name implies, this is that marketing kind of system where buying and selling transactions is done on transit without any permanent location and structure that can be called or describes as a market. These are that kind of marketing system or networking where agricultural products are bought and sold on transits. By transit here, we mean anywhere the buyer/consumers meet in contact with the seller/produces for the purpose of marketing. There is however, no fixed place for the purchase, sales and distribution of farm products. Place can be used provided the seller/producer have a product to sell and meets a buyer/consumer who is willing and ready to make payment for such products. The Itinerary/Mobile markets could be equated with the hawking system of marketing where the sellers carries their goods/products on their head, truck, and wheel-barrows moving from place to place seeking for customer to buy their goods/products. However, most mobile markets for agricultural products are found close to minor and major route junctions and other strategy areas where these farm products are produce and where there can be contacts for buying and selling etc.

3.1.7 Ultra-Modern Markets

These market formations have similar features with that of the urban markets. These markets kinds are erected within strategic locations in zonal or regional areas to meet urban needs. The availability of space is a major determinant in the location of these markets formations. The ultra-modern markets are used to showcase mostly secondary (manufactured), and tertiary (technology) goods or products. There is a high level of demand and supply for products, as well as the transaction of goods and services. The supply for manufactured products equates with that of tertiary goods. These markets kinds are not easily put in place due to its cost implication and space acquisition. There can be only one or few forms and structures of ultra-modern markets within a zone or region. The size, structure, and organizations of these markets vary from one location (zone or region) to another. However,

markets of these magnitudes are of large size and occupied large hectares of land. These markets kinds required large space of stores for the storage of goods/products. The markets structures allows for imports and exports of products. The volumes of trades and income generation of these markets is high and of no were comparable with other kind of markets explain above. It also required some high levels of middlemen and agents. Markets of these kinds are better manage and organization. These could be in the areas of shop numbering and lining of products, services, and facilities provision, warehousing, restaurants, security, and management etc. Consumers spent some quality time with their customers in the course of purchase and the marketing of their varieties of goods/products and services. Though it involved huge amount of capital to constructs, it also generate huge amount of revenue to both the local and state government. It also creates high volume of employment to both the locals and the foreigners. Agricultural products bought in these markets systems can be sold within (locally), and outside (internationally), or processed and repackage for export.

3.1.8 Internet Mark

This refers to as *online marketing*, *Internet advertising*, *e-Marketing* etc. It is the marketing of products or services over the Internet. When applied to the subset of website-based advertisement placements, Internet marketing is commonly referred to as *Web advertising* (*Web advertising*) and/or *Web marketing*. The Internet has brought many unique benefits to marketing, one of which being lower costs for the distribution of information and media to a global audience. The interactive nature of Internet marketing, both in terms of providing instant response and eliciting response, is a unique quality of the medium. E-marketing is sometimes considered to have a broader scope since it refers to digital media such as web, e-mail and wireless media, but also includes management of digital customer data and electronic customer relationship management systems (E-CRM systems).

This kind of marketing system happens to be the newest, easiest and fastest ways of marketing goods (agricultural products) and services. It involves the use of the web to advertise and market your products to the entire world. Internet marketing helps to save time and cost. It has help to create awareness of whatever intention, innovation, and products and services the public needs and demand. Though, Internet marketing is more of enlightenment and the creation of awareness of information, products and services. It is also use for marketing of agricultural products. This is done through the awareness of the types of crops cultivation and the kinds of agricultural products produce within any given territory, and regions of the world, the methods of harvest and storage systems, sales, transportation and distributions, uses and significant of these products. However, this is a kind of

marketing system where the consumers know where their certain farm products are produced, distribution networks, income generation and Gross Domestic Product (GDP), and where such products are widely consumed. Most agrarian nations of the developed world patronize the web so much for the showcases and marketing of their farm products than in developing nations. Through Internet marketing, the roles and functions of the middlemen have been declined. Consumers and manufacturers in need for farm products can easily make their request with ease and get maximum satisfaction provided they meet with their terms and conditions of service. Presently, the values for Internet marketing on agricultural products can be equated to that of air transport system to passengers.

4.0 Conclusion

Internet marketing for agricultural product is fast gaining recognition in the developing world. Large-scale farmer in the developed world cannot but do without internet marketing. Internet marketing has helped to save cost, enhance income generation and boost foreign exchange of agrarian nations.

5.0 Summary

The awareness, sales and distribution of agricultural products through Internet marketing is fast gaining recognition. Peoples (consumers) can sit comfortably and get information of the farm products of their choice. These forms of marketing system have helped to save time, reduce risk, and the constraints of the middlemen.

6.0 Tutor-Marked Assignment

Give comprehensive notes on all of the following:

- a. Internet markets
- b. Village markets
- c. Ultra-modern markets

7.0 References/Further Reading

- Central Bank of Nigeria (1997), Annual Report and Statement of Accounts.CBN Publication. Lagos.

- Federal Ministry of Agriculture Water Resources and Rural Development (1988), Agricultural Policy for Nigeria.FMAWRD Publication.
- Ojo, S. O. (2000), A Comparative Economic analysis of Oil-Palm Farms in Ondo State, Nigeria. Unpublished Ph.D. Thesis in the Dept of Agric Economics and Extension, Federal University of Technology, Akure.
- Oludimu, O. L and Imoudu, P B (1998), Institutional Reforms for Agricultural Development (Essays in Honor of Late Professor SegunFamoriyo) Published by Triumph Books Publishers, Ijebu Ode.

MODULE 2: THE CONTEXT OF THE ROLES, GROWTH AND THE PROBLEMS OF AGRICULTURAL MARKETING

UNIT 7: MODES OF DISTRIBUTION IN AGRICULTURAL MARKETING

TABLE OF CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Meaning of Distribution

3.2 Meaning of Transportation

3.3 Functions of Middlemen

3.4 Classes of Middlemen

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

References/Further Readings

1.0 Introduction

In the last section you have an idea about what the morphology of marketing is all about. This unit will take you a step further into the modes of distribution of agricultural products. In this unit the focus will be on the modes of distribution of agricultural products. In this unit, attempts will be made examines the meaning of distribution and transportation, the functions of the middlemen and the classes of middlemen.

2.0 Objectives

At the end of this unit, you should be able to:

- Define and Explain the Meaning of Distribution of agricultural products.
- Explain the Meaning of Transportation
- Determine the Functions of the Middlemen.

3.0 Main Content

3.1 Meaning Of Distribution

Distribution means getting the farm products from where the products are produce to where it can be marketed. It also means the delivery or circulation of farm produce. The supply of farm products is an essential component of marketing. Distribution means the strategies managerial system, which involves logistic decision on how the farm products get to the final consumer. Before the products get to the final consumer, it must pass through some channel called distribution channel, which involves wholesalers, retailers and agents. The distribution of agricultural products is one and essential function of marketing. The mode of distribution of products is a function of demand for the product. Distribution of products cannot be complete without transportation via the various modes of transportation especially the land transport. In rural areas where agricultural products are produce the components of the various land transport are high used and involved in the distribution of farm products.

3.2 Meaning Of Transportation

In its literally meaning, transportation means the movement or carriage of persons, goods and messages from place to place. It's also means the ability to overcome distance or the friction of distance. In this course, our concerned here is on the movement of farm produces from where it is produce (farm site) to where it's been assemble (collection point) before their final movement (distribution) to centers where their demand are needed. However, in the distribution and transportation of farm products, the middlemen are highly involved and they are saddle with that responsibility with the transportation and distribution of farm products. They ensure the adequate movement for the supply of these products from the producers to the final consumers. It should be noted however that the importance of transportation cannot be devoured from agricultural marketing

because whatever the farmers produce must be transported and distributed to the final consumers. Transportation of farm produce can be of various forms e.g. railways, motor vehicles, bicycles, and trucks. However, most transportation of farm produce is done by motor vehicles (trucks) and wheel-bicycles etc.

3.3 Functions Of Middlemen

The middlemen are those agents (wholesalers and retailers) that serve as intermediary between the producers and the final consumer in the distribution and promotion of goods and services. In the chain of distribution, they act as the link between the producers and the consumers.

The following are the essential function of the middlemen: they are

- To make sure those goods gets to the final consumers
- They help the producer or farmers to sell their products
- They create awareness
- They help in storage facility
- They provide credit to the consumers based on inter-personal relationship

3.4 Classes Of Middlemen

By classes of middlemen we mean those persons or agents involved in the distribution of agricultural products from production points (supply) to consumption point (demand). There are various classes of distribution channel of agricultural products; some of these are as follows:

- a. **Farm Gate Middlemen:** This class of agents is also known as farm gate collector. They include intenerate farmers going on foot from one farm to another to buy farm produce which are then transported to local or urban market. These classes of agents are found virtually everywhere where agricultural products are produces. They are closer to the farmers than any other class of middlemen. They buy in bits owing to their limited financial powers and assemble for collection by their superior agents. However, they are self-satisfied with the little profit they make from such trading activities.
- b. **Non-Commissioned Agents:** These are people that take title to the commodity handled and provide significant transportation and storage facilities. Their financial

strength is much better than the farm gate middlemen. They may sell to wholesalers, retailers and even to the final consumers. However, these classes of middlemen shared similar features with that of the first class mentioned above but they are not well organized.

- c. **Commissioned Agents:** These classes of middlemen are well organized than all of the above. They received commission for the job or services they provide. That is they provide an interactive contact between the farm-gate middlemen and the wholesalers. These classes of middlemen are empowered with financial and material powers to act and buy farm products on behalf of these agents. Their commission received is a function of the qualitative and quantitative products they buy for their masters. Since they are empowered with better finance they buy in large quantity and stored for future needs.
- d. **Co-operative Marketing Agencies:** This occurs where some groups of farmers form the consumers' co-operative society and use such society to sell their farm products for members of the society at reduced cost. This type of co-operative marketing agencies is a self-help trading business to help members of the society. They however, use these cooperative societies to sell directly their farm products to members and in situation where they run out of stock they even buy these agricultural products from other farmers outside the agency and sell to members of the society.

Other classes of the middlemen in the distribution of products are the wholesalers and retailers, which have been discussed in detail in unit 9.

Self-Assessment Exercise:

Differentiate between the farm-gate middlemen and the commissioned agents middlemen.

4.0 Conclusion

The distribution modes ensure that the channels of flow of products from where it's produced to where it's been consumed are sustained. The distribution of products is done through various channels.

5.0 Summary

The Distribution of agricultural products enhances the flow of farm products from where its produce to where they are needed. The various modes of transportation aid the distributions of farm products. There are various classes of middlemen. The functions of middlemen cannot be over emphasized.

6.0 Tutor-Marked Assignment

Give a comprehensive note on all of the following:

- a. Farm-gate middlemen
- b. Function of middlemen
- c. Wholesalers and retailers

7.0 References/Further Reading

- Central Bank of Nigeria (1997), Annual Report and Statement of Accounts.CBN Publication. Lagos.
- Federal Ministry of Agriculture Water Resources and Rural Development (1988), Agricultural Policy for Nigeria. FMAWRD Publication.
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UNIT 8: ROLES OF FARMERS IN AGRICULTURAL MARKETING

TABLE OF CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Introduction

3.2 Who is a Farmer?

3.3 What is farming?

3.4 Roles of Farmers in Agricultural Marketing

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Readings

1.0 Introduction

In the last section you have an idea about what the mode of distribution in agricultural marketing is all about. This unit will take you a step further into the roles of farmers in agricultural marketing activities. In this unit the focus will be on the roles of farmers in agricultural marketing activities. We shall be discussing the difference between who a farmer is and the meaning of farming. In this unit, we shall also look at the importance of farming to a society.

2.0 Objectives

At the end of this unit, you should be able to:

- Explain who is a farmer
- State the meaning of farming
- Describe importance of farming to any nation

3.0 Main Content

3.1 Introduction

Most people see agriculture to mean the same as farming but the two concepts means different things, though they both have similar and related characteristics but functions differently even with related concepts. Agriculture as we all know, means the act or science of production of crops and rearing of animals for use man's consumption. We should not ignore the importance of agriculture to the society and nations at large. We should also note that agricultural products are highly seasonal and takes place in areas that are of great distances from where consumers resides. So therefore, these products from the farmers must be collected, sorted out, and swiftly moved before they get spoilt or stored until they are needed.

3.2 Who Is A Farmer?

A farmer is a local or primary producer of farm products. He can also be describes as an agriculturer. A farmer is that person that is involved in the practical act of farming/agriculture for the purpose of food and raw materials production. A farmer is a person engaged in agriculture, raising living organisms for food or raw materials. The term usually applies to people who do some combination of raising field crops, orchards, vineyards, poultry, or other livestock. A farmer might own the farmed land or might work as a laborer on land owned by others, but in advanced economies, a farmer is usually a farm owner, while employees of the farm are known as farm workers, or farmhands. Farmers are often members of local, regional, or national farmers' unions or agricultural producers' organizations and can exert significant political influence. In this unit, all references to "farmers" include all rural people who derive their livelihood from activities such as farming, fishing and forest harvesting. The term "farming" also includes fishing and forest harvesting.

3.3 What is farming?

Farming means the continuous act and practices of agriculture as an occupation or as a profession. Farming means the management of domesticated plants and animals. For example, any persons engaged in the activity of growing crops or keeping animals on a farm is engaged in farming.

3.4 Roles Of Farmers.

Farmers are those that plough the soil and cultivate crops for the provision of food for man and the society. Food, cash crops and raw materials to a large extent are all products from the efforts of the farmer. No society or nation can survive without the inputs of farmers. Their roles cannot be quantified in terms of monetary terms. Farmers play a vital role in providing the basics for all of our food needs. Farmers through modern techniques and necessary farm inputs can change the agricultural landscape from unproductive to productivity and for better uses. However, the roles of farmers could be similar to that of the importance of agriculture in so many ways and for the fact that they are those that are actually or directly involved in the processes of tilling the soil, cultivation, and the storage of farm products for immediate and future uses. In principle, the roles of farmers are as follows:

- a. They feed the nation
- b. The help to increase the growth and birth of crops
- c. They provide raw materials (e.g. leather, kernel, latex, timber, cotton) etc.
- d. They rear and produce livestock products (animals and feeds)
- e. They help to stored food for future use.
- f. They generate income to themselves and foreign exchange to the government
- g. They ensure the availability and distribution of food
- h. They provide avenues for research activities, and
- i. The help to store food for future usee.t.c.

However, we can categorically say that the role of farmers is in three difference perspectives. These are as follows:

(a) Ideas for those interested in implementation

Farmers can do great good by changing their methods of production to sustainable ones.

Farmers can play a key role by opening their farms to tours and teaching classes as interest in growing food soars again.

(b) Farming can become more sustainable, helping people, communities and themselves: Ideas for those interested in implementation

On a local level, people can work together and cooperate with farmers' organizations in developing location-specific environment-friendly farming techniques

On a local level, people can work together and cooperate with farmers to create easier and cheaper methods of getting farm goods to people's hands, cutting down on transport and loss of money to third parties

(c) Self-sufficiency and food production systems: Ideas for those interested in implementation

On a local level, people can work together and cooperate with farmers' organizations in developing location-specific environment-friendly farming techniques

On a local level, people can work together and cooperate with farmers to create easier and cheaper methods of getting farm goods to people's hands, cutting down on transport and loss of money to third parties. People can take a more active role in farming and buying farm goods, thus changing the market landscape, prices, and supply and demand. Encourage more people to become involved in the food making process, i.e. become small-scale farmers to produce for their family and friends, and local community. As each community/township has multiple local locations to get produce and farm goods, the market landscape changes and power and decision making is decentralized. Support networks for the exchange of experiences with regard to farming that help to conserve land, water and forest resources, stop the use of chemicals and reduce or reutilize farm wastes

Develop environmentally sound farming technologies that enhance crop yields, maintain land quality, recycle nutrients, and conserve water and energy and control pests and weeds

Self-Assessment Exercise:

Justify the main differences between farming and agriculture.

4.0 Conclusion

The term farming includes fishing and forest harvesting. Farmers are those that plough the soil and cultivate crops for the provision of food for man and the society. No nation can survive without the significance roles of farmers. The production of food and raw materials are the essentials roles of farmers.

5.0 Summary

The significance of farming cannot be over emphasizes. Farming is the management of domesticated plants and animals. Without farmers there will be food and raw materials for people to eat and for the manufacture of goods/products. There is no more difference between farming and agriculture.

6.0 Tutor-Marked Assignment

Give a comprehensive account of the roles of farmers

7.0 References/Further Reading

- Ojo, S. O. (2000), A Comparative Economic analysis of Oil-Palm Farms in Ondo State, Nigeria. Unpublished Ph.D. Thesis in the Department of Agriculture Economics and Extension, Federal University of Technology, Akure.
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UNIT 9: ROLES OF MIDDLEMEN IN AGRICULTURAL MARKETING ACTIVITIES

TABLE OF CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Middlemen

3.2 Role of Middlemen

3.3 Importance of Middlemen

3.4 Classification of Middlemen

3.5 Functions of Middlemen

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Reading

1.0 Introduction

In the last section you have an idea about what the roles of farmers in agricultural marketing is all about. This unit will take you a step further into the roles of middlemen in agricultural marketing activities. In this unit the focus will be on the roles of middlemen in agricultural marketing activities. Goods are produced by agriculturalists both within and outside the country. These goods produced are readily made available to the target consumers irrespective of time, space and place of the consumers. This is made possible through the services rendered by some specialized agents. These agents are so important to among the producers, manufacturers and to the consumers. They are often referred to as ‘middlemen’. A middleman is an independent business concern that operates as a link between producers and ultimate consumers or industrial users. A middleman renders services in

addition to purchase and/or sale of products by moving the goods to consumers from the producers/ manufacturers. A middleman either takes title to the merchandise as it flows from producer to consumer or actively aids in the transfer of ownership. The essence of middlemen in marketing activities is their active participation and promotional role in negotiations involving buying and selling of goods. This unit examines the importance of middlemen in marketing activities.

2.0 Objectives

At the end of this unit, you should be able to:

- Explain who is a middleman
- State various types of middlemen
- Describe importance of middlemen in marketing and
- Highlight reasons why they are referred to as ‘price jackpot’.

3.0 Main Content

3.1 Middlemen

There are many people’s (middlemen) involved in the marketing of agricultural products/ goods. A middleman is an independent business concern/entity that operates as a link between producers and ultimate consumers or industrial users. Outside purchasing and sales of goods, middlemen also ensure the transfer of goods and title to goods to end-users. Middlemen either take title to the goods or actively aid in the transfer of ownership. Middlemen are commonly classified on the basis of whether or not they take title to the goods sold. Thus, they are classified as merchant and agent middlemen. Merchant middlemen (actually) take title to the goods they market. While agent middlemen never own the goods, but do actively assist in the transfer of title. Brokers and manufacturers are examples of agent middlemen; while wholesalers and retailers are examples of merchant middlemen. Now, before you proceed further, do attempt this exercise.

Self-Assessment Exercise

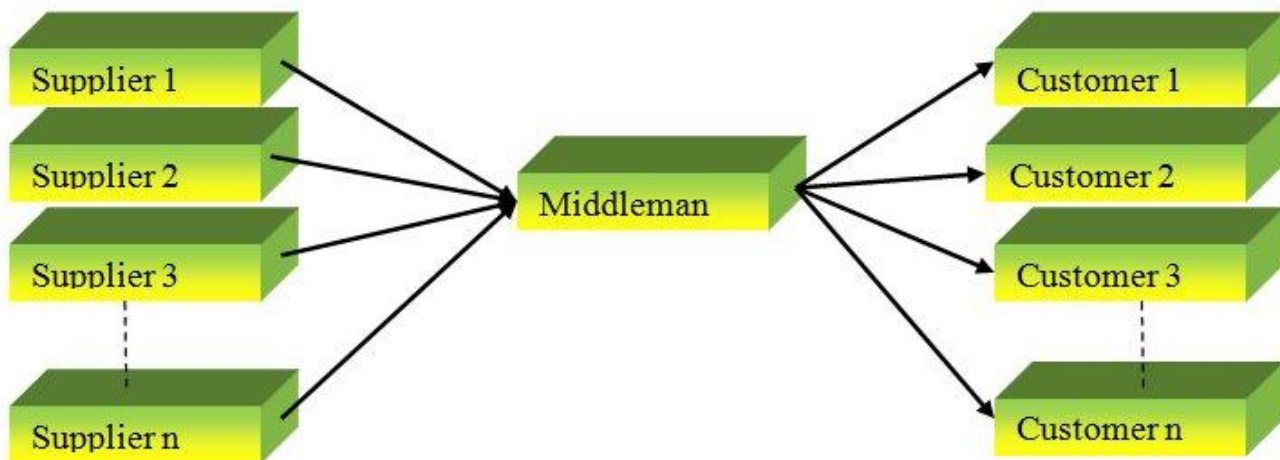
Who is a middleman?

3.2 The Role of Middlemen in Agricultural Marketing

The starting point of this discussion is a broad review of the historical changes in the role of middlemen in the market place. An important argument is that middlemen always fulfill important marketing functions in the marketing system, and that the roles they take complement those of other market actors. The three main roles, in which middlemen actually follow different business logic and perform widely different functions, are highlighted.

These roles include middleman as a trader, middleman as a distributor and middleman as a provider.

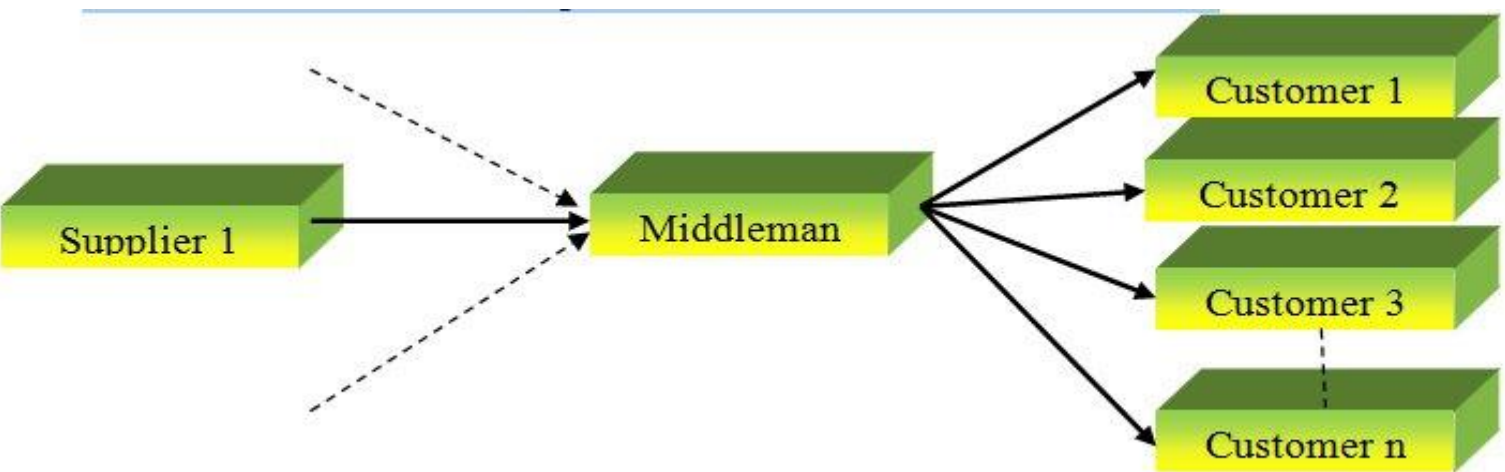
(a) The Middleman as Trader: Middlemen as traders offer to their customers an assortment of products acquired from various sources. The assortment offered to the customers by the middleman is different from what can be offered by each of the firms supplying the middleman. The middleman



offers thus an own ‘product/service’ in which the various suppliers’ products are just but components. The business, like any business, depends on developing and maintaining exchange relationships with customers – and suppliers—for which it competes with others. The middleman trader exercises the essential entrepreneurial functions of exploring and creating market exchange opportunities and bears the risk entailed in this task. It operates in two markets- helping customers access resources needed and the holders of resources to reach the users. The middleman has an important function in the economy of the gap bridging activities in the market network. By creating a different bundle of resource elements offered to customers the middleman takes on the function “to economize” on costs of bridging the supplier-customer gap i.e. lowering transaction costs. Historically, a middleman as a trader bought and sold all types of products and carried out all the basic commercial functions. He was an exporter, wholesaler, importer, retailer, ship owner, banker and insurer. Even though a trader

middleman may do a bit of product sorting and packaging, his distinctive trait is that he does not transform resources physically to any significant extent.

(b)The Middleman as Distributor: The role of middlemen as distributor represents the dominating view on intermediaries in the marketing literature, which takes a manufacturer's perspective. Middlemen are considered 'business firms that help the company find customers or close sales with them'. They hold inventories and 'push' the products, which are crucial marketing activities when speculation rules the game. The distributor role maintains the basic characteristic of the middleman as a trader but the emphasis shifts. In this case, the inputs are given, identified and provided through the manufacturer. The figure (fig 3) illustrating the role of the middleman, as a distributor is to some extent extreme as it reflects the perspective of one manufacturer. Of course, most distributors

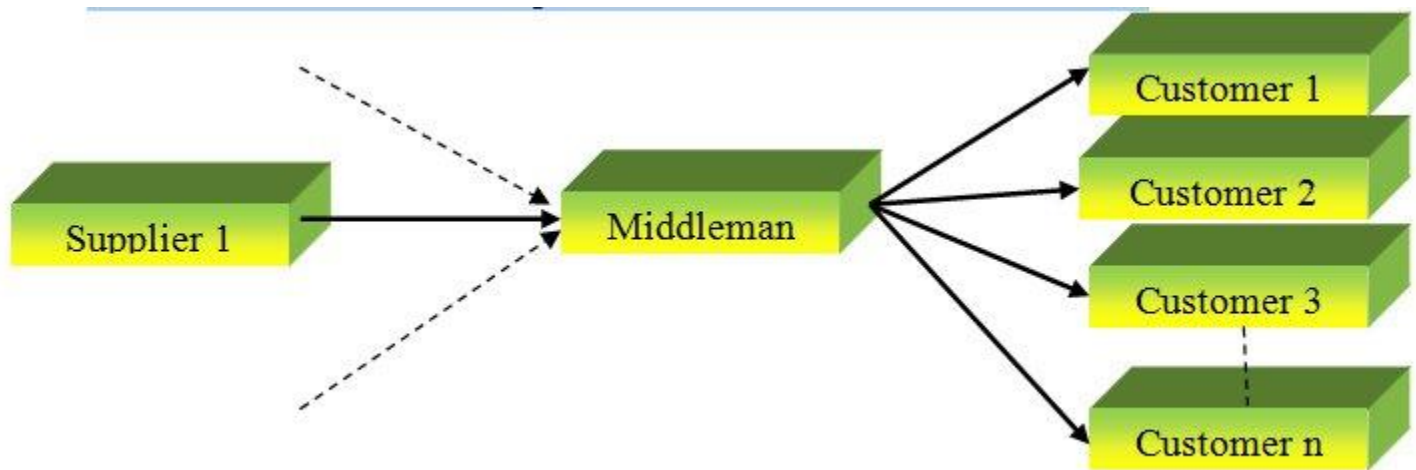


represent more than one manufacturer.

The middleman is dependent on individual manufacturers for developing exchange relationships with customers, but many of the middlemen as distributors continue to fulfill the assortment function and serve several more or less differentiated manufacturers. The middleman as a distributor has been the view of the role of an intermediary for a long time.

(c) The Middleman as Provider: In this case the logic of the middleman's business is derived from a customer/user perspective. In this view the middleman is part of the user's supply network, rather than a manufacturer's channel. Using Bucklin (1965), speculation is replaced by postponement as the main business logic for the middleman and the whole market network. The "supply chain perspective" mirrors the changes in the allocation of the business functions in the overall network of market relationships. The current concern with supply chain management both in practice and theory indicates that the emergence of the middleman as a

provider is not a marginal phenomenon and concerns numerous middleman businesses. Supply chain management perspective is not applicable only to the user- manufacturer but to user -tout court. This perspective of a middleman is not new-it has only been more or less obscured by the dominant paradigm of middleman as a distributor. The middleman here is considered not to be a hired link in a chain forged by a manufacturer, but rather an independent market, the focus of a large group of customers for whom he buys.



3.3 Importance of Middlemen

Middlemen are very important in many ways, especially in marketing activities. It may not be economic for a producer to deal directly with ultimate consumers. For instance, how convenient will it be if there are no retail middlemen- such as hawkers, supermarkets, retail stores, vendors, and so on? This affirms the saying that “you can eliminate the middlemen, but you cannot eliminate their functions (activities)”. Someone has to perform this activities-if not the middlemen, then the producers or the final customers. Therefore, the importance of middlemen is as discussed below.

1. Middlemen serve as purchasing agents for consumers, and sale specialists for suppliers.
2. Middlemen, frequently, provide financial services to suppliers and consumers.
3. The storage service of middlemen, their bulk-breaking activities (dividing large shipments into smaller quantities for sale), and the market information they provide are of benefit to suppliers and customers alike.

4. They provide the economies of balanced inventories - the use of middlemen, allows for 'one stop buying'. A consumer can go to one retailer's store and purchase all the items/goods needed, rather than visiting separate producers of these goods before purchasing them.

5. They provide the economies of partial and temporal conveniences - middlemen create space and time utilities for consumers. They are often located within or very close to the buyers, so that buyers purchase goods needed at their own convenience.

Self- Assessment Exercise

State the importance of middlemen in marketing.

3.4 Classification of Middlemen

Middlemen are in two categories, namely- merchant and agent middlemen. Let us look at these, one after another.

a. Agent Middlemen

These types of middlemen do not take title to the goods they sell. They perform specialised marketing functions for their own goods. They are known by the special marketing functions they perform within the channels of distribution. These functions include (among others)- they receive commission for the functions they perform to either consumers or wholesaler, and even producers. They are usually found in the sale of industrial goods.

The types of agent middlemen are discussed below.

i. Selling Agents

They are usually large institutions. They have marketing facilities for the functions they perform. An agent is usually chosen to represent a manufacturer, fully/wholly, in a given target market. He/she takes control of the marketing of all the producer's products in the market. He/she often serves as the marketing department for the producer. He/she is not restricted by territory, but renders financial assistance to producers. They are, usually, used by new producers or producers that are financially weak. They are also used when new markets are to be penetrated by manufacturers.

ii. Manufacturer's Agents or Representatives

These are representatives that are authorized by manufacturers to sell all or some parts of their products in, clearly, defined territories. The agents are, usually, paid a commission on the total amount sold. They are, usually, smaller in number and financially weak. The producers decide on who handles their products, the prices to charge, and the terms of sales. Manufacturer's agents are employed /engaged where a producer has good quality products, but wish to enter a new market, but lack facilities to do so. They are also employed where a manufacturer may wish to use the experience of a particular distributor to penetrate a target market.

iii. Commissioned Merchants

These agents take physical possession of the goods; they deal in agricultural materials that need to be stored and transported from the point of production to the market. They provide storage and transportation facilities for the goods they handle. They also negotiate the terms of trade; but they are placed on commission, usually. Although this depends on the amount received from the goods sold. They do not take title to the goods they sell.

iv. Brokers

These agents specialize in specific commodities and provide their principals with established contacts for the sale of their goods. Their main function is to provide information on the source of supply and prospective buyers within a given field; they also negotiate the terms of trade. Brokers negotiate sales for specialized goods and seasonal products that do not require constant distribution.

b. Merchant Middlemen

These types of middlemen own the goods they sell. They buy the goods and take possession of them. They bear the risk involved in marketing them. Profits or losses from the sale of the goods often accrue to them. The two main ones are wholesalers and retailers.

Wholesalers: Wholesalers are merchant middlemen that take title to the goods they sell. They operate between producers or manufacturers and retailers, other wholesalers, merchants and /or industrial institutions and commercial users. Wholesalers do not sell in significant amount to ultimate consumers. They, however, sell to those who will resell the goods or use them to produce other goods.

Functions of Wholesalers

The functions of wholesalers are summarized below; they are involved in:

a. Buying, b. selling, c. product development and standardization, d. storage, e. financing, f. information processing, g. transportation, and i. risk bearing, etc.

Types of Wholesalers

Wholesalers can be classified into two, namely- (a) full-function wholesalers and (b) limited function wholesalers.

i). Full-Function Wholesalers

Full-function wholesalers perform all the marketing functions mentioned above. They carry a variety of products; although, there are some of them who do carry specialized goods, examples are:

- a. General merchandise wholesalers
- b. Limited line wholesalers
- c. Specialty-line wholesalers.

ii). Limited Function Wholesalers

They are merchant wholesalers; they take title to the goods sold. They, however, do not perform all wholesale functions on the goods they handle. They also tend to concentrate on the handling of few product-lines. The major ones are:

- a. Cash and carry wholesalers
- b. Desk jobbers or drop shippers
- c. Truck wholesalers
- d. Mail-order wholesalers.

Retailers: Retailing includes all the activities involved in selling goods or services- directly, to final consumers. A retailer is defined as a middleman who sells, mainly, to the ultimate consumer, in small quantities. He/she may sell to institutions, but most of his sales are made to industrial or household consumers. The retailer is the last link and the most important intermediary in the chain of distribution. Mass production, in the present day set-up, is geared to the requirements of the ultimate

consumer. Retailers of whatever goods/products (agricultural and manufactured) are, directly, in touch with consumers and, thus, occupy a strategic position in the whole chain of distribution. The basic feature of retail trading is the purchase of goods from wholesalers and selling it in small lots to consumers. The retail trade/shop is one of the oldest and most widely used business establishments in any country. Retail business originated through the use of peddlers engaged in house to house sales. This was followed by opening up of small retail shops, usually, owned by sole proprietors or small partnership firms, which are frequented by customers for obtaining their requirements; examples of these retailers are those small business owners located around us.

Functions of Retailers

The following are some of the functions of retailers:

- a. Estimation of the probable demand of consumers
- b. Assembling of various types of goods from different wholesalers
- c. Sale of various products to consumers
- d. Physical movement of goods from the wholesaler's warehouses to their own stores
- e. Storage of goods to maintain un-interrupted supply of goods to consumers
- f. Assumption of risk of loss of goods by fire, theft, deterioration and so on, as long as they are not disposed of to consumers
- g. Extension of credit to selected, regular customers, and
- h. Providing information about tastes and preferences of consumers to wholesalers / manufacturers.

Self-Assessment Exercise

List five examples of retail stores in your village/town.

Types of Retailers

There is a wide variety of retail trading establishments. They vary from hawkers and peddlers to big departmental stores. Hawkers and peddlers move from door-to-door, in residential localities, to sell their goods. Pavement shops, usually, arrange their wares along busy street corners or busy streets. Some traders sell their wares at weekly markets- as is common in our rural markets in our communities in Nigeria. Now, let us look at some selected retail stores, as itemised below.

(i) **Specialty Store** - this carry a narrow product line with a deep assortment within that line, for example- apparel stores, sporting-goods stores, furniture stores and bookstores. Specialty stores can be sub-classified by the degree of narrowness in their product line. A clothing store will be a single-line store; a men's clothing store will be a limited-line store; and a men's custom-shirt store will be a super specialty store.

(ii) **Department Stores** - these deals in several product lines – typically clothing, home furnishings, and household goods, with each line operating as a separate department managed by specialist buyers or merchandisers.

(iii) **Supermarkets** - these are, relatively large, low-cost, low-margin, high-volume, self-service outlets designed to serve the consumer's total needs for food, laundry, and household maintenance products. Supermarkets earn an operating profit of only about 1% on their sales and 10% on their net worth. Despite strong competition from new and innovative competitors like superstores and discount stores, supermarkets remain the most frequently visited type of retail store.

(iv) **Convenience Stores** - these are relatively small stores that are located near residential areas, which open for long hours- seven days a week, and carry a limited line of high-turnover convenience products. Their long hours of work and their use by consumers- mainly for “fill-in” purchases, make them, relatively, high-price outlets.

(v) **Catalogue Showrooms** - these sell a broad selection of high, mark-up, fast-moving goods at discounted prices. These include jewelry, power-tools, cameras, luggage, small appliances, toys, and sporting goods. Customers order the goods in a catalog in the showroom, and then pick these goods up from a merchandise pickup area in the store. Catalog showrooms make their money by cutting costs and margins to provide low prices that will attract a higher volume of sales.

(vi) **Cooperative Stores** - consumers sometimes join together to form cooperative societies to sell goods on retail basis. The basic purpose is to eliminate middlemen and obtain their needs at a low price. The capital is subscribed by the members, through the purchase of shares of small denominations. Cooperative stores purchase their requirements in bulk from manufacturers or wholesalers. This enables the cooperative stores to sell their products at somewhat lower prices than ordinary retailers. It should be noted that there are other types of retail outlets.

3.5 Functions of Middlemen

Merchant middlemen are referred to as pure marketing organisations. They perform all the marketing activities discussed below. The agent middlemen only perform the auxiliary functions allocated to them by their clients.

1. **Buying:** Merchant middlemen are buyers of goods produced by different producers. They have a list of all manufacturers and producers of the goods they deal in. They are familiar with terms of trade. They carry out the actual purchases with their own money. They, therefore, bear all the business risks surrounding the sale of each of the products handled.
2. **Contacting, sorting, allocating and assisting:** Middlemen gather different goods into their stores for consumers to buy, easily. This allows consumers to buy goods in smaller quantities, at convenient periods.
3. **Selling:** Middlemen help in creating awareness for the products they sell and stimulating demand for such products. They, sometimes, sell some brand of products in their own names. They help small and financially weak producers to promote their products; they often employ their own salesmen and advertise the products they deal in.
4. **Storage:** In order to stock goods in one store, middlemen rent or build big warehouses to store goods of different manufacturers. This gives consumers the opportunity to make selection from various goods available in the warehouse.
5. **Transportation:** Middlemen have their own vehicles, which they use to move goods purchased to their warehouse.
6. **Financing:** Middlemen buy their goods in bulk, and make payments to enable manufacturers carry on further production.
7. **Channel of Communication:** Middlemen serve as a link between manufacturers and consumers in communicating their complaints, products, needs, and social responsibilities expected of them.
8. **Market Research:** Middlemen carry out market research on their own business activities and environment. This involves gathering business data,

analyzing and making inferences for either improvement or production of new products.

4.0 Conclusion

Middlemen balance the expectations of producers and wants of consumers through activities of concentration, equalization, and dispersion. They aid, considerably, in creating time, place and possession utilities. It is important to note that you may eliminate middlemen, but you cannot eliminate their functions.

5.0 Summary

In this unit, you learnt about middlemen. You were exposed to their importance and various functions.

6.0 Tutor- Marked Assignment

You can eliminate middlemen, but you cannot eliminate their functions. Explain.

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UNIT 10: PRODUCTION, DISTRIBUTION AND MARKETING OF AGRICULTURAL CROPS IN NIGERIA

TABLE OF CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Distribution of Root Crops

3.2 Distribution of Cereals and Pulses

3.2.1 Guinea-Corn

3.2.2 Millet

3.2.3 Maize

3.2.4 Rice

3.2.5 Cowpeas

3.3 Distribution of Tree Crops

3.3.1 Cocoa

3.3.2 Kola nuts

3.3.3 Rubber

3.4 Distribution of Oil Seeds

3.4.1 Groundnuts

3.4.2 Beni-seed

3.4.3 Soybeans

3.5 Industrial Crops

3.5.1 Cotton

3.5.2 Tobacco

3.5.3 Sugar cane

3.5.4 Kenaf

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Reading

1.0 Introduction

In the last section you have an idea about what the roles of middlemen in agricultural marketing activities is all about. This unit will take you a step further into the production, distribution, and marketing of agricultural crops in Nigeria. In this unit the focus will be on the production, distribution, and marketing of agricultural crops in Nigeria. The distribution of crop species in the various Eco zones of Nigeria relates most significantly to the seasonality of rainfall, and the duration and regimes of the wet season. In areas where cropping is mainly by rain-fed agriculture, these have great implications on the crop type, cropping pattern, cropping sequence and the scale of crop production. Thus, the long-season root and perennial tree crops, which are highly demanding on soil moisture, dominate in the wetter south, contrasting the short-season grain crops of the drier north. The situation is also significantly true in areas of irrigated agriculture, since floodplains and rivers supplying water to irrigation systems need to be replenished by rainwater. Soil types and vegetation characteristics are also important factors in crop distribution across Eco zones in Nigeria.

2.0 Objectives

By the end of this unit, you should be able to explain the:

- Patterns of distribution of various crop groups in Nigeria, and
- Factors governing the extensive cultivation of crops in specific parts/regions.

3.0 Main Content

3.1 Distribution of Root Crops

The main root crops of Nigeria are yams, cassava, cocoyam, and to a lesser extent, sweet potato which is a minor crop. Root crops occupy a significant position in agricultural production in the country. However, the amount of land allocated to the cultivation of the three leading root crops is less significant. Thus, when compared with other crops such as cereals root crops, especially yams and cassava have high relative value per unit of land used in their cultivation. The eastern states constitute the most important root crop-producing area of the country, and have more extensive areas allocated to the crops than any other part of the country.

Three main areas of these states account for over 75% of land cultivated to root crops, namely an extensive coastal plain covering the southern parts of Cross River State and the eastern parts of Rivers State except where fishing is dominant in the forest zone; less extensive area covering parts of Ogoja, Ikom, Obubra and Abakaliki areas in the grassland savanna; and a relatively limited area covering the western parts of Onitsha, Orlu and owerri divisions in the forest zone. The well-known root crop-producing areas of the Oyo, Ondo, Benue and Plateau states fall considerably behind the eastern states, accounting for 25-49% of land cultivated to the crops in both the forest and savanna-producing areas. Export crops limit the amount of time and energy available for root crop cultivation. Root crops are produced in the far north but production is really marginal in areas north of Rivers Niger and Benue.

3.2 Distribution of Cereals and Pulses

In Nigeria, cereals and pulses (guinea-corn, millet, maize, cowpeas, and rice) account for a large proportion of the land used for agricultural cultivation of the major crops.

3.2.1 Guinea-Corn

This crop is the most extensively cultivated, and most of the production occurs in northern Nigeria where it is suited to most soil types. The four major species of sorghum produced in Nigeria are the Guinea, Kaura, Farafara and Chad. Guinea-corn is also the most versatile of the cereals, being produced in all ecological zones except the Sahel savanna. It is most important in the southern and northern Guinea savanna and sub humid Sudan savanna. Further north, sorghum does better on the

heavier soils in depressions and floodplains as the rains decrease. It is a very minor crop in the derived savanna and forest zones. The most important growers of guinea-corn in Nigeria are Kaduna, Borno, Sokoto and Kano States. In Zaria, most land is cultivated to guinea-corn interpolated with millet, and less to sole guinea-corn.

3.2.2 Millet

Most parts of northern Nigeria where millet production is practiced on 30% or more land coincide approximately with the areas where the crop ranks first in agricultural use. These areas are Borno, Bauchi and Sokoto States. There is some overlap of guinea-corn and millet-producing areas in parts of Sokoto, Kano and Katsina. A higher proportion of the most important producing areas are located in the Sahel savanna zone, where moisture conditions are marginal for crop production. However, it is grown as far south as Lat. 100N in parts of Borgu Province of Kwara State and Lat. 80N in parts of Benue State.

3.2.3 Maize

This is the most important cereal crop in the agriculture of the southern parts of Nigeria. Also, the south-western parts are outstanding in maize production contrary to the south-eastern parts, where production is less important. The Niger Delta area is relatively unimportant for maize production. Although it occurs in all ecological zones except the Sahel savanna zone, the crop is of only marginal importance in many parts of the northern region. There are three core areas where 30% or more of cultivated land is allocated to maize production in Nigeria. The most extensive of these areas is the Yoruba savanna, covering large parts of Oyo State and Egbado division and a limited area southwest of Ilorin. Less intense maize cultivation extends into Osun and Ibadan Divisions to the east. The other two areas are found within the forest zone in the heart of the cocoa zone in Ife-Ijesa Divisions and the parts located near the Obubra-Ikom coca-producing areas. Other areas of maize production are Edo State, Nasarawa, Lafia and Wukari Divisions of Benue and Plateau States. Generally, there is a systematic decline in maize production towards the north, where sporadic production of the crop occurs.

3.2.4 Rice

Rice has been cultivated in parts of northern Nigeria since the 16th century. The cultivation of rice is undertaken in four main types of environments in Nigeria, namely rain-fed uplands, especially in

southern Nigeria; tidal freshwater mangrove swamps, naturally flooded areas such as the fadamas of northern Nigeria, and irrigated lands. These ecologies are found in many parts of the country; thus, rice is produced in virtually all-ecological zones.

3.2.5 Cowpeas

These are widely cultivated and eaten in Nigeria. Its production in northern Nigeria is very closely associated with sorghum and millet. The most important producing areas of cowpeas are located in the Sudan savanna zone (Borno, Bauchi, Kano and Sokoto States), with 508-1016 mm of rain per year, due to its requirements of light rainfall, good loamy soils and drought-resistant nature. The only important cowpea-producing areas located in the Guinea savanna zone are northern parts of Niger State, northern Oyo State and southern Ilorin Division of Kwara State. Its cultivation under the less ideal conditions in the latter two areas is attributed to special consumption preferences for the crop in Oyo Yoruba. Thus, about 50% of the cowpea crop produced in the wetter Ilorin areas is sold to the more southern western states

3.3 Distribution of Tree Crops

The main ecologically significant tree crops grown in Nigeria are cocoa, oil palm, rubber (important export crops) and kola (mainly produced for internal trade). The areas of coffee and cashew production are diffuse.

Cocoa, oil palm, rubber and kola are all grown in the forest zone, but with the production of specific crop species in different sections. Thus, cocoa and kola are produced in the western part of the forest zone, rubber in the central parts, and oil palm in denser stands in the eastern states in spite of its more widespread cultivation across the zone than the other tree crops.

3.3.1 Cocoa

It is produced in two main moisture belts, namely in western Nigeria where annual rainfall is 1143-1524 mm, and in the south-east, where annual rainfall is 1905-3048 mm. Ogun, Oyo and Ondo States account for over 95% of Nigerian cocoa production. Cocoa production in the eastern states is increasing tremendously, but the amount of land allocated to the crop is very small. There is also limited production of cocoa in the Bendel and Kwara States.

3.3.2 Kolanuts

Cola acuminata (Gbanja) is the kola of commerce, large quantities of which are transported to the northern states, where it is widely consumed. The western states are the leading producers of *C. nitidakolanuts* in Nigeria, accounting for over 80% of the country's production. The main areas of kolanut production in western Nigeria are located in parts of Abeokuta, Ijebu and Ibadan provinces. The dominant areas of production are in the forest zone, while the less important areas are widely scattered in the cocoa zone.

3.3.3 Rubber

Edo State is the main rubber-producing area of Nigeria, with more than 80% of the production coming from the peasant holders. However, the greater part of the output in other parts of the country is obtained from private or government plantations. 3.3.4 Oil palm- The oil palm is considered to be an indigenous crop of West Africa, where the sources and banks of water courses, moist valleys, especially in the forest/savanna transition zone, banks of lakes and swamps, and lowlying islands in humid tropical environments serve as the natural habitats of the plant. Oil palm groves are found mainly in areas of secondary forest throughout southern Nigeria and in parts of the derived savanna. There are three main types of oil palm groves in man-made habitats in the country, namely secondary rain forest with oil palms; palm bush; and dense palm grove or farmland with palms. Also, there are planted village groves and peasant plantations. The oil palms in the secondary rain forest are found mainly in western Nigeria and Edo State. Oil palm bush is also found in parts of Asaba and Warri Divisions of Edo State and Kabba and Igala Divisions of Kwara State.

3.4 Distribution of Oil Seeds

The most important oil seeds produced in Nigeria both for export and internal use are groundnuts, beniseed and soybeans. They are cultivated mainly in northern Nigeria and outside the forest environment.

3.4.1 Groundnuts

Groundnuts are produced predominantly in northern Nigeria, where its spread and cultivation date back to the 1800's. Most of the important groundnut-producing areas are located in the drier parts of the Sudan savanna zone, especially in areas with less than 1016 mm annual rainfall. These areas are

characterized by modest moisture requirements of the crop and extensive light sandy soils. The Kano region, which started the cultivation of the crop, is still the largest producer. However, the important groundnut-producing areas extend into the Borno and Sokoto States, other states, namely Bauchi, Adamawa, Taraba, Katsina and Gombe. The production of the crop is much less intensive in Sokoto and Niger States. Only very limited groundnut output is noted in areas south of Lat. 110N, mainly in Bauchi, Gombe and Adamawa States.

3.4.2 Beniseed

A high proportion of the beniseed output of Nigeria is produced in four main areas, namely the Tiv Division; Doma District, both in Benue State; Igbira Division of Kwara State; and the Kwali area of Niger State. Most of the producing areas are located in the Guinea savanna zone, where annual rainfall is 1016-1397 mm.

3.4.3 Soybeans

Although an exotic crop, soybean production trends are very similar to those of beniseed. The main producing areas are also found in Tiv Division, which extends into adjacent Niger and Kabba Provinces. Soybean production also extends northwards into southern Zaria and even southern Katsina Provinces.

3.5 Industrial Crops

The main industrial crops of Nigeria are cotton, tobacco, sugar cane and kenaf.

3.5.1 Cotton

Cotton has been grown in Nigeria for many centuries before the advent of the Europeans. It was traditionally associated with the spinning and weaving industries, the main centres of which were located at Kano in the north and Iseyin in the southwest. The three main regions of cotton production in Nigeria are the northern (most extensive production), eastern (moderate production) and southern (minor production) zones. The northern zone covers the whole of Zaria Province and the southern parts of Kano and Katsina Provinces. The eastern zone covers considerable areas of southeastern Bauchi, adjoining districts of Adamawa and south-western Borno State. A small extension is also found in the Lowland and Pankshin Divisions of Plateau State. The main concentration of production is around Gombe and Kumo, both of which have cotton ginneries. The main areas of cotton

production in the southern zone are the Borgu Division in northwest Kwara State and the Ankpa area in the Idoma Division of Kogi State. Other areas are parts of Bida Division and the area between Nasarawa and Keffi in Nasarawa State.

3.5.2 Tobacco

The cultivation of this crop in Nigeria has been known for ages. Air cured tobacco is produced both in western (Ogbomoso) and northern (Zaria, *fadamas* of Shinkafe, Gusau, Birnin-Kebbi, Kano, Hadeija, Sokoto) Nigeria. In western Nigeria, the crop is grown in several scattered smallholdings ranging from 0.4 to 2.0 ha in size. Flue-cured tobacco is mainly produced in north-western Oyo State, extending from Saki in the north to Iseyin and Igbo-Ora in the south, where the annual rainfall of 1016-1270 mm is adequate for production. Other desirable factors are the availability of light soils for growing the crop and abundant dry wood for firing during the curing process.

3.5.3 Sugar Cane

Nigerian farmers on the floodplains of rivers traditionally produce small quantities. Limited quantities of crude brown sugar were produced at Kano, Katsina and Zaria before the refining of sugar started in the early 1960s. This led to the commercial production at Bacita near Jebba, on the southern bank of the Niger floodplain in 1957. This also marks the origin of the Nigerian Sugar Company and other sugar-cane estates in various parts of the floodplains of both the Niger and Benue rivers.

3.5.4 Kenaf

Farmers in several parts of Nigeria have grown this crop for centuries. Kenaf was found to be a good substitute for jute under Nigerian conditions and this led to the commercial production of unretted kenaf fibre at Jema'a (northern Nigeria) in the early 1960s. Other areas of kenaf production include the floodplains of the Niger and Benue rivers, and parts of Oyo State.

4.0 Conclusion

In this unit, you have learned about the important crops grown in different parts of Nigeria, the spatial distribution of the production of crop types and groups and the factors influencing this, and the areas of intensive cultivation of specific crops.

5.0 Summary

Crop types and groups of crops differ widely in spatial distribution across Eco zones of Nigeria, especially due to seasonal rainfall patterns and soil type.

6.0 Tutor-Marked Assignment

- 1) Identify fully, the most important areas of root crop production in eastern Nigeria.
- 2) Why is guinea-corn regarded as the most versatile cereal crop in Nigeria?
- 3) Why is the Sahel savanna reported to be the highest millet-producing zone?

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UNIT 11: PROSPECTS AND PROBLEMS OF AGRICULTURE IN NIGERIA

TABLE OF CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Importance of Agriculture

3.2 Problems of Agricultural Development

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Reading

1.0 Introduction

In unit 1, we discussed the meaning of introduction of agriculture and marketing. In the last section you have an idea about what the production, distribution, and marketing of agricultural crops in Nigeria is all about. This unit will take you a step further into the prospects and problems of agricultural marketing in Nigeria. In this unit the focus will be on the prospects and problems of agricultural marketing in Nigeria. Our attention will be focused on the prospects and problems of agriculture. The prospects of agriculture will be discussed under the importance of agriculture to the economy of Nigeria. Finally, the problems affecting agriculture in Nigeria will be highlighted.

2.0 Objectives

At the end this unit, you should be able to:

- List and discuss five importance of agriculture to the economy of Nigeria
- List at least ten (10) problems facing agricultural development in Nigeria
- Explain in details any five of the problems listed above.

3.0 Main Content

3.1 Importance of Agriculture

The importance of agriculture means the role agriculture is playing to the survival of an individual and the development of the economy of the nation. The followings are some of the major roles that agriculture is playing to the economy of Nigeria:

(a) Provision of Food for Man's Use

Agriculture is primarily the most important source of food to all Nigerians and indeed to the whole world. Without food, the nation will be starving and the average life span of an individual is shortened. They are also rendered more susceptible to various diseases.

This important function will continue as long as there is life. Through the years, man has sought various ways of perfecting the quality and quantity of food available through experimentation, breeding and improved farming techniques.

(b)Provision of Feed for Animals

Agriculture grows crops. Some of these crops are fed to domestic animals, which turn them into animal protein like meat, eggs, fish etc. for human consumption. Protein is a very important component of man's food. Apart from the provision of concentrates for farm animals, agriculture now produces pasture and forage crops to prevent ruminant animals trekking for a long distance looking for grasses. With this function, man does not need to depend entirely on wild animals for the supply of animal proteins.

(c)Employment of Labor

Apart from being the source of food supply, it is generally known all over the world especially among the less developed countries that agriculture is an important source of employment of labor. In Nigeria, in spite of the rapid growth of the other sectors, agriculture still retains its leading position as the largest provider of employment for the working population. It is estimated that about 70 per cent of the labor force is employed in the agricultural sector while about 90 per cent of the rural population depends largely on agriculture. Women and children are directly or indirectly employed to produce or

process groundnut, palm oil, cocoa, cotton and rubber latex. Many others are employed to work in agro-based industries.

(d) Provision of Raw Materials for Industries

The role of agriculture as a source of raw materials for manufacturing industries cannot be over emphasized. In Nigeria, efforts have been made over the years to establish and expand our local manufacturing industries. As a matter of fact it is in the interest of our domestic industries that agriculture should be able to meet adequately the needs for our local industries. Examples of agricultural raw material utilized and the products manufactured include the followings:

- Palm oil is used for the manufacture of soap
- Oil seeds used for the manufacture of oils and oil cakes
- Seeds and oil cakes used for the manufacture of livestock feeds
- Sugarcane for refined sugar
- Tobacco leaf for cigarette
- Cotton lint for the manufacture of textile fabrics
- Cocoa for the manufacture of beverages
- Ripe fruits for the manufacture of canned fruits
- Raw rubber for the manufacture of tires and tubes
- Wood pulp for paper manufacturing.

(e) Foreign-Exchange Earner

Primary producing countries depend largely on agricultural exports for their foreign exchange earnings, which they use to finance their imports. Economic development in most countries has been financed mainly with the earnings from agriculture. Such was the case with Nigeria before the impact of petroleum on our economy became so prominent.

In 1962 for example, agriculture accounted for about 82% of the total value of the export for the country. In 1976 during the oil boom the contribution of agriculture to the foreign exchange earnings dropped to only about 4 percent. However, with the intensification of various government and private efforts towards improving agriculture, the figure for 2007 was about 20 percent.

(f)Contribution to national income

Revenue realized from the sale of agricultural products from the major source of income for farmers. Other peoples that are engaged in the processing and marketing of these agricultural products earn their livings from them. All these personal incomes from agriculture form part of the Gross Domestic Product (GDP) for the country. For example at current prices, the share of agriculture in the Gross Domestic Products has varied from 36.5% in 1973/74 to 24.4% in 1977/78. Even though there is decline over the years, it is worth noting that agriculture has made remarkable contributions to the growth of the national income.

(g)Rural Development

Agriculture has contributed immensely to the growth and development of rural areas. Agriculture is synonymous with rural development. On the part of the farmers, through the income generated through farming, they have embarked on community development and self-help projects. Many rural communities have used their earnings from agriculture to provide amenities like primary school, secondary school, borehole, bridges, hospital, post-office etc.

On the part of government, in order to evacuate important agricultural products from rural areas, government embarks upon the construction of roads and railways. Large markets are also established in rural areas with agricultural potentials. Some rural villages are well known because of the location of important markets.

(h)Provision of Shelter and Clothing

Agriculture also contributes substantially to nation's shelter and clothing. The trees from which some of the permanent crops are cultivated can be made into timber used for building and furniture, while crops such as cotton provide lint for the manufacture of textile fabric for people's clothes.

Self-Assessment Exercise

Agriculture may be regarded as the nerve center of the nation. Discuss this statement.

3.2 Problems of Agricultural Development

Erebor (1998), states that there are seventeen problems facing the development of agriculture in Nigeria as follows: - land tenure, amenities, finance, transportation, communication facilities,

processing and farm machines, government policies, marketing systems, pests and diseases, production uncertainty, farm inputs, attitudes towards farming, and environmental degradation. Other problems that can be added include: customs, poverty and farmer's organisation.

(a)Problem of Land Tenure

Land tenure is a system of land ownership. In Nigeria the major parts of the land either belongs to individuals or communities. This method of the land ownership does not encourage commercial agriculture, as the land is owned through inheritance. This method of land ownership leads to land fragmentation. This method often leads to communal clashes and destruction of life and properties. Farmers who have the capital to make the best use of the land may not belong to the group that owns the land. Even when such people are given access to land, they are often afraid to put in their best on the land as the landowner can demand it from him at any time. At times the landowners often dictate what the landless farmer should plant on the land. Increase in population has increased the various alternatives which land can be put this further put pressure on the available land.

(b)Lack of Basic Infrastructural Amenities

Agriculture is synonymous with rural economy. Most of the rural areas where over 70% of agricultural production is taking place lack social and infrastructural amenities. These basic amenities includes: motor-able roads, electricity, health facilities, standard schools, telephone services, clean water supply etc. these social and infrastructural amenities are needed to improve the standard of living of local farmers and thereby increasing agricultural production. Good road will ease movement of workers and transportation of their farm products to urban centers, clean water supply will reduce the rate of infection of water borne diseases and health facilities will ensure prompt treatment of illness in the rural areas. This will ensure that farmers and their family members remain strong and healthy to work on the farm. The lack of basic amenities often leads to rural-urban migration. This will also lead to reduction in the working population in the villages and eventually reduction in farm output. Presently, in Nigeria majority of farmers remaining in the villages are those above 40 years of age. The young ones have gone out in search of job in the cities.

(c)Poor Financing of Agriculture

Most of agricultural activities in Nigeria are left in the hand of peasant farmers. One of the major problems confronting rural farmers is lack of finance. The numbers of farmers who succeed in getting

loan from credit institutions are very few compared to the teeming population of farmers. This is due to the following reasons:

- The farmers are generally very poor
- Most of them cannot secure the collateral demanded for loans, and
- Some cannot pay the high interest rates charged on loans by financial institutions.

As a result of this, most of them still operate at subsistence level.

Farmers need both production and consumption credits to promote them out of poverty,

(d)Poor Transportation Facilities

The major mode of transportation in Nigeria especially in the rural areas is by road. Transportation facilities in this context refer to the mode and means of transportation i.e. the condition of the road as well as the condition of the vehicles used for the transportation. We have already discussed the poor condition of basic amenities in the villages. The roads are generally rough and bad. Some of the roads are only motor-able during the dry season. With this condition of the road, it is not surprising that vehicles are inadequate. The vehicles also lack spare parts.

All these transportation problems often lead to high cost of bringing farm products from rural areas to urban centers. It also increases the perishability of farm products. Middlemen often take advantage of this transportation problem to increase the price of the products and at times hoard them to create artificial scarcity.

(e)Poor Communication

The means of communication includes radio, television, telephone, telex, fax etc. communication is essential for agricultural development. They are needed to pass useful information about agriculture and other related matters to farmers. Our communication system in Nigeria is still very poor. Television and telephone services are not available in the villages and where available most farmers cannot afford to buy them.

(f)Lack of Storage Facilities

Our rural farmers depend largely on local methods of storing their agricultural products. Local methods like barns, cribs and rhombus are not very efficient in storing large quantities of agricultural products for a long time. They cannot be used to store fresh products.

Modern storage facilities like silo, cold room, refrigerator etc. are lacking in the rural farming communities. These poor storage facilities can lead to perish ability of farm products and pests and disease attack. Other problems of poor storage include reduction in quality and quantity of farm products, glut during harvests and famine outside harvest periods.

(g)Lack of Processing Facilities

Processing of agricultural products is one of the major conditions that must exist for agricultural development to occur. Both the processing machines and the spare parts are presently lacking in the rural areas of Nigeria. Even when available their prices are beyond the reach of local farmers. Some of the machines also require expert to operate, as they are highly technical in nature.

Maintenance of the existing machines is difficult and expensive. Maintenance is difficult due to non-availability of exports as well as spare parts

(h) Illiteracy level of the farmers

Most farmers in Nigeria can neither read nor write. Most of the farmers in Nigeria are not educated enough in the technicalities relating to agricultural production. Many people do not know of new developments in agriculture. It is only when a person knows of the existence of something that he can think of its use. If a farmer knows of the existence of fertilizer and does not know how to use it, he is not much better than those who do not know about it. The results of the illiteracy of farmers according to Erebor (1998), are as follows:

- Reluctance of the farmers to change
- Farmers are superstitious in their beliefs
- Suspicious of new innovation
- Unscientific in mind and in thinking, and
- Generally uncooperative, hostile and unaccommodating.

(i)Poor Extension Services

Extension services is the process through which farmers receives information in modern farming from the relevant government agencies. This is necessary to keep the farmers informed of the latest development in the field of agriculture. The extension services delivery system in Nigeria is very poor. The numbers of extension workers in Nigeria are very few compared to the number of farmers. The few available ones have no mobility to visit the farmers. Many of them are not prepared to live in rural areas where farmers reside. Those that are ready to stay in the rural areas are not adequately remunerated. All these factors combine to bring about poor extension activities in Nigeria.

(j)Poor Farm Tools and Machineries

Most Nigerian farmers still depend on the use of crude farm implements and so remain at subsistence level. Some of the available modern farm tools are not adapted to function under our soil condition. Some of the machines are very expensive, some require experts to operate and most of them cannot be used on fragmented land. As a result of these problems, farmers still depend on their energy and crude implements. This leads to low yield, short life span of farmers, time wasting and low farmer's income.

(k)Unstable Government Policies and Programs

In order to promote the development of agriculture, Government at times establishes some agricultural programs or announced some policies. Such as land use decree, operation feed the nation, marketing boards, green revolution, farm settlement scheme, directorate of food, road and rural infrastructure etc. many of these programs and policies lack continuity as some of them cease to exist as soon as the initiator leaves office. Some policies have negative effects on farmers e.g. importation of rice and other food items will reduce demand for local rice.

Inconsistencies in government policy like the granting of subsidies and removal of subsidies on farm inputs; have negative effects on agricultural development.

(l)Poor Marketing System

Efficient marketing system is one of the conditions for the development of agriculture. The Nigerian marketing system for agricultural products is generally poor. Some rural areas are not motorable throughout the year and where motor-able, the roads are generally bad. Vehicles for carrying the

products are few and the available few are in bad condition, which leads to breakdown of the vehicles. As a result of this the volume of trade is generally low for agricultural products. The journey of two hours may take six hours. Due to lack of competition, farmers are forced to sell their farm products at very low prices. Abolition of agricultural marketing boards left farmers at the mercy of middlemen.

(m) Problem of Pests and Diseases

Pests and diseases have serious effect on agricultural production.

Some of the effects of pest and disease on agricultural development include the following:

- Increase in the cost of production
- Reduce the quality of farm produce
- Reduce the income of farmers, and
- Reduce the quantity of farm produce.

(n) Production Uncertainty

Agricultural production unlike industrial production is subject to the vagaries of the weather, crops depend on rainfall to grow. Shortage of rain leads to drought and excessive rain leads to flooding. Long period break of rainfall also have adverse effects on the crops. High humidity has effect on drying process and excessive sunshine can lead to wilting of crops. Nigerian farmers depend on natural weather conditions for their operations as a result of this; any adverse weather condition will have serious effect on their output.

(o) Wrong Attitude to Farming

Many as an occupation look upon farming for the poor people. The youths therefore will not like to belong to this category of people in the society. They prefer to take up jobs that would enable them to put on nice cloths and sit in air-conditioned offices. As such they move out of the villages in large number in search of white-collar jobs in the cities. Those youths who venture to remain in the village to farm are being looked upon as low class. This poor attitude of the general societies towards farming has negative impact on farming, as those who remain in farming are old people. Old farmers are known for their reluctances to accept new innovation which implies that rate of agricultural development will remain slow.

(p)Problem of Environmental Degradation

There are some environmental problems that affect agricultural development. Such problems include pollution, soil erosions, bush burning, deforestation etc. environmental pollution is a very serious problem in the oil producing areas of Nigeria. Oil spillage is injurious to the growth of crops. Erosion menace is another serious environmental problem. Erosion is the gradual wearing away of the soil surface by either rain or wind. This leads to soil depletion, which will increase the cost of farm production. Similarly bush burning can destroy useful crops on the farm and cause oxidation of some important elements. Deforestation can reduce the activities of microorganisms in the soil.

(q)Custom of the People

Traditional beliefs and customs affect the development of agriculture in Nigeria. For example the consumption and production of certain foodstuff is forbidden in some communities for no reason other than superstitious ones. Some communities believed that children who eat or demand for eggs would become thieves in the later part of their life. At times customs dictate what crop farmers can plant and what animals they can rear. Social customs on the practice of agriculture influences the people's acceptance of any innovation. Some localities are highly sacred and they express a high degree of unwillingness to respond to any change.

(r)Poverty Level of Farmers

Success in agriculture requires considerable capital investment. Majority of the problems highlighted above is hanged on the poverty level of farmers. Most farmers operate within the vicious cycle of poverty. Low farm output leading to low income and low income leads to low savings and low savings leading to low investment and low investment in turn leads to low output and the circle continues. There is the need to acquire enough land to make farming an economic venture. The improved planting materials and improved breeds of livestock can only be acquired with money. Modern farming requires power and equipment that are very expensive. Poverty therefore, prevents farmers from going into commercial farming. So farmers will remain poor unless there is government intervention.

(s)Poor Farmers Organisations

Various farmers' organisations are established to assist the farmers in different areas of farming. For example, marketing cooperatives are established to help the farmers solve their marketing problems, thrift and credit society also help the farmers to solve their financial problems. Other organizations include: group farming cooperatives, consumer cooperatives etc. due to administrative and financial problems these organizations are not effective in performing their functions.

4.0 Conclusion

You have also learnt the problems of agricultural development with reference to Nigeria. From the various discussions, it can be concluded that agriculture has great prospects. As it contributes to Nigeria's economy, it also faces a great deal of problems. As a result of these problems agriculture is yet to reach the desired level of development in Nigeria.

5.0 Summary

Agriculture is important to the economy for the following reasons:

- a) Supply of food for human consumption
- b) Supply of feeds for livestock
- c) Employment of labor
- d) Provision of raw materials for industries
- e) Foreign exchange earner
- f) Contribution to national income
- g) Contribution to rural development
- h) Provision of shelter and clothing.

The following problems are facing agricultural development in Nigeria:

- a) Problem of land tenure
- b) Lack of basic infrastructural facilities
- c) Poor financing of agriculture
- d) Poor transportation facilities

- e) Lack of storage facilities
- f) Poor communication
- g) Lack of processing facilities
- h) Illiteracy level of the farmers
- i) Poor extension services
- j) Poor farm tools and machineries
- k) Unstable government policies and programs
- l) Poor marketing system
- m) Problems of pest and diseases
- n) Production uncertainty
- o) Inadequate agricultural inputs
- p) Wrong attitude to farming
- q) Problem of environmental degradation
- r) Customs of the farmers
- s) Poverty level of farmers
- t) Poor farmers' organisations.

6.0 Tutor-Marked Assignment

- i. Discuss any ten (10) problems of agricultural development in Nigeria in the last five years.
- ii. Discuss briefly the ways in which the following factors contribute to the problems of agricultural development in Nigeria:
 - (a) Finance
 - (b) Farm input

(c) Transportation

(d) Storage and processing facilities.

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UNIT 12: PROBLEMS AND PAST EFFORTS AT SOLVING THE PROBLEMS OF THE NIGERIAN AGRICULTURAL SECTOR

TABLE OF CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Introduction

3.2 Problems of the Nigerian Agricultural Sector

3.3 Efforts at Solving the Problems of Agricultural Development in Nigeria

3.4 Programs and Projects to Develop the Agricultural Sector

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Readings

1.0 Introduction

In the last section you have an idea about what the prospects and problems of agriculture in Nigeria is all about. This unit will take you a step further into the problems and past efforts at solving the problems of the Nigerian agricultural sector in Nigeria. In this unit the focus will be on the problems and past efforts at solving the problems of the Nigerian agricultural sector in Nigeria. Nigeria is an agrarian nation going by the singular contributions of this sector to the country's socio-economic development. It is therefore necessary to discuss the importance of agriculture in the country's economic development as well as the problems facing this all-important sector of the economy and past efforts at solving these problems.

2.0 Objectives

In this unit the student is expected to know the:

- Various classes of problems facing the Nigerian agriculture .
- Efforts at solving the problems of agricultural development in Nigeria some of the programs to develop the agricultural sector.

3.0 Main Content

3.1 Introduction

The Nigerian agricultural sector has not performed to expectation due to some problems and constraints, which could be grouped into four broad categories, namely; technical, socio-economic, organizational and institutional problems.

3.2 Problems of the Nigerian Agricultural Sector

(i) Technical Problems

- Inadequate quantity and quality of farm inputs.
- Low level of agricultural technology.
- Inadequate infrastructural facilities for agricultural production such as roads, electricity and so on.
- Marketing and distribution problems.
- Disruptive effects of some natural phenomena on agricultural activities such as drought, pest and disease, erosion and flood.

(ii) Socio-economic Problems

- High and increasing cost of agricultural production.
- Low rates of return from most agricultural investments.
- High labor wage rate in agriculture.

- Low labor productivity.
- Corruption, mismanagement, ineffective utilization.

(iii) Organizational Problems

- Agricultural business needs to be organized properly for efficient management but under the predominantly traditional system of farm organization in Nigeria, modern management techniques are difficult to practice.
- Organizational aspects of government programs need improvement. There should be proper coordination among government programs, ministries, agencies and states to avoid duplication of services, activities, resource wastes, and conflict in goals and poor quality of service due to bureaucratic bottlenecks.

(iv) Institutional Problems

A large number of institutions have been created in Nigeria to execute a wide range of agricultural programs and projects. These include institutions designed to;

- Produce and supply material inputs
- Provide farm credit
- Provide marketing support for agricultural products
- Administer input price subsidy.

These institutions are bedeviled by operational inefficiency due to;

- Poor coordination of activities
- Overlap in services provided
- High administrative overhead cost
- Unduly high cost of providing services
- Corruption.

3.3 Efforts at Solving the Problems of Agricultural Development in Nigeria

In an effort to tackle the problem of agricultural development in Nigeria, the various governments initiated several policies, programs and projects largely within the frame work of four development plans and rolling plans since independence in 1960.

The four national development plans are;

- 1st plan 1962-1968
- 2nd plan 1970-1974
- 3rd plan 1975-1980
- 4th plan 1981-1985.

In each plan document, except the 1st plan, the agricultural sector objectives were specified in addition to the overall national economic development goals.

The agricultural policy objectives include:

- Ensuring food supplies in adequate quantity and quality to keep pace with rising population and urbanization, having regards to changing tastes and the need for fair and stable prices.
- Expanding the production of export crop with a view to increasing and further diversifying the country's foreign exchange earnings.
- Significantly increasing the production of agricultural raw materials to support domestic manufacturing activities especially in the field of agro-based industries in addition to export.
- Creating rural employment opportunities to enhance the deployment of human resources.
- Evolving appropriate institutional and administrative apparatus to facilitate a smooth integrated development of the agricultural potential of the country as a whole.

3.4 Programs and Projects to Develop the Agricultural Sector

Even before independence in 1960 and thereafter, specific agricultural programs were initiated to develop the agricultural sector. They include:

(a) The Farm Settlement Scheme, Whose Major objectives were to;

- Overcome the land tenure problems
- Encourage the adoption of techniques and cooperative form of organization by private farmers
- Absorb some of the primary and secondary school leavers thereby reducing their influx into urban centres
- Provide infrastructures such as roads, electricity, water supplies and schools for the rural areas thus reducing rural–urban migration,

(b) River Basin Development Authority (RBDA)

They were initiated in 1970 and became operational in 1974 with the creation of Sokoto-Rima and Chad basin RBDAS.

The initial objectives of the RBDAs include:

- Provision of large scale mechanized clearing of farmlands for farmers.
- Construction of dams and boreholes.
- Supply of electricity.
- Setting up of agro-chemical center equipped with workshops and tractor hire services.
- Multiplication of improved seeds.
- Promotion of rural development projects through manpower training

(c) Agricultural Development Projects (ADPS)

They started as enclave projects in Funtua, (Katsina, Gusau, Zamfara) and Gombe, (Bauchi) in 1972. Their main objectives were to accelerate in crop production, productivity and income of small-scale farmers. The ADPS system contributed significantly to agricultural production in Nigeria. The yield and income realized by farmers have increased, while the extension services of the ADPS have also shown the power of effective education and information dissemination in agricultural production.

(d) Operation Feed the Nation

This Program was launched in May 1976 to popularize agriculture and food production among schools, colleges and various other institutions.

(e) Green Revolution

It was launched in 1979 to make Nigeria self-sufficient in the staples within five years and encourage export crops with seven years. The scheme involved farm mechanization, national rice production, large-scale production of root and grain crops.

(f) National Accelerated Food Production Programs (NAFPP)

This is the most enduring of the agricultural development programs.

Its objectives include:

- Development of a comprehensive package of technology that farmers could adopt to achieve higher productivity.
- Development of an input delivery system, through an integrated research extension program.
- Improve storage, marketing, credit supply and prices in such a way that both farmers and consumers are better off.

(g) Other Programs include:

- National Directorate of Employment (NDE)
- Better Life Program
- Directorate of Food, Roads and Rural Infrastructure (DFRRI)
- Family Economic Advancement Program (FEAP)
- Structural Adjustment Program (SAP)
- Poverty Eradication Program (PEP)
- Youth Empowerment Scheme (YES)

4.0 Conclusion

The problems of Nigerian agriculture are classified as technical, socioeconomic, organizational and institutional. Nigerian various governments have been making efforts to solve these myriad of problems through many program and projects.

5.0 Summary

In this unit the student has learnt that:

- The Nigerian agricultural sector has not performed to expectation due to some problems and constraints, which are grouped into technical, socio-economic, organizational and institutional problems.
- Efforts at Solving the Problems of Agricultural Development in Nigeria include the introduction of four development plans between 1962 and 1985 and some agricultural programs and projects.

6.0 Tutor-Marked Assignment

- 1) Briefly enumerate the problems facing agricultural development in Nigeria.
- 2) Why has past efforts at revamping Nigerian agriculture failed?

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UNIT 13: MAJOR PROBLEMS CONFRONTING AGRICULTURAL MARKETING IN NIGERIA

TABLE OF CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Major Problems Confronting Agricultural Marketing in Nigeria

3.2 Suggestions on the Improvement of Agricultural Marketing in Nigeria

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

References/Further Readings

1.0 Introduction

In the last section you have an idea about what the problems and past efforts at solving the problems of the Nigerian agricultural sector is all about. This unit will take you a step further into the major problems confronting agricultural marketing in Nigeria. In this unit the focus will be on the major problems confronting agricultural marketing in Nigeria.

2.0 Objectives

In this unit the student is expected to know the:

- Major problems confronting agricultural marketing in Nigeria
- Ways of improving agricultural marketing in Nigeria

3.0 Main Content

3.1 Major Problems Confronting in Agricultural Marketing

Over the years, major changes came into effect to improve the agricultural marketing system. Many institutions, regulated markets, marketing boards, cooperative marketing, institution warehousing, cooperatives e.t.c, have been established primarily to help the farmers. However, various studies indicate that modernization in agricultural marketing could not keep pace with the technological adoption in agriculture. The various marketing functions like grading, standardization, storage, marketing intelligence e.t.c., need to be improved to meet the present day requirements of the farmers. In improving the marketing system for food and livestock in developing countries like Nigeria, it is pertinent to understand the nature of marketing problems as it is only by this that workable solutions can be found for them. Indeed such knowledge of marketing problems would inform as to why markets are not developing and what measures are required to develop the markets. In the light of the above the following are problems of agricultural marketing in Nigeria. These include the following:

1. Large Number of Middlemen.

The field of agricultural marketing is viewed as a complex process and it involves large number of intermediaries handling a variety of agricultural commodities, which are characterized by seasonality, bulkiness, and perishability et.c. The prevalence of these intermediaries varies with the commodities and the marketing channel of the products. The producer's share in consumer's naira is reduced because of the intervention of many middlemen.

2. Small and Scattered Housing

The agricultural holdings are very small and scattered throughout the country. As a result the marketable surplus generated is very meager. It is not an easy task organizing how the goods can be assembled for efficient marketing. Moreover there are many varieties of particular crops such as yam and this poses problems in pricing.

3. Forced Sale

The financial obligations committed during production force farmers to dispose the commodity immediately after the harvest through the prices are very low. Such forced sales or distress sales will keep the farmer in vicious cycle of poverty. Report has it that the farmer in general sells his produce at unfavorable places and at unfavorable time, and usually he gets unfavorable terms.

4. Technological Development Problems in Farm Production

Evidence has it that technological change in performing certain farm operations brought in new problems in agricultural marketing. For example, paddy harvesters are identified to increase the moisture content problem in paddy mechanical picking of cotton associated with the problem of mixing trash with cotton, potato diggers are found to cause cuts on the potato, sugar cane harvesters affect the problem of trash mix with the cane et.c. These problems lead to the other reduction of price for the farm products. Unless corrective measures are affected, the production technologies accentuate the marketing problems.

5. Lack of Transport Facilities

This problem has many dimensions. Lack of transport services refer to absence of the transport service in reasonable agricultural marketing area seasonality of transport service, high freight charges due to inadequacies, lack of all weather road, unsuitability of the present transport facilities for transportation of some products like fruits, vegetables, eggs, etc. In some cases there are insufficient vehicles to carry goods. In other cases, transport accounts for a large proportion of marketing costs. In some instances, there are no roads or where they exist they might be seasonal. Feeder roads are usually few and in most cases have to be constructed and maintained by communal efforts.

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

For efficient and orderly marketing of agricultural products, careful handling and packaging are required. Present packaging and handling are inadequate. For instance, many times we see rough and careless treatment in the packaging and initial handling of fruits and vegetables. Green vegetables are packed in heavy sacks, which will be hated quickly at the center, wilt and rot soon. Workers or passengers, who ride on top of a load of vegetables, will cause

physical damage to these vegetables. Careless handling of fruits and insanitary handling of the produce are other problems. Poor handling and packaging expose the produce to substantial physical damage and quality deterioration. If there are no processing facilities say for tomatoes, it means all the harvested crops must be sold within a given time and because there are packaging problems, quite a substantial part of the produce may be lost before getting to the market. Not only do these losses cut down the supply of products reaching the consumers, but also raise the price of the remaining portion, which must bear all costs.

7. Lack of Uniform Standardization and Grading

Inadequacies exist in scientific grading of the produce in the country. In the absence of standardization and grading, adulteration is the consequence. Each middle man may adulterate the produce to his short run advantage. This poses a problem in assigning prices to the commodities as per the quality specifications. In most markets different types of measures are used. These range from bags to cigarette tins. Weights are rarely used in marketing food and livestock products. Pricing is usually haggling and the price paid depends on the bargaining power of the buyer. It is alleged that no proper relation exist between the prices and quality of the agricultural commodities and this situation thwarts the farmers getting a remunerative price inconsistent with quality of the product. The transaction of such products hardly encourages the farmers and the consumers who are also denied the privilege of buying a good in relation to the price he pays. Sometimes buyers pay prices according to their social status. When weights are used, they are always debased or tampered with and the true beneficiary in this situation of such inadequacies of standardization and grading are the market intermediaries as they are at liberty to quote any commodity as inferior and offer low price.

8. Inadequate Storage Capacity and Warehousing Facilities.

Inadequate storage facilities are the cause of heavy losses to farmers in many parts of the world and this result in serious wastage of foodstuffs and increased costs to producers. There are no scientific storage facilities for perishable products (fruit, milk, meat, vegetables, fish etc.). In developing countries like Nigeria the losses from inadequate storage are estimated to be 15 to 20 percent of the production levels of the farm products. This storage losses of food grains occur at all stages between the farm level and the final level of consumption. Such losses occur from physical damages due to pest infestation rodents and quality deterioration,

discoloration and unpleasant odor, which would make the production fit for human consumption. Most markets lack storage and ware housing facilities and the amount of wastage that occurs due to the lack of these facilities often account for increasing cost of marketing and hence, retail prices.

9. Adulteration of Produce and Malpractice in Market.

In some cases inferior commodities are mixed with superior ones and are sold as superior commodities. This is possible since there are no grades and there are no quality control measures. Also the manipulation of weights and measure is still prevalent in the unregulated markets in spite of the introduction of uniform system of weights. Arbitrary deductions in the name of sampling are common feature. Sale undercover is also another feature of the unregulated markets.

10. Growth of Urban Centers.

The growth of urban centers creates more marketing problems concerned with inadequate supply to meet the increase in size, the need to create new markets, storage and even parking problems for prospective buyers who own cars.

11. Communication Problem

One of the key elements of efficient agricultural marketing system is the availability of proper communication infrastructure. Rural areas are inadequately placed with reference to posts, telegraphs and telephone. The literacy rate being low among the farmers, it poses difficulty of the communication tasks.

12. Lack of Information about Production and Marketing.

Some marketing problems can be traced to lack of information about production. For instance sellers may not be able to identify sources of supply of commodities, while producers may curtail their production as a result of poor sales. Some broiler producers for instance keep their birds for longer periods because they cannot get people to buy them. On the other hand, sellers may not know that such broiler farm exists. Market information, however it is essential for producers, traders, consumers as well as the Government, if market mechanism has to work efficiently. The relevant market information deals with character and volume of supply

of commodities, the present and expected level of consumers' demand, current price quotations and future price trends for different farm products and their probable impacts on prices. Market information is of two types market intelligence and market news. Market intelligence indicates a record of past information in relation to prices, market rivals, etc. It essentially helps to make decisions in future based on the past information. Market news on the other hand, provides current information on prices, arrivals etc. But in reality the farmers more often than not, are in total dark as far as this information is concerned. The farmers do not know the information on the existing prices of the products in the important markets. By large, the farmers rely on the price information furnished by the traders. The price information provided generally is quite advantageous to the trader, rather than to the farmers.

13. Lack of Farmer's Organization.

The farmers are scattered over a wide area without any common organization. IN the absence of such organization, farmers do not get anybody to guide them and protect their interests. On the other hand, traders are and organized body. Thus, the marketing system, therefore constitutes unorganized farming community on one side and organized and powerful traders on the other side. Under such situations, farmers will be generally exploited and do not get remunerative prices for their produce.

14. Inadequate Research on Marketing

Until recently, all efforts have been geared towards producing more without thinking about how to market them. There is need to know about new technologies in food storage and preservation. There is also need for research on consumer demand and preferences, handling and packaging.

Self-Assessment Exercise:

- a. Enumerate any seven problems of agricultural marketing in Nigeria
- b. Suggests any four ways of ameliorating the problems identified above

3.2 Suggestions on the Improvement of Agricultural Marketing in Nigeria

Improving the marketing system of agricultural product would help the farmer to better his economy. The following are suggested measures that could reflect an improved agricultural marketing system.

1. Establishment of Regulated Markets.

A regulated market is one, which aims at the elimination of the unhealthy and unscrupulous practices, reducing marketing charges, providing facilities to producers. An example of such is the first regulated market (Karanjia Cotton Market) in India, which was established with a view to arranging supplies of pure cotton at reasonable prices to the textile mills in Manchester (United Kingdom) under Hyderabad Residency Order in 1886. The Nigerian government, to ensure that there is sustainability in the production of agricultural produce, could enact similar policies. Under the regulated market its management should be vested with market committees in which the members would be producers, traders, officials of the marketing society's official of agricultural and animal husbandry etc. The institutes should be self-financed, statutory and autonomous. Funds would be raised through licensing fees and market fees on the notified agricultural produce transacted in the premises of the market yard. The regulated market however has the following benefits:

- a. Farmers are encouraged to bring their produce directly to the markets.
- b. Farmers are protected from the exploitation of market functionaries
- c. Farmers are ensured better prices for their produce.
- d. Farmers have access to up-to-date marketing information
- e. The marketable surplus of the farmer will be increased
- f. Marketing costs are lower and producers share will be increased.

2. Standardization and Grading

Standard specifications and grading should be designed to be useful to as many producers, traders and consumers as possible i.e. 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. They should reflect commodity

characteristics that all types of buyers recognize. The grading should be simple, clear and easy to understand. The Nigerian government can enact policies that enforces the standardization of agricultural produce such that graded product would have a form of a logo or label mandatorily attached to it to signify that the produce meets all the standardization and grading requirement for packaging, sealing etc., and only traders who are willing to follow the regulation are given “Certificate of Authorization”.

3. Improvement in Handling and Packing.

This refers to the adoption of new techniques for the physical handling of commodities throughout the various phases of marketing for instance, the use of cold storage (mechanical refrigeration) in handling of perishables, new methods of packing etc. The most appropriate handling and suitable containers among the available ones are meant to use against dust, heat, rain, flies etc., to prevent considerable physical losses and quality deterioration.

4. Provision of Storage Facilities

Reduction of physical damage and quality deterioration in the products can be brought about through the application of the scientific techniques and provision of appropriate storage facilities depending on the nature and characteristics of products and the climatic conditions of an area. To this effect, a licensed warehouse is required. A licensed warehouse has the following benefits:

- a. Reduces the wastage in storage of various commodities by providing scientific storage facilities.
- b. Assists the government in orderly marketing of agricultural commodities by introducing standard, grade and specifications.
- c. Issues warehouse receipts, a negotiable instrument in which commercial banks advance finance to the producers and dealers.
- d. Assists government in the scheme of price support operations.

However, there would be procedures for storage, which are not too bureaucratic. The depositor intending to store the produce in the warehouse would have to present a written requisition in the application prescribed by the warehouse. The commodity meant for storage will be properly packed

and delivered at the warehouse. The depositor would have to disclose all details of the commodity including the market value in the application form. The commodity brought for storage will be graded and weighed by trained technical personnel before the commodity can be stored. Different storage charges would also apply for different commodities and the stocks offered for storage will be insured against possible risks of fire, theft and floods, strikes and civil commotion.

5. Improving Transport Facilities.

Link up and associated road development is *sinequonon* for the success of market structure. The availability of efficient transportation encourages the farmers to the market of their option to derive the price benefits. Rural roads particularly are in bad state during all seasons and more so during rainy season. Investment on roads should be given top priority. Also another problem is that perishables cannot be transported in closed wagons hence there is a need to provide necessary ventilation, which ever means they are to be transported.

6. Market Information

As such, we have newspapers, price bulletins, and reports of the government agencies etc., which provide market information. This information would be much more useful if an educational program is made available to analyze and interpret the information at the markets. The raw data no doubt provides valuable information but skillful interpretation makes it useful to the farmers.

4.0 Conclusion

Agricultural marketing in Nigeria is poised with so many problems. These problems range from the farmer, middlemen, and the marketer themselves. A large percentage of agricultural products get spoils for so many reasons. These could be of reasons such as inadequate access road, inadequate information, and attitude of middlemen, storage facilities and a host of others. However, there is so much room for improvement, interrelation, and networking among the three parties involved that is the producers, distributors, and marketers.

5.0 Summary

In this unit the student has learnt that:

- Agriculture marketing in Nigeria is poised with so many problems
- Marketers of agricultural products has not performed to expectation in Nigerian economy
- There is still much room for improvement on the marketing of agricultural products.

6.0 Tutor-Marked Assignment

Discuss the major problems confronting agricultural marketing in Nigeria

7.0 References/ Further Readings

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MODULE 3: THE CONTEXT OF STANDARDIZATION, STRATEGIES AND PRICING POLICIES OF AGRICULTURAL MARKING IN NIGERIA.

UNIT 14: STANDARDIZATION IN AGRICULTURAL MARKETING

TABLE OF CONTENTS

1.0 Introduction
2.0 Objectives
3.0 Main Content
3.1 What is Standardization
3.2 Product Variables
3.3 Importance of Standardization
3.4 Standardization Institutions
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Reading

1.0 Introduction.

The satisfaction and meeting of customer needs and expectations is key to successful marketing because research findings on market traits and potential should be used to determine the optimal degree of customization needed in products and product lines relative to incremental cost of the effort. In this unit we are going to discuss the meaning of standardization, the importance of standardization, lastly the bodies that implement standardization laws and regulations in the agricultural sector.

2.0 Objectives.

In this unit, you should be able to;

- Understand the meaning of standardization
- Know the importance of standardization for any marketer
- Identify the governing bodies that implement the rules and regulations of standardization.

3.0 Main Content.

3.1 What is Standardization?

This the process of formulating and applying rules for an orderly approach to a specific activity for the benefit and with the cooperation of all concerned, and in particular for the promotion of optimum overall economy, taking due account of functional conditions and safety requirements. In a nutshell Standardization is the process of establishing and applying standards. A multiplicity of Good Agricultural Practices (GAP) codes, standards and regulations have been developed in recent years by the food industry and producer's organizations but also governments and NGOs, aiming to codify agricultural practices at farm level for a range of commodities. Their purpose varies from fulfillment of trade and government regulatory requirements (in particular with regard to food safety and quality), to more specific requirements of specialty or niche markets. The objective of these GAP codes, standards and regulations include, to a varying degree:

- Ensuring safety and quality of produce in the food chain
- Capturing new market advantages by modifying supply chain governance
- Improving natural resources use, workers health and working conditions, and/or
- Creating new market opportunities for farmers and exporters in developing countries.

3.2 Product Variables:

The core of a firm's operations is a product or service. This product or service can be defined as the complex combination of tangible and intangible elements that distinguishes it from other entities in the marketplace. The firm's success depends on how good its product or service is and on how well the firm is able to differentiate the product from their competitor's products. Products can be differentiated by their composition, by their country of origin, by their tangible features such as quality, or by their augmented features such as warranty. The positioning of the product in the customer's mind will add perceived value.

3.3 Importance of Standardization.

Good Agricultural Practices are "practices that address environmental, economic and social sustainability for on-farm processes, and result in safe and quality food and non-food agricultural products". The following are reasons why standardization is important;

- Appropriate adoption and monitoring of GAP helps improve the safety and quality of food and other agricultural products.
- It may help reduce the risk of non-compliance with national and international regulations, standards and guidelines (in particular of the Codex Alimentarius Commission, World Organization for Animal Health (OIE)) and the International Plant Protection Convention IPPC regarding permitted pesticides, maximum levels of contaminants (including pesticides, veterinary drugs, radionuclide and mycotoxins) in food and non-food agricultural products, as well as other chemical, microbiological and physical contamination hazards.
- Adoption of GAP helps promotes sustainable agriculture and contributes to meeting national and international environment and social development objectives.

3.4 Standardization Institutions.

There are a number of institutions that govern the standardization aspect of agriculture. These are bodies are created to implement and monitor the rules, guides, regulations and codes of standardization in the agricultural sector in Nigeria. The institutions are both local and international. The international bodies set the basic standard in which all nations should follow, however, individual countries also develop their own standards in which any company operating in them must follow together with the international standards. The international standards can also serve as a benchmark for local standards.

The main international body that sets standards in the food and agricultural industry is the Food and Agricultural Organization of the United Nation (FAO). The main objectives of FAO is to help eliminate hunger, food insecurity and malnutrition; make agriculture, forestry and fisheries more productive and sustainable; reduce rural poverty; enable inclusive and efficient agricultural and food systems and increase the resilience of livelihoods to disasters. FAO uses results-based management. This is an approach that integrates strategy, people, resources, processes and measurement to improve decision-making while increasing transparency and accountability. The focus is on measuring performance against goals, learning from experience and adjusting to new conditions, reporting outcomes, and achieving objectives. In Nigeria the Standards

Organization of Nigeria (SON) implement, develop and monitor the standards, codes, regulations and laws. Established by Act No. 56 of 1971 and with three amendments in 1976, 1984 and 1990, SON as a corporate body have the sole responsibility for National Policy on Standards, Standards Specification, Quality Control and Metrology, Manufactured Industrial and imported products and services. The Standards Organization of Nigeria is an active member of the African Regional Organization for Standardization (ARSO), Codex Alimentarius Commission, which is the Food Standardization Organ of the United Nations Food and Agriculture Organization (FAO) and is also a member of the International Organization for Standardization (ISO). SON participates fully in the programs and activities of international bodies and appropriate UN agencies, in particular, UNIDO and UNICEF, in the interest of Nigeria.

Self-Assessment Assignment

What is the importance of Standardization Institutions?

4.0 Conclusion

Standardization as whole has a lot of benefits as it allows for a free and fair competitive environment. It is necessary for farmers or companies to be aware of the current standardization policies and schemes in order not to get into serious problems. The governing bodies should ensure that awareness of such policies are made readily available and implemented appropriately.

5.0 Summary

In this unit we discussed the definition of standardization and the importance of standardization. We also identified the objectives of standardization and most importantly the institutions that implement and govern these policies/initiatives both locally and internationally.

6.0 Tutor-Marked Assignment

Define Standardization and discuss its benefits.

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UNIT 15: PROBLEMS OF STANDARDIZATION

TABLE OF CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Main problems of Standardization

3.2 Possible solutions to the problems

4.0 Conclusion

5.0 Summary

6.0 Tutor-marked Assignment

7.0 References/Further Reading

1.0 Introduction

In the previous unit we discussed the meaning of standardization, its importance/benefits, product variables and the institutions that implement and monitor these standards. We however, did not discuss the problems of standardization. In this unit the problems of standardization will be discussed and we will identify the possible solutions to these problems.

2.0 Objectives.

In this unit, you should be able to;

- Understand the problems surrounding standardization
- Discuss the measures being taken by the institutions to solve these problems

3.0 Main Content.

3.1 Problems of Standardization.

The implementation of standardization has been plagued with inadequacies and has now resulted in the changing or better still adulteration of goods and services. Lack of proper implementation of standardization has created an opportunity for members of the distribution channel to adulterate the products to their own advantage. This poses a problem in assigning prices to the products in terms of quality specifications. The following are more problems surrounding the implementation and practice of standardization;

- a) Standardization can sometimes increase production costs. This has to do with the actual implementation, record keeping and certification process. In this respect, the lack of coordination

between existing standardization related schemes and availability of affordable certification systems has often led to increased confusion and certification costs for farmers and exporter.

- b) It can be used to serve competing interests of specific stakeholders in the agricultural supply chains by modifying supplier-buyer relations.
- c) There is a high probability/risk that small time farmers will not be able to seize export market opportunities unless they are adequately informed, technically prepared and organized to meet this new challenge with governments and public agencies playing a facilitating role.
- d) Compliance with the laws does not necessarily mean that farmers or companies might enjoy all the benefits, which are claimed.
- e) Raising awareness of standardization policies is needed of 'win-win' practices, which lead to improvements in terms of yield and production efficiencies as well as environment and health and safety of workers.
- f) There is a total lack and, in some cases, weaknesses in the regulatory institutions for agricultural marketing put farmers at a disadvantage based on their individual profitability calculations. Institutions to regulate the actions of middlemen are lacking which creates inefficiencies in the market such that those who invest in the production of commodities earn less return than middlemen who derive benefits without adding value.

3.2 Possible Solutions to problems.

- a) Standardization should be encouraged amongst small-scale farmers.
- b) In order for coordination to exist between standardization related schemes and certification systems, the government should have an organization that will be in charge of both standardization policies and the certification systems. However, it should be divided into two, in that it on section should cater to small-scale farmers and the other section should cater to large-scale organizations/farmers. The reason being that small-scale farmers would have access to affordable certification systems and participate in standardization initiatives.
- c) Affordable certification systems should be established, that is where the division of the organization (refer to b) comes into play.
- d) The coordination between standardization and certification systems can help in the reduction of production costs.
- e) The Federal Ministry of Agriculture and Rural Development should monitor organizations in charge of implementing these policies closely. A representation from the ministry must be on the board of all

organizations. Although it is possible that is already in place, the ministry should request for monthly reports

4.0 Conclusion

According to Cargill (2011), Standardization is a poorly understood discipline in practice. Though there are excellent studies of standardization as an economic or technical fact, or as a policy initiative, most of these are ex post facto and written from a dispassionate academic view. The problems with the implementation and practice of the policies/initiatives must be addressed. There have been a number of issues that have been raised in the practice of standardization. The government and most especially the Federal Ministry of Agriculture and Rural development need to be on top of these issues, if not there will never be fair competition in agriculture. Also, the middlemen will never respect the pricing policies set by the government as a result the customers will suffer and even the farmers themselves.

5.0 Summary

In this unit we discussed the problems surrounding standardization. The main issue was that there was an increase in production costs, which was caused by the lack of coordination between standardization schemes and the availability of affordable certification systems. A sole organization was recommended to be in charge of these two areas. However within the organization a clear division should be established, with one area in charge of small-scale farmers and the other in charge of larger organizations. This will bring about the ease of shared information among stakeholders. Also awareness of activities will be passed those small-scale farmers that find standardization participation difficult.

6.0 Tutor-Marked Assignment

Discuss the problems surrounding standardization and also suggest possible solutions to these problems.

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UNIT 16: PLANNING IN AGRICULTURAL MARKETING

TABLE OF CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 What is Planning?
 - 3.2 Business Overview
 - 3.3 Mission, Objectives and Goals
 - 3.4 Products and Services
 - 3.5 External and Internal Analysis
 - 3.6 Marketing Strategy
 - 3.7 Operations Plan
 - 3.8 Financial Plan
 - 3.9 Implementation and Control
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 Introduction

A business plan is basically a road map for any business, as it describes the key functional areas of the business including operations, finance, management and marketing. Agricultural producers have largely ignored business plans in the past. As margins continue to tighten, agricultural producers will have to start planning their business in order to survive. It will inevitably become a standard component of their operation. In this unit we are going to discuss business planning in agriculture, its importance and purpose, details of the plan itself.

2.0 Objectives.

In this unit, you should be able to;

- Understand the meaning, importance and purpose of a business plan.
- Identify the different components of a business/marketing plan
- To understand how a business plan can guide the management of a company in the right direction

3.0 What is Planning?

According to Hofstrand (2007), Planning involves the development of long-term strategies to increase the profitability and competitiveness of a business, in this situation a farm business. It may involve the diversification of products or services for farmer such as organic production, on-farm processing, direct marketing of products to consumers, or more efficient production of commodities.

The purpose of the planning process is to help guide the farmers in directing the business decisions to meet the specified objectives and goals. Using the strengths of your business to take advantage of the opportunities in the industry, you can achieve your goals and objectives.

Any organization that wants to develop their business plan have to understand and implement the following components or plans:

- Business Description
- Mission, Objectives and Goals
- Products and Services
- External and Internal Analysis
- Marketing Strategy
- Operational Plan
- Financial plan
- Monitoring and control

3.2 Business Overview/Description.

The first part of the planning process is an overview of the operation. It describes the history of the business, location, products produced and services provided, family members involved and their responsibilities, organizational structure of the business, resource needs and availability and a summary of the business's strengths, weaknesses, opportunities and threats.

3.3 Mission, Objectives and Goals

The plan must define why the business exists and where the owners want's it to be in the future. Its mission statement defines the existence of the business. It is a broad statement that expresses the business's purpose. A mission statement is the foundation to determining the objectives and goals of a business. These goals and objectives must relate to every aspect of the business like production, marketing, expansion, profits and so on. The objective defines what the operation will look like in the future, while goals are targets to be met in order to achieve the objective and ultimately fulfill the mission statement. One concept used by businesses to set goals is called SMART goals. It means that goals must be specific, measurable, attainable, rewarding and there should be a time frame specified for reaching each goal.

3.4 Products and Services.

Expand upon the products and services that are being produced or provided. This will include the features and benefits, competitive advantages and how and where your products will be produced or even being produced. Furthermore, depending on the detail of the plan, three-year projections of production should be included. In the case of farms, the plan should include the estimated acreage for each crop, each year and an estimated yield for each crop. Estimated production levels can then be combined with estimated prices to generate some of the need figures for the financial component. Livestock operations will have several more variables that need to be included. The livestock production plan must clearly identify all related production information, including the size of the herd, cull rates, weaning rates, weaning weights, rates of gain, purchase price, sales prices, etc. If there is a replacement herd involved, such as with a cowherd or swine farrowing enterprise, the production assumptions for the replacement herd need to be spelled out separately from the breeding herd.

3.5 External and Internal Analysis.

An analysis is the process of assessing in detail what is going on in your environment. The external analysis involves examining the environment that the farmer has no control over. External Analysis should focus on the following areas:

- **Industry:** identify the trends and changes in each of the industries that you are competing in. This may include the grains industry, beef or chicken industry and so on. For value-added farm operation, you may examine market segments or niches of these industries like organic pork or organic vegetables.
- **Economy:** understand and identify the changes in the economy such as interest rates, inflation, consumer preferences and so on.

- **Socio-cultural:** an understanding into the cultures of different people, the demographic distributions and so on.
- **Technology:** This is very important because farmers have to know what is the latest technology that will increase the rate of production.
- **Political:** Identify the current the laws and regulations of the government both locally and internationally. Farmers/business owners must know the policies governing their operations.
- **Environment/Nature:** this is one of the most important factors and farmers have to take this very seriously, as the environment determine if the farmers can actually plant and harvest their crops. Farmers must understand the climate and the fertility of the soil in their country of operation.

The Internal analysis involves looking inside of your farm business and identifying its strengths and weaknesses, and what opportunities can be taken advantage of and the threats that should be identified. The strengths of a business are those things that give you a competitive advantage, in order words those things that make you better than your competitors. Weaknesses are where you are vulnerable to competitors. The opportunities are those circumstances that become available which will be of benefit to the company and is taken. Threats are those things that have the potential of harming the business. This should be reduced and identified.

3.6 Marketing Strategy.

Here you describe your target market segments, your competition, how you'll differentiate your products or services, and your products' or services' unique selling proposition (USP).

- Discuss product or service pricing and promotion, including how your promotional programs will appeal to each of your target market segments.
- Provide a plan of traditional and guerrilla marketing tactics, such as tradeshow, press-magnet events, social media marketing (e.g. Facebook, Twitter, etc.), networking, and print, media, or online advertising. Include the cost associated with each tactic.
- Describe how your products or services will be sold (e.g. storefront, online, wholesalers), and your target markets' buying cycle.

Self-Assessment Exercise

What is the most appropriate marketing strategy for a farmer?

3.7 Operation Plan.

This aspect means that you have to provide a profile of your management team, your human resources plan, your business location(s) and facilities, your production plan (if selling a product), and an overview of day-to-day operations.

3.8 Financial Plan

The primary purpose of the financial plan is to illustrate whether or not the business is feasible. It usually includes three years of projected financial statement including:

- Income Statement
- Cash flow Statement
- Balance Sheet

This information should be closely tied to the production plan figures. For an existing business, including the actual financial statements for the past two years helps put the projected financial statements into perspective with how the business has performed in the past. Information such as the amount and timing of money that will be borrowed, specific use of funds, length of the loans and interest rates, financial risks and strategies to minimize these risks must be included in the plan.

3.9. Implementation and Control.

After the strategy has been selected, an action plan needs to be developed of how the strategy will be implemented. Furthermore, a method of evaluation and control needs to be created to monitor the business and the progress of the plan in achieving the business goals.

4.0 Conclusion.

Planning may seem like a lot of work to do at the beginning but a well-prepared plan can save you time and money in the long run and will help in securing major contracts or funding. Most importantly, a business plan incorporating a feasibility study will help you determine whether your idea is commercially viable and any issues you need to address or plan for along the way.

5.0 Summary

At the end of this unit, students should be able to understand a business plan or planning in agricultural marketing. The purpose and importance of planning was discussed. Also the components were explained in detail, to give a broader understanding of the plan itself. The plan is basically a guide for success for any company, if developed and implemented properly.

6.0 Tutor-Marked Assignment

Discuss the components of the Planning process?

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UNIT 17: PRICING POLICIES AND STRATEGIES IN NIGERIA

TABLE OF CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content: Pricing Policy and Strategy
 - 3.1 What is Price
 - 3.2 Pricing Objectives
 - 3.3 Pricing Policies
 - 3.4 Legality of Pricing Policies
 - 3.5 Pricing Strategy
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 Introduction

There is a persistent instability in consumer prices for most agricultural commodities in Nigeria. This is occasioned by factors such as season, input price changes, production and marketing technologies and consumer taste. The market price variations often affect the level of consumer demand and food security status of the households.

Price is one of the four major strategy decision variables that a marketing manager controls. The pricing decisions affect both the number of sales a firm makes and how much money it earns. With the guidance of the company's objectives, marketing managers would be able to develop specific pricing objectives. These objectives will further drive decisions about key pricing policies.

Therefore, in this unit, we are going to discuss the various pricing policies and strategies of agricultural marketing in Nigeria. We will also look into the pricing objectives and how they guide strategy planning for pricing decisions. Furthermore, we will discuss of value pricing concept and the legality of price level and price flexibility policies.

2.0 Objectives.

In this unit, you should be able to:

- Understand how pricing objectives should guide strategy planning for pricing decisions
- Discuss the pricing policies in the agricultural sector in Nigeria
- Understand the legality of price level and price flexibility policies.

3.0 Main Content

3.1 What is Price?

Price is a value that will purchase a finite quantity, weight or other measure of a good or service. In commerce, the price of a good or service is determined by:

- a. What a buyer is willing to pay
- b. What a seller is willing to accept
- c. What the competition is allowing to be charged

Many executives believe that developing a pricing capability is essential to business survival, and rank pricing as second only to the product variable in importance among concerns to marketing managers. Basically in order to maintain profitability, consumer packaged goods companies need to develop a strategic pricing capability. Developing this capability starts by designing a pricing architecture or objective that aligns with the brand's identity with rules about how to price and sell it. Since we are discussing about agriculture it is important to note that setting a price with the consideration of the company's brand may not be feasible. Agricultural prices have more complex factors that affect them and cannot be set that easily. Pricing objectives basically assist a marketing manager to set the final price for a product.

3.2 Pricing Objectives.

Pricing objectives should flow from, and fit in with, company-level and marketing objectives. They should also be explicitly stated because they have a direct effect on pricing policies as well as methods used to set prices. There are four types of pricing objectives. They are:

a. **Profit-oriented objectives:**

A *target returns* objective sets a specific level of profit as an objective. Sometimes this amount is stated as a percentage of sales or of capital investment. This type of objective also

has an administrative advantage in a large company in that performance can be compared against the target.

In some companies the managers' just aim for satisfactory profits, whereby the returns aid the survival of the firm and thus convincing the stockholders that the firm is doing well.

Another profit-oriented objective is the profit maximization objective whereby the firm seeks to get as much profit as possible. Pricing to achieve profit maximization does not always lead to high prices. The low prices on the other hand may expand the size of the market and result in greater sales and profits.

b. Sales-oriented objective:

This type of objective seeks some level of unit sales, naira sales or share of market. Managers that use this kind of objective are more interested in sales growth than profits. They believe that sales growth always leads to more profits. However, it should be noted that this kind of objective makes sense in the short term.

A lot of firms seek to gain a specified market share. A company that has a large market share will certainly have better economies of scale than its competitors. Furthermore, it is easier to measure a firm's market share than to determine if profits are being maximized.

c. Status Quo pricing objective:

Another kind of objective is the status quo objective, whereby managers who are satisfied with their current market share and profits may say that they want to stabilize prices or meet competition, or even avoid it as a whole. It is basically a 'don't-rock-the-pricing-boat' objective.

3.3 Pricing Policies.

The pricing policy is the policy by which a company determines the wholesale and retail prices for its products or services. Price policies usually lead to controlled prices, whereby instead of allowing external factors decide their prices, companies set their prices. If a firm does not want to sell directly to final customers, it usually wants to administer both the price it receives from intermediaries and the price final customer pays. However, it is very difficult to administer

prices throughout the channel. Other channel members may wish to administer their own prices to achieve their objectives.

Over the past decade, various policy frameworks of government have influenced the agricultural sector in Nigeria. This in turn has had a massive effect on food security status of the entire nation, the lives of the farmers and those of household members. Variations in agricultural commodity prices have negatively affected the level of consumer demand and derivable level of satisfaction in households in Nigeria. Olukosi and Isitor (1990) observed that speculative activities of the middlemen, discrepancies between planned output and realized output and seasonality in production and marketing and changes in demand and supply were major cause of price fluctuations in agricultural pricing.

Therefor, in an attempt to mitigate the effects of price fluctuations on the level of consumer demand and household food security, the government had put in place some policy control policies. These are:

- Minimum Price Control (Price floor): This is usually fixed above the market prices with the objective of helping the farmers get a god price for their produce in the face of low demand.
- Maximum Price control (Price Ceiling): this aim of this policy is basically to increase consumers' purchasing power. It is usually done when the government feels that the prices of commodities are too high probably above the reach of the average consumer.

At one point or the other, successive governments in Nigeria have attempted to fix prices of commodities with very little success. Most times a maximum price is fixed below the market price.

As part of the efforts towards ensuring that price control was achieved for the agricultural commodities, government often came up regulations specifying the types of measures to be used in the retailing of grains such as maize, soybeans, millet, sorghum and rice (Gilbert, 1988). This exercise became necessary because the unit of measure was generally not standard. For example, in the southern parts of the country, food grains are sold in basins, tins or bags, whereas, in the northern parts grains are sold in *mudu*, *tiya*, or bags¹. Even when bags are used in all the markets the sizes vary from one market to another and from one seller to another. In many markets in the southern parts, especially in the south west, cases of beating “outer parts of *kongo*”, “spreading/lining candle inside of *kongo*”, “trimming of *kongo* upper edges”, “dropping of *kongo* inside hot water”, are some

of the common sharp practices being adopted by the sellers to cheat the unsuspecting buyers of food grains (Adekanye, 1988; Hays, 1976). In the northern parts, where metal bowls called *mudu* and *tiya* are used the actual capacities of these units of measure usually vary from one seller to another. Hence, some local government councils introduced standard '*kongo*' (in the southern parts) and *mudu* and *tiya* measures (in the northern parts), which all traders must use. In the same vein, it will be recalled that rising food prices in 1966 led to the formation of price committees at the local, provincial and regional levels of government in northern Nigeria. The regional committee under the chairmanship of the Emir of Katsina held several meetings with the market stakeholders all in an attempt to moderate market prices.

3.4 Legality of Pricing Policies.

From the discussion in section 3.3 Pricing policies, it can be culled that the Nigerian government has an impact on the pricing policies of the agricultural sector. Some pricing decisions are limited by the government legislation. This is very true in the case of the agricultural sector. To support the macroeconomic and microeconomic policies of Government, a number of institutions were created. The major ones were the institutions created for credit supply to farmers, technology transfer, improved seed supply, agricultural research, agricultural mechanization, and agricultural commodity marketing and pricing. These institutions were seen as a form of controlling the sector and also implementing the policies.

3.5 Pricing Strategy.

A pricing strategy takes into account segments, ability to pay, market conditions, competitor actions, trade margins and input costs, amongst others. It is targeted at the defined customers and against competitors. There are several pricing strategies:

a. Premium pricing: high price is used as a defining criterion. Such pricing strategies work in segments and industries where a strong competitive advantage exists for the company.

b. Penetration pricing: price is set artificially low to gain market share quickly. This is done when a new product is being launched. It is understood that prices will be raised once the promotion period is over and market share objectives are achieved.

c. **Economy pricing:** no-frills price. Margins are wafer thin; overheads like marketing and advertising costs are very low. Targets the mass market and high market share.

d. **Skimming strategy:** high price is charged for a product till such time as competitors allow after which prices can be dropped. The idea is to recover maximum money before the product or segment attracts more competitors who will lower profits for all concerned.

Self-Assessment Exercise

Discuss a pricing strategy that you believe will be applicably in the agricultural sector.

4.0 Conclusion

The Price variable offers an alert marketing manager many possibilities for varying marketing mixes. This unit began by discussing how a firm's pricing objectives may be oriented toward profit, sales, or maintain the status quo. Clear pricing objectives help in making decisions about the firms' important pricing policies. Pricing comes under greater scrutiny from the law than some other marketing mix variables. So it is important to understand key legal constraints that influence pricing decisions.

5.0 Summary

In this unit, we discussed the meaning of prices, its objectives, policies, legality and pricing strategy.

6.0 Tutor-Marked Assignment

Define Pricing and discuss the various pricing policies?

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UNIT 18: PROMOTIONAL POLICIES AND STRATEGIES

TABLE OF CONTENT

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 What is Promotion
 - 3.2 Promotional Methods
 - 3.3 Promotional Objectives
 - 3.4 Promotional Policies
 - 3.5 Promotional Strategy
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

1.0 Introduction

Modern marketing calls for more than developing a good product, pricing it attractively and making it accessible. Companies must also communicate with present and potential stakeholders, and the general public. Nowadays the problem is not whether or not to communicate with the customers, is what to say, how to say it, to whom and how often. However, communication is getting harder and harder as more companies struggle to grab the attention of the customers. Marketers now use new forms of communication in order to reach their target audience. In this unit, we are going to discuss what promotion is, the different promotional methods used in the agricultural sector, the promotional policies and strategies.

2.0 Objectives.

In this unit, you should be able to;

- Discussing Promotion in great detail.
- Understanding the different promotional methods used by marketers.
- Understanding the promotional policies and strategies used by marketers in the agricultural sector.

3.0 Main Content

3.1 What is Promotion?

Promotion is communicating information between the seller and potential buyer or others members in the channel to influence attitude and behavior. The promotion part of the marketing mix involves telling target customers that the right *product* is available at the right *place* at the right *price*.

3.2 Promotion Methods:

Marketing managers can choose from several basic types of promotion:

a. Personal Selling: This involves direct spoken communication between sellers and potential buyers. Salespeople often get immediate feedback. However, personal selling can be quite expensive, as such most companies combine some personal selling with mass selling and sales promotion. The most common form of personal selling is Direct Marketing.

b. Mass Selling/Advertising: Mass selling is communicating with large numbers of potential customers at the same time. It's less flexible than personal selling, but when the target market is large and scattered, it can be less expensive.

Advertising is any paid form of non-personal presentation of ideas, goods or services by an identified sponsor. It includes the use of traditional media like magazines, newspapers, radio and TV, signs and direct mass well as the Internet.

c. Publicity: This is any unpaid form of non-personal presentation of ideas, goods or services. It should be noted that the publicity representatives are paid. Some publicity involves getting favorable coverage in newspaper stories, magazines or television.

d. Sales Promotion: this refers to promotion activities, other than advertising, publicity and personal selling, which stimulate interest, trial or purchase by final customers or others in the channel. This form of promotion may be aimed at consumers, intermediaries or at the firm's own employees.

Self-Assessment Exercise

Choose two promotion methods and discuss their importance to a farmer.

3.3 Promotion Objectives.

Promotion Objectives or as it is better known as Integrated Marketing Communications objectives should be based on a thorough situation analysis that identifies the marketing and promotional issues facing the company or brand. Promotional objectives evolve from the company's overall marketing plan and are rooted in the marketing objectives. Advertising and promotion objectives are not the same as marketing objectives.

Promotion objectives are basically statements of what various aspects of the Integrated Marketing Communication Program will accomplish. They should be based on the particular communications tasks required to deliver the appropriate messages to the target audience. There are two perspectives of promotion objectives that managers utilize:

- a. **Sales-Oriented Objective:** The most important aspect of a promotional program to a manager is Sales. They believe that the basic reason that a firm spends money on advertising and promotion is to sell products or services. Rational managers generally compare investment options on a common financial basis, such as Return on Investment (ROI). A major objective of most sales promotion programs is to generate short-term increase in sales. Sales-oriented objectives are used when advertising plays a dominant role in a firm's marketing program and other factors are relatively stable. The problem with this kind of objective is that consumers can be aware of and interested in the brand, but there is a chance that they may not buy it, especially if its not readily available or is priced higher than a competing brand. Another issue is that the effects of advertising often occur over an extended period. ROI may not be immediate.
- b. **Communication Objective:** Some marketers have recognized the problems associated with sales-oriented objectives, which has led them to discover that the primary role of a promotion campaign is to communicate and that planning should be based on communications objectives. Advertising and other promotional tools are designed to achieve such communications as brand knowledge and interest, favorable attitudes and image and purchase intentions.

3.4 Promotion Policies.

Promotion Policies are all areas and aspects involved with promoting a company or product. It is sometimes equated with advertising. However, advertising is only one part of a promotional policy. Other important aspects of a promotional policy may include public relations, consumer promotions and any other area, which

increases awareness and spreads the word about the item.

i. Investment promotion policies

The Government of Nigeria has introduced several incentives geared towards encouraging investment in the agricultural sector, including zero duty on agricultural machinery; unrestricted capital allowance for agribusinesses, and up to 50 per cent tariff reduction for agro-related plants and equipment; guarantees of up to 75 per cent of all loans granted by commercial banks for agricultural production under the Agricultural Credit Guarantee Scheme Fund (ACGSF); 60 per cent repayment of interest by the Interest Drawback Program Fund paid by those who borrow from banks under the ACGS for the purpose of cassava production and processing, provided such borrowers repay their loan on time; and pioneer status incentives (100 per cent tax exemption – i.e. a tax holiday – for a period of five years) for the agro-processing industry (Mhlanga, 2010).

3.5 Promotion Strategy

A promotional strategy is necessary to motivate the channel members. There are two kinds of promotional strategy: ***The Push and Pull Strategy***. Programs designed to persuade the trade to stock, merchandise and promote a company's products are part of the **Promotional Push Strategy**. The goal of this strategy is to push the product through the channels of distribution by aggressively selling and promoting the item to the retailers/wholesalers or trade. Promotion to the trade includes all the elements of the promotional mix. *Trade advertising* is commonly used in this type of promotional strategy, in order to interest wholesalers and retailers and to motivate them to purchase its products for resale to their customers. This kind of advertising normally appears in publications that serve the particular industry.

Sometimes manufacturers may face resistance from channel members who do not want to take additional products. In these situations companies may turn to **Promotional Pull Strategy**, spending money on advertising and sales promotion efforts directed toward the ultimate consumer. The aim is to create demand among consumers and encourage them to request the product from the retailer.

Whether to emphasize on a push or pull strategy depends on a number of factors, including the company's relations with the trade, the promotional budget, and demand for the firm's products.

These strategies are both being used by farmers, however since most farmers are small-scale and may not have a large distribution channel they often use the **Pull Promotional Strategy**.

4.0 Conclusion

The establishment of effective communication channels between sellers and buyers is a prerequisite of success in agricultural marketing. Marketing communications serve to both inform and persuade. More specifically, through the promotional mix advertising, sales promotion, personal selling and public relations organisations can provide information to other market participants, stimulate demand, differentiate products and services, underline a product's value and regulate sales.

5.0 Summary

Promotion plays an important role in an organization's efforts to market its products, services or ideas to customers. It is important for companies or farmers to know what kind of promotional strategy works for them.

6.0 Tutor-Marked Assignment

Define Promotion and explain the various objectives and strategies?

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UNIT 19: EFFICIENT AND EFFECTIVE AGRICULTURAL MARKETING.

TABLE OF CONTENTS

1.0 Introduction
2.0 Objectives
3.0 Main content
3.1 Assessing the performance of a marketing system
3.2 Market Efficiency and Effectiveness
3.3 Operational efficiency
3.4 Pricing Efficiency
3.5 Identifying marketing costs and margins
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Reading

1.0 Introduction

By performing certain functions and services, various marketing organizations and agencies make it possible for commodities, produce and products to move from producers to consumers. However, these functions incur costs, often of considerable magnitude. Discussions on margins and costs usually include the topic of marketing efficiency. An efficient marketing system is one capable of moving goods from producer to consumer at the lowest cost consistent with the provision of the services that customers demand. Once the costs in marketing have been acknowledged, then plans can be devised to make the system more efficient.

In this unit, we are going to discuss efficiency and effectiveness in agricultural marketing, basically market efficiency.

2.0 Objectives.

In this unit, you should be able to:

- Understand what the term marketing efficiency means.
- Distinguish between marketing efficiency and marketing effectiveness
- Identify the factors which influence the level of efficiency and level of effectiveness of a marketing system

3.0 Main Content.

3.1 Assessing the performance of a marketing system.

It might be thought that the performance of a marketing system could be evaluated in terms of how well the agricultural and food marketing system performs what society and the market participants expect of it. However, it soon becomes apparent that marketing systems have multiple and often conflicting goals. Compromises and trade-offs will be necessary if the various participants in the marketing system are to be satisfied. For example, consider the perspectives of just three parties involved in agricultural marketing systems consumers, farmers, society and government. Consumers are likely to evaluate a marketing system in terms of its performance in avoiding high and fluctuating prices, shortages in supply and consistency in delivering products or produce of acceptable quality. Farmers' concerns could be rather different. Their criteria might include the capacity of intermediaries to exert undue influence on prices, the extent of competition in the sectors supplying farm inputs and accessibility of marketing infrastructure at reasonable cost (e.g. suitable storage and transportation). Society is likely to give consideration to the marketing system's contribution to employment, its impact on the environment and the ethical standards to which it is perceived to adhere. Government's perceptions of a marketing system will also be coloured by its impact on employment. In addition, government will probably take into account the sector's contribution to investment, economic growth and the national treasury through its taxable income. In the case of staple foods, governments will also be greatly interested in a marketing system's ability to avert protests from the electorate against unaffordable food prices. Given these different perspectives there are several contrasting measures, which are commonly used in assessing the performance of a marketing system. These are:

- The farmer's/grower's share of the retail price paid by the end user or consumer
- The gross marketing margin or farm-retail price spread, and
- The proportion of a consumer's income, which must be spent on food.

Whatever the perspective from which a marketing system's performance is evaluated, the terms most commonly used are efficiency and effectiveness. These are not one and the same thing.

3.2 Marketing Efficiency and Effectiveness.

A marketing system can be effective without being efficient. An example of such a system is that created by Indonesia's parastatal Bulog. Indonesia is a country comprised of thousands of islands (not all of which are inhabited). Bulog was charged with the onerous responsibility of physically distributing rice and ensuring that everyone was supplied with their basic food requirement. (hence, the name Bureau of Logistics, Bulog). Before Indonesia became capable of self-sufficiency in the staple food, the sole criterion of Bulog's success or failure

was of its effectiveness in delivering rice to where it was needed. The costs in doing so were a secondary consideration as long as Bulog could keep its costs within whatever budget could be made available to it.

Increased efficiency is in the best interests of farmers, traders, processors, wholesalers, retailers, consumers and society as a whole. The efficiency of a marketing system is measured in terms of the level and/or costs to the system of the inputs, to achieve a given level and/or quality of output. Such inputs are generally in the form of land, finance, time, manpower and materials. Typical outputs include the movement of a given amount of product to markets at specific distances, the supply of a particular level of service to target market segments and the supply of products at a target price. Hence resources are the costs and utilities are the benefits that comprise the marketing efficiency ratio. Efficient marketing optimizes the ratio between inputs and outputs.

3.3 Operational Efficiency

Improved operational efficiency is evident where marketing costs are reduced but outputs are either maintained or actually increase. Examples of operational efficiency gains would be the introduction of a less expensive method of storing grain or an innovative milk package that reduces energy costs when the product sits in retailers' refrigerators. Technological innovations are not the only avenue leading to higher levels of operational efficiency. An organisation that improves its raw material procurement practices, by say centralizing purchases, buying in larger quantities or taking advantage of unit freight rates, is likely to increase operating efficiency. In the same way, an organization that rearranges sales territories and distributes fewer but larger loads to each delivery point can improve its levels of operational efficiency. Physical losses as commodities, produce or products move through the channels of distribution are another aspect of operational efficiency. The higher the losses, the lower the level of operational efficiency.

3.4 Pricing Efficiency.

Pricing efficiency is a second form of marketing efficiency and is based on the assumption that competitive markets are efficient. It is concerned with the ability of the marketing system to allocate resources and coordinate the entire agricultural/food production and marketing process in accordance with consumer directives. The evidence of pricing efficiency is efficient resource allocation and maximum economic output. Possibly the best measure of the satisfaction-output of the marketing system is the price that customers will pay in the marketplace for the produce, commodity or product in question. If consumers are willing to pay three cents more per orange for orange juice than for fresh oranges, it can be inferred that the process of juicing adds three cents of form utility to fresh oranges. The pricing mechanism directly affects production, in this instance, by indicating that a certain amount of the available oranges should be processed rather than sold as fruit.

Kriesberg says that the usefulness of pricing efficiency measures in evaluating any marketing system depends upon four conditions:

- Customers have alternatives from which to choose in the marketplace. In other words, the measure has little relevance to situations where there is an effective monopoly.
- The prices of alternatives adequately reflect the costs of providing them. That is, there are no subsidies hidden or otherwise for competitive products.
- Organisations must be free to enter or leave the market.
- There must be competition between those in the marketplace. For example, cartel-like behavior should not be in evidence.

Theory suggests that if markets are operating efficiently then prices of a given product will be related over space and time, and between forms. Prices should only differ between geographic areas of a country by transportation costs from one point to another. Similarly, the price of storable products at one point in time should not exceed the price in a previous period in time by more than the cost of storage. And, again, the price of a processed product should not exceed the price of the unprocessed equivalent by more than the cost of processing.

Advocates of the pricing efficiency concept believe that prices which do not reflect the costs of marketing services are clues to functional deficiencies, chief among them being monopolistic power. Competition plays an important role in determining pricing efficiency. Market oriented organisations compete for custom by lowering marketing costs, increasing operational efficiency wherever possible, and at the same time adding more utility to the products in order to gain more market share.

Frequently there are conflicts between the different varieties of efficiency. For example, a new technological development may improve a firm's operational efficiency and permit it to grow very large. However, this growth may reduce the number of firms and thereby affect structure and competition in the industry, and in turn perhaps lower price efficiency.

3.5 Marketing costs and margins

Marketing costs are incurred when commodities move from the farm to the final market, whether farmers, intermediaries, cooperatives, marketing boards, wholesalers, retailers or exporters move them. With increased

urbanization and industrialization, marketing costs tend to increase relatively to the farm gate price received by the farmer, i.e. the product moves greater distances, through more intermediaries and is more sophisticated in its packaging. Marketing costs can also reflect the state of a country's development in that as standards of living increase, smaller proportions of income are expended on raw products of the farm and greater proportions are spent on additional and improved marketing services. Increasing the value added means, among other things, that more people in developed countries are involved in marketing agricultural products than in producing them.

Marketing costs include labor, transport, packaging, containers, rent, utilities (water and energy), advertising, selling expenses, depreciation allowances and interest charges. Marketing costs vary from commodity to commodity and product to product. There are several factors that individually or collectively account for these differences. These include:

- The more waste the greater the proportion of customers' expenditure which goes on marketing costs
- The more perishable the product the greater the marketing costs
- The more processing of the commodity the greater the marketing costs
- The greater the amount of produce handling and transportation the greater the marketing costs.

4.0 Conclusion.

Marketing systems can be effective without being efficient. Effectiveness relates to the achievement of goals without consideration of the cost. Marketing efficiency is the ratio of inputs to outputs. Typical inputs are land, labor, capital and raw materials whilst common outputs are service levels, specific volumes of products delivered to the customer and the provision of a given level of satisfaction. Marketing efficiency is principally comprised of operational efficiency and pricing efficiency. Operational efficiency is increased when marketing costs are reduced whilst outputs are either maintained or expanded. Pricing efficiency is concerned with the efficient allocation of resources by a marketing system. The concept of pricing efficiency is only relevant to competitive markets. The price mechanism directs resources to where there is effective demand and where maximum economic returns can be earned from those resources.

5.0 Summary.

In this unit we discussed the meaning of market efficiency and effectiveness. We discussed the meaning and were able to distinguish between the two of them. An assessment of the performance of marketing system was discussed, and so was operational efficiency and price efficiency. Lastly we identified the

different marketing costs and margins.

6.0 Tutor-Marked Assignment

Explain the difference between market efficiency and market effectiveness?

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UNIT 20: INTERNATIONAL MARKETING

TABLE OF CONTENT

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 What is International Marketing

3.2 Macro Economic Environment

3.3 Exports and Import Commodities

3.4 Trade Policy and Institutions

4.0 Conclusion

5.0 Summary

6.0 Tutor-marked Assignment

7.0 References/Further Reading

1.0 Introduction

Financial turmoil and market uncertainty set new directions for business and people around the world. There maybe many new goals and expectations, but there also will be competing values when it comes to their implementation. It is crucial to reconcile the apparent conflict between responsible economic behavior of citizens and the responsible government leadership of an economy. More government emphasis also means less reliance on market forces. However, if one does not use market signals, there needs to be the development of leading indicators to help guide decision-making. Policy priorities may be new, and economic emphasis may shift, but market forces will remain important. A clear and solid understanding of the global market is necessary for any organization that wants to go market internationally. Since Nigeria basically exports and imports agricultural commodities, it is necessary for you (students) to have an understanding of the global market.

In this unit, we are going to discuss what international marketing is and its impact on the agricultural sector in Nigeria, the external factors that affect the exportation and importation of agricultural commodities, and the trade policies and institutions that monitor them.

2.0 Objectives

In this unit, you should be able to:

- Understand the definition of International Marketing
- Discuss the external factors that affect marketing internationally.
- Identify and discuss the commodities that being exported and imported into Nigeria
- Know the trade policies and institutions that implement and monitor them.

3.0 Main Content

3.1 What is International Marketing

International Marketing consists of the activity, institutions and processes across national borders that create, communicate, deliver and exchange offerings that have value for stakeholders and society. It has forms ranging from export-import trade to licensing, joint ventures, wholly owned subsidiaries, turnkey operations and management contracts. The fact that a transaction takes place across national borders highlights the difference between domestic and international marketing.

The international marketer is subject to a new set of macro-environmental factors, to different constraints, and to quite frequent conflicts resulting from different laws, cultures, and societies. The basic principles of marketing still apply, but their applications, complexity, and intensity may vary substantially.

3.2 Macro-Economic Environment.

This refers to the environment external and uncontrollable factors that influence an organization's decision making and affect its performance and strategies. These factors include Economic Factors, Legal, Political, Socio-Cultural, Technological and Natural Forces.

3.2.1 *Economic Environment*: The assessment of a foreign market environment should start with the evaluation of economic variables relating to the size and nature of the markets. (Czinkota and Ronkainen, 2010) Companies are unable to control issues like the income of buyers in the market, available credit

offered by banks, unemployment, interest rates and inflation found in the economic market. These factors can also affect the company, lowering purchasing power from the currency, available credit and inflation, which makes it more difficult for the company to conduct normal business operations.

3.2.2 ***Political Environment:*** This includes the current stability of the government, social welfare policies imposed upon companies, trade tariffs or regulations that restrict international business and tax policies on corporate profits. It is crucial for every business to understand the political situation of any country that they are doing business in as this can affect their profits or operations negatively or positively. An analysis of the environment is necessary in order to reduce risk or even avoid trouble.

3.2.3 ***Technological Environment:*** This includes new innovations, the frequency of technological change and new platforms or software used by companies and consumers. Failing to keep pace with technology can put a company behind competitors. Changes to consumer products will also drive this change, as consumers will have certain expectations of technology from products offered by a company.

3.2.4 ***Socio-Cultural Environment:*** This includes demographics, wealth distribution, lifestyles and the education of consumers. Each of these factors will determine how a company interacts with consumers. The challenge for all marketing managers is to handle the difference in values and attitudes, and subsequent behavioral patterns that govern human interaction, on two levels: first, as they relate to consumer behavior and, second, as they affect implementation of marketing programs within individual markets and across markets. An understanding of the cultural traditions and activities of a country or market is necessary for the success of any international company. The slightest misunderstanding or mistake can cost a company a lot.

Culture is basically the ideas, customs and social behavior of a particular people or society. It is learned, shared and transmitted from one generation to the

next. Geert Hofstede calls the common ways of thinking and behaving as the “collective programming of the mind”. The definition of culture encompasses a wide variety of elements, from the materialistic to the spiritual. The process of *acculturation*- adjusting and adapting to a specific culture other than one’s own- is one of the keys to success in international operations.

3.2.5. Legal Environment: This includes regulations regarding competition, employment, health and safety or issues. Companies and most especially managers must be aware of these laws in order to avoid a lawsuit. Furthermore, these companies must keep up to date with the latest laws and regulations.

3.2.6 Environmental factors: this includes the items that affect the common living area around the company and its consumers. Energy consumption, maintaining a living environment, waste disposal and other items can all affect the natural environment of a business. As usual companies must be aware of the changes to environmental laws. This is where companies are expected to be socially responsible to the environment and society as a whole.

Self-Assessment Exercise

Discuss the importance of the external environment to a farmer

3.3 Export and Import Commodities.

3.3.1 Export: Exports measure the amount of goods or services that domestic producers provide to foreign consumers. In the past, export of commercial quantities of goods normally required involvement of the customs authorities in both the country of export and the country of import. Even with the advent of the Internet, which resulted in the bypass of the customs, small exports are still subject to legal restrictions applied by the country of export. Nigeria’s main export partners are USA (30% of total in 2009), Equatorial Guinea (8%), Brazil (6.6%), France (6%) and India (6%). Nigeria’s main export commodities are Oil and Gas, Cocoa, Rubber and Timber. In order to stimulate export activities in Nigeria, the government developed the Export Expansion Grant Scheme. The government wants to bring about growth in the non-oil exports and also wants to enhance efficiency, transparency and accountability in the

administration of the key incentive for non-oil export development. The use of incentives supports the NEEDs objective of mainstreaming businesses that are currently operating in the informal sector. It is also in line with the NEEDs requirements that companies desiring to receive benefits from the government will have to comply with the laws of the country.

- 3.3.2 **Import:** An import is a good or service brought into one country from another country in a legitimate fashion, typically for use in trade. An import in the receiving country is an export to the sending country. They normally require involvement of the customs authorities in both the country of import and the country of export and are often subject to import quotas, tariffs and trade agreements. Nigeria's imports have decreased to \$3.97 billion in June of 2013 from \$6.19 billion in May 2013. The Central Bank of Nigeria is in charge of reporting the all imports to the country. Nigeria's main import partners are China (17% of total), Albania (11.3%), USA (7.5%), France and Belgium. Nigeria imports the following the commodities: Industrial Supplies (32% of total imports), Transport equipment and parts (23%), Capital goods (24%), Food and beverage (11%) and Consumer goods. Nigeria began to import food when the food production could not keep pace with its increasing population. Nigeria's major agricultural imports are wheat, sugar and milk powder, all from the United States.

- 3.4 **Trade Policies and Institutions:** The range of macroeconomic and institutional policies as well as legal framework that affect agricultural investment in particular and agricultural performance is generally wide. The policies broadly cover fiscal, monetary and trade measures. There is also a large body of institutional policies that support not only the implementation of macroeconomic policies but also that of agricultural sector policies. Then, there is a national and international legal framework, including bilateral and multilateral agreements and treaties that provide the enabling environment for foreign and domestic private investment, promote international trade, therefor promote economic growth. Environmental concerns have increasingly come into focus in the design of policies for sustainable growth and development in Nigeria. As such, Nigeria has developed a set of environmental policies and strategies that are of direct relevance to

agriculture.

3.4.1 **Macroeconomic policies:** The key components of microeconomic police are fiscal, monetary and trade polices.

1. **Fiscal polices:** These focus on budgetary, tax, and debt management policy instruments. Budgetary policy influences economic stability and rate of inflation. This in turn influences the climate for the flow of investment, especially foreign private investment. Tax policies that focus on personal and corporate tax rates, tax relief and other tax concessions are key incentives affecting consumption and investment decisions. A country's external debt burden affects its international credit rating and its capacity to finance public investment.
2. **Monetary Policies:** This refers to the combination of measures designed to regulate the value, supply, and cost of money in the economy in consonance with the expected level of economic activity. Liquidity, interest rates, and foreign exchange rates are the channels through which monetary policy influences economic activities. Liquidity is affected by money supply, which in turn influences credit supplies and interest rate. Interest rate now influences consumption, savings and investment decisions in the economy. Basically, the existence of interest and exchange rate differentials, resulting from monetary policy measures, induces substitution between domestic and foreign assets, as well as domestic and foreign goods and services.
3. **Trade policies;** The main focus of trade policies is on measures to regulate export and import trade through such measures as tariffs, export and import quotas and prohibitions. One major trade policy is the Investment promotion policy. The purpose of this policy is the attract investors into the agricultural sector. Various incentives have been introduced in order to encourage investment, including zero duty on agricultural machinery; unrestricted capital allowance for agribusinesses, and up to 50% tariff reduction for agro-related plants and equipment; guarantees of up to 75% of all loans granted by commercial banks for agricultural production under the Agricultural Credit Guarantee Scheme Fund (ACGSF); 60% repayment

of interest by the Interest Drawback Program Fund paid by those who borrow from banks under ACGS for the purpose of cassava production and processing, provided such borrowers repay their loan on time; and pioneer status incentives (100% tax exemption i.e. tax holiday, for a period of 5years) for the agro-processing industry.

3.4.2 Environment policy: Export expansion had an effect on the environment of the Nigerian economy, which could be mitigated by the policies being pursued. The analysis of government policies aimed at environmental protection and natural resource utilization derives from information from the Development plan documents (1st and 4th Plans and the Rolling plan) and from the document on the National Policy on the Environment. These documents indicate that environmental policies as far as the trade sectors were concerned, consisted of soil conservation measures aimed at wind and water erosion. Projects that had relevance for environmental protection were, however, subsumed under the ‘Agriculture’ and ‘Town and Country Plan’. More specifically, relevant projects under agriculture were initiated under agricultural infrastructure. Specific soil conservation measures included contour bounding, terracing, check damming and drainage systems. Anti-drought measure included tree planting and afforestation projects and the establishment of shelterbelts.

3.4.3 Institutions: According to World Bank (2002), institutions are rules, enforcement mechanisms and organizations put in place in an economy. Distinct from policies that are the goals and the desired results, institutions are rules, including behavioral norms by which agents interact and the organizations that implement these rules and codes of conduct to achieve desired outcomes. Policies influence the types of institutions that evolve while institutions too affect the types of policies that are adopted. The following are a list of some of the institutions that influence and govern the agricultural sector in Nigeria:

- **Ministry of Agriculture and Rural Development**
- **National Agency for Food and Drugs Administration and Control.**
- **National Quarantine Services**
- **National Centre for Agricultural Mechanization**
- **Nigerian Export Promotion Council**

- **Nigerian Agricultural Insurance Corporation**
- **Veterinary Council of Nigeria**
- **Nigerian Agricultural Cooperative and Rural Development**

4.0 Conclusion

Worldwide, marketers are faced with major external factors that can dramatically affect efforts toward market place success. There is constant global change, which provides the opportunity for the emergence of new market positions. Recently, changes are occurring more frequently and more rapidly with the potential for more severe impact. An understanding and most importantly adaptability to the changes in the environment is very necessary for every marketer. The external factors have always been out of a marketer's control. A good marketer will learn how to identify opportunities in the external environment.

5.0 Summary

In this unit we discussed the meaning of International Marketing and its impact on Businesses. The environmental factors affecting a business on the global scale was discussed, as this is necessary for any business owner to be aware of. Analyzing this environment will help in the daily operations of any business. We also identified Nigeria's Exports and Imports in the agricultural sector. The trade policies and institutions were acknowledged.

6.0 Tutor-marked Assignment

Discuss the Trade policies and Institutions in affecting Agriculture in Nigeria.

7.0 References/Further Reading

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