

CHAPTER 9

Marketing of Agricultural Produce

OBJECTIVES

At the end of the chapter, students should be able to:

- â—† state the meaning and importance of agricultural marketing.
- â—† list the various marketing agents/channels.
- â—† state the advantages and disadvantages of the various channels.
- â—† list the functions performed by marketing agents.
- â—† mention and list the types of crops that are commonly exported to other nations.
- â—† state the rules that guide exportation of crops.
- â—† state the importance of exports to agricultural development.

9.1 Introduction

Agricultural produce such as egg, meat, milk, hides and skin, fish, yam, cotton, rubber, coffee, cocoa, maize cassava, rice and groundnut are sold to generate income. This increases the economic empowerment of the individual and the nation.

In the ancient past, farmers used to exchange agricultural produce for goods and services. The marketing functions then were assemblage and distribution without monetization and value decisions. Later, a less cumbersome system of exchange was developed which permitted those produce to be sold for money.

Marketing of agricultural produce therefore can be seen as the exchange of agricultural produce for other produce, service or for money to meet a need. The marketing of agricultural produce begins at the farm gate when the farmer plans. Such products, when harvested, cannot go direct to the consumers. First, such farm likely at to be located some distance to the place of consumption because, as the economic development of a country progresses, the gap between farm and consumer widens and so marketing becomes more complex. These situations create the need for effective organization of the sectors in order to make the agricultural produce reach the consumers in a good state.

9.2 Meaning of Agricultural Marketing

Marketing in agriculture involves a series of business activities associated with the transfer of agricultural produce from the producers (farmers) to the consumers. It involves the flow or distribution of goods and services from the producers (farmers) to the final consumers for monetary or other rewards.

9.3 Importance of Agricultural Marketing

Agricultural marketing is important because:

1. It locates areas of surplus production and relocates the produce to areas where there are shortages or needs.
2. Income from export trade provides foreign exchange for importation of agricultural machines.
3. Provides information to the farmer on what and how much of a produce he is to produce.
4. Ensures the availability of seasonal produce at off season.
5. Creates employment for many people.
6. Attracts basic amenities to rural communities.
7. Through marketing, the consumers' tastes are known, thus enabling researches to evolve varieties and better forms of produce.
8. Encourages or motivates farmers to produce more.
9. Marketing helps in price determination.

10. It also makes possible the provision of finance to farmers.

11. It provides avenue for disposing agricultural produce.

12. It helps to increase agricultural production.

9.4 Marketing Channel

Marketing channel is the sequence of intermediaries and markets through which agricultural produce move from the producers to the consumers. It may also be described as series of linkages or pathways through which the farm produce move or must pass through before they get to the final consumer.

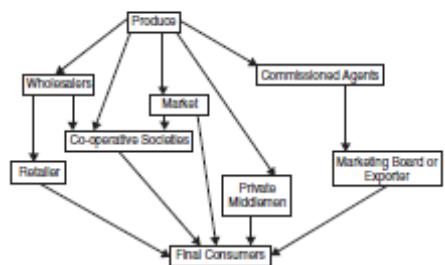


FIGURE 9.1 Marketing channels

9.4 Important Definitions

1. Market: A market is a place where sellers and buyers are in close contact to transact business.

2. Co-operative societies: These are bodies which buy goods in large quantities and make them available to their members or the general public at reduced prices.

3. Middlemen: Wholesalers and retailers form a link and buy produce from the farmers and sell to the final consumers.

4. Commissioned agents: These buy goods from peasant farmers and sell to marketing boards or exporters.

5. Exporters: These buy produce from commissioned agents or commercial farmers and export the produce to overseasTM buyers or consumers.

9.4.1 Marketing Agents

These are people or corporate bodies that are directly or indirectly involved in the marketing of agricultural produce. They include:

- 1.** Producers/farmers
- 2.** Wholesalers/distributors
- 3.** Commodity/marketing boards
- 4.** Co-operative societies
- 5.** Retailers
- 6.** Private middlemen

Producers/farmers: The farmers sometimes undertake the marketing of their produce either at the local market or the farm gate.

Advantages

- (a) They sell produce at a cheaper price.
- (b) They sell high-quality produce, i.e., fresh produce.
- (c) They help to remove the activities of middlemen, thereby reducing their inadequacies.
- (d) They help to control the production of a particular produce.
- (e) Changes in the market conditions are quickly known by farmers.

Disadvantages

- (a) Wastage may occur due to lack of storage facilities.
- (b) Farmers may lack transport facilities for taking large amount of farm produce to the market.
- (c) They lack processing and packaging facilities.

- (d) They may waste time in marketing their produce which makes other farming activities to suffer.
- (e) They suffer from inability to attract high market prices and they sell at any rate during harvest.

Wholesalers/distributors: They serve as a link between the producers and the retailers. They are part of the middlemen.

Advantages

- (a) They buy farmers' produce in bulk and assemble them.
- (b) Ease transportation problem of producers.
- (c) Pass information from retailers to producers and vice versa.
- (d) Extend credit to farmers/retailers.
- (e) Provide storage facilities.
- (f) Package produce for distribution/sales.
- (g) Save producer's time in marketing its produce.

Disadvantages

- (a) Create artificial scarcity of farm produce.
- (b) Exploit producers by offering low farm gate prices.
- (c) Exploit retailers and consumers by selling at high prices.
- (d) Form unions which make them dictate price.
- (e) Make farmers earn little thus discouraging them from further production.

Commodity/marketing boards: They provide an organized and ready marketing for various agricultural produce. They help to stabilize prices of farm produce.

Advantages

- (a) Provide inputs for the production of agricultural produce.
- (b) Reduce the exploitation of producers by middlemen.
- (c) Ensure price stability and increased agricultural production.
- (d) Provide information services in the most effective ways.
- (e) Process and grade agricultural produce.
- (f) Finance agricultural researches.
- (g) Advice and encourage producers to adopt improved farming techniques.

Disadvantages

- (a) There is problem of passing information to illiterate farmers.
- (b) There is political interference in marketing board activities.
- (c) Lack of skilled personnel to handle the marketing job.
- (d) Produce smugglers often sabotage the board's activities.
- (e) Inability to fix a reasonable price discourages farmers from production.

Co-operative societies: These are organizations formed and owned by the producers to undertake the production and marketing of agricultural produce.

Advantages

- (a) They improve the bargaining power of farmers.
- (b) They improve storage facilities.
- (c) They stimulate competition in produce marketing.
- (d) They give loans to members.
- (e) They provide transport and storage facilities.
- (f) Co-operative societies eliminate middlemen.
- (g) Reduce the inequality of income distribution by selling to members at reduced rate.
- (h) Members are duly current in the prevailing market prices for their farm produce.

Disadvantages

- (a) They do not encourage individual enterprises.
- (b) Funds are often mismanaged.
- (c) Dishonest officers connive with buyers to cheat the co-operators.

- (d) Nature and size of the society may hinder progress as decision making may be slow.
- (e) Outright loyalty of members to elected officers is not guaranteed.

Retailers: These are the agents who buy goods from the wholesalers and sell in small quantities directly to the final consumers.

Advantages

- (a) They make farm produce readily available to the consumers.
- (b) They pass information from the consumers to the wholesalers.
- (c) They provide jobs for people such as hawkers.
- (d) They help to bear the cost of transportation and other costs.

Disadvantages

- (a) They may create artificial scarcity of goods by hoarding.
- (b) They can suffer losses due to pilfery and decay of perishable goods.
- (c) They may inflate prices of commodities.

Private middlemen: They are also called farm gate buyers or farm collectors or itinerant farmers who go from one farm to another to buy farm produce.

Advantages

- (a) They serve as a link between the farmers and the consumers.
- (b) They help to process, package and store farm produce for some time.
- (c) They save farmer's time.
- (d) They provide financial assistance for farmers.

Disadvantages

- (a) They create artificial scarcity of goods.
- (b) They inflate the price of farm produce.

9.4.2 Marketing Functions

These are the activities of the various marketing agents on the farm produce to be offered for sale.

1. Farm-level processing: This is the local processing of farm produce immediately after harvesting in readiness for market. For example, cocoa processing, drying of farm produce and cleaning of produce.

2. Grading or sorting: This is the grouping of farm produce into various sizes and weights for easy handling.

3. Packaging: This is the loading of farm produce into various packs for storage such as in sacks, tins, drums and cans.

4. Storage or warehousing: This is the keeping of the farm produce in a store for a period of time before sales or export.

5. Financing: This is the provision of funds to undertake marketing processes.

6. Transportation: This is the movement of produce from one location to another, i.e., from store or warehouse to the market or ports for export.

7. Advertising: This is the act of making the produce known to people. It is a process creating awareness either through the radio, television or newspapers.

8. Distribution: This is the process of making produce available to reach the consumers.

9. Merchandizing: This is the act of exporting farm produce through the ports to overseas buyers or consumers.

10. Assembling: This is the act of re-gathering various produce brought from different sources or countries.

9.5 Export produce in Nigeria

| S. NO | PRODUCE | S. NO | PRODUCE |
|-------|-------------|-------|----------------|
| 1. | Cocoa | 12. | Tobacco |
| 2. | Coffee | 13. | Bemiseeds |
| 3. | Rubber | 14. | Ginger |
| 4. | Cotton | 15. | Garlic |
| 5. | Palm kernel | 16. | Pepper |
| 6. | Palm oil | 17. | Soya beans |
| 7. | Groundnut | 18. | Sheanut |
| 8. | Cassava | 19. | Cashew |
| 9. | Kolanut | 20. | Pineapple |
| 10. | Kenaf | 21. | Citrus |
| 11. | Timber wood | 22. | Hides and skin |

9.5.1 Guidelines for Exporting Crops in Nigeria

The following are the measures taken by the government to promote the exportation of crops and livestock products in Nigeria:

1. Reduction of export duties to promote exportation of agricultural produce.
2. **Subsidy for export-based crops:** The cost of producing export commodities can be subsidized.
3. Granting of tax incentives to exporters.
4. Setting up of export promotion agencies such as Export Processing Zone (EPZ) in Calabar, to encourage exporters.
5. Retention of part of foreign exchange earned by exporters.
6. **Infrastructural development:** Facilities like seaports, airports and communication should be developed to facilitate or promote exportation of goods.
7. Reduction of freight rate on exports to encourage exporters.
8. Granting of credit facilities to exporters in order to promote export.
9. Devaluation of local currency to make export cheaper.
10. Organization of international trade fairs periodically in order to attract foreign importers.

9.5.2 Importance of Exporting Agricultural Produce

1. Exports help to generate foreign exchange for the government.
2. It provides employment opportunity for many people, i.e., the producers, processors, middlemen and exporters.
3. It enhances farmer's earning through export of farm produce.
4. Exportation encourages international trade (trade between two or more countries).
5. Exportation raises the standard of living of the farmers.
6. It attracts foreign investors into the country where such agricultural produce is produced.
7. It encourages the introduction of better technologies into the country through foreign partnership.
8. Exportation can also bring about political stability in a country since employment is provided for idle youths.
9. It can bring about infrastructural development in the rural areas where the goods are produced.
10. Exports also help to develop the local industries as more of the produce will be used locally as raw materials.
11. It brings about bi-lateral relationship between nations.
12. It also brings rapid economic and social development to the country.

9.6 Nigerian Export Promotion Council (NEPC)

9.6.1 Meaning of Export Promotion

This refers to the deliberate effort made at encouraging the sale of Nigeria's agricultural produce and products to other countries by the Nigerian government. The purpose is to earn foreign

exchange and foster economic partnership with other nations.

These activities include incentives to farmers to increase production, quality assurance, propaganda and partnership with the Chamber of Commerce.

9.6.2 Importance of Export Promotion

1. It increases the foreign exchange earning capacity of the nation.
2. It boosts farmer's income directly by providing opportunity to sell agricultural produce in hard currency.
3. It promotes better food production.
4. It increases opportunities for employment of citizens.
5. It promotes foreign partnership especially with industrialists.
6. It promotes industrialization since hard currency is available to purchase equipments.

9.6.3 Export Promotion Council

This is an agency established by the federal government to focus on all activities that would ensure effective marketing of Nigerian locally made goods in foreign countries.

Reasons for establishment of the Nigerian Export Promotion

The functions of Nigerian Export Promotion Council include:

1. Dwindling revenue from national oil and other non-export earnings.
2. National food crisis and high expenditure on importation of food items such as rice and wheat.
3. Increasing national foreign debt which creates the need for foreign exchange earnings.
4. Other needs of government for foreign exchange to service local and foreign needs.
5. Increasing balance of payment deficit.
6. Unfavourable policies that make export of commodities unattractive to producers.
7. Unnecessary bureaucratic bottlenecks and lack of support for farmers to produce for export.
8. Peasant level of agriculture and low level production.
9. Lack of modern approach to agricultural production and marketing.

9.6.4 Enabling Act and Establishment of Export Promotion Council

The Nigerian Export Promotion Council (NEPC) was established by the NEPC Act No. 26 of 1976 and was formally inaugurated in March 1977.

The act was amended by Decree No. 72 of 1979 and further amended by the NEPDecree No. 41 of 1988. This was complemented by an earlier Incentive and Miscellaneous Provisions Decree No. 18 of 1986.

Furthermore, the NEPC Decree No. 64 of 1992 was enacted to improve the performance of the Council by removing some perceived bureaucratic bottlenecks as well as granting increasing autonomy in dealing with the organized private sector.

The functions of Nigerian Export Promotion Council include:

1. Establishment of liberal procedures and simple guidelines for easy flow of goods to foreign countries.
2. Eliminate or reduce financial problems of exporters by advising banks to make loans available to them.
3. They assist exporters in the course of sales by linking them up with foreign buyers and advertising agents.
4. Rendering advice/passing information on how to secure loans, penetrate foreign markets and secure stores or warehouses in different countries for effective marketing.
5. They make export licenses readily available to them without stress.
6. They collaborate with Central Bank and Custom authorities to prepare export documents.
7. They assist exporters to secure reliable clearing and forwarding agents both at home and abroad.
8. They help to eliminate export duties on some goods made by infant export firms.

9. They organize, plan and ensure participation of Nigeria in trade fairs and exhibitions in other countries.

10. They coordinate and monitor export activities in Nigeria.

9.7 Steps in Exporting Agricultural Produce

â—† Packaging of the items to avoid damage by rain or loss through pilferage.

â—† Delivery of parcels or cartons to the nearest sea port for shipment.

â—† Collection and filling of necessary custom forms such as custom entry form and export duty form.

â—† Preparation of necessary foreign trade documents to enable him effect the export of the goods, e.g., invoice, certificate of origin, consular invoice, bill of landing, freight note, shipping note and certificate of insurance.

â—† Securing clearing and forwarding agents to assist them in making necessary arrangement for the movement of the goods to the importers' country.

9.8 Problems of Agricultural Marketing

Marketing of agricultural produce is faced with the following problems:

1. Difficulty in organizing and assembling agricultural products that are produced on small and scattered farms all over the country.

2. Inadequate transport facilities/poor road network.

3. Poor packaging and processing facilities.

4. Inadequate storage facilities.

5. Lack of uniform weights and measures, no standardization in quality.

6. Instability in the prices of agricultural produce.

7. Poor quality goods due to contamination.

8. Inadequate research in marketing and storage.

9. Poor market infrastructure and facilities.

10. Inadequate information about production and marketing or market intelligence.

11. Negative action of middlemen.

12. Perishability of farm produce.

13. Inadequate finance or lack of capital to run the marketing activities.

14. There may be losses during any of the stages in marketing.

ACTIVITY

Visit an agricultural produce exporting company or a reputable co-operative society in your locality. Identify the produce or product marketed/exported. Observe the existing marketing facilities in the area and identify the marketing problems faced by the exporting company. Suggest possible solutions to the identified problems.

SUMMARY

â—† Marketing of agricultural produce has been defined as a series of business activities associated with the transfer of agricultural produce from the producers to the consumers.

â—† Marketing of agricultural produce is important because it

â— locates the area of surplus and brings it to areas of shortages.

â— provides information to the farmer.

â— creates employment for people.

â— helps in price determination, etc.

â—† Marketing channels are the avenues through which produce gets to the final consumer.

â—† Marketing agents are people or corporate bodies involved in the marketing of farm produce.

â—† Marketing functions include farm-level processing, grading or sorting, packaging, storage or

warehousing, transportation, advertising and assembling.

^a—^f Export produce in Nigeria includes cocoa, coffee, rubber, cotton, tobacco, timber, palm kernel and groundnut.

→ Export of farm produce helps to generate foreign exchange, provide employment, encourages international trade, attracts foreign investors and for rural development.

â—† Export promotion is defined as a deliberate effort by the government to encourage the production and export of agricultural produce in Nigeria in order to earn foreign exchange and foster international collaboration which encourages producers to export farm produce.

Export Promotion Council is an agency established by the federal government to focus on all activities that would ensure effective marketing of export produce.

→ The problems of marketing include inadequate transport facilities, inadequate storage facilities, inadequate information and perishability of farm produce.

REVISION QUESTIONS

ESSAYS

1. (a) Explain the term "Marketing".
(b) State five importance of marketing in agriculture.
(c) Mention five marketing functions.
(d) State four ways by which marketing of agricultural produce can be encouraged.

(WASSCE 2002)

- 2.** State three advantages and one disadvantage of each of the following marketing agents:

- (i) Retailers
 - (ii) Wholesalers
 - (iii) Co-operative societies

- 3.** (a) Mention five stages involved in marketing agricultural produce.
(b) Outline eight problems of agricultural marketing in Nigeria.

- 4.** (a) Discuss five functions of Nigerian Export Promotion Council.
(b) Enumerate five steps to be taken in exporting agricultural goods.

- 5.** (a) List four marketing agents for agricultural products.
(b) Discuss briefly four importance of middlemen in agricultural marketing
(c) State four importance of exporting agricultural produce.

OBJECTIVE QUESTIONS

- 1. Which of the following problems are associated with agricultural marketing in West Africa?**

- (i) Seasonality of produce (ii) Transportation of Produce (iii) Access to credit

- (a) i and ii only
 - (b) i and iii only
 - (c) ii and iii only
 - (d) i, ii and iii

- 2.** Which marketing agent normally makes the biggest profit margin per unit?

3. The activities of middlemen may cause the following problems except

- (a) reducing the profit margin of the farmers.
- (b) artificial scarcity of produce.
- (c) inflation of prices.
- (d) inadequate storage facilities.

4. Marketing processes do not include

- (a) production. (b) assembling.
- (c) distribution. (d) processing.

5. Which of the following gives the proper channel of agricultural marketing?

- (a) Producer - consumer - retailer - wholesaler
- (b) Producer - retailer - wholesaler - consumer
- (c) Producer - wholesaler - retailer - consumer
- (d) Producer - retailer - consumer - wholesaler

6. Commodity boards are responsible for the marketing of the following crops except

- (a) cocoa. (b) palm produce.
- (c) grains. (d) yams.

7. Farm-gate price is usually obtained through the

- (a) producer. (b) middlemen.
- (c) wholesaler. (d) co-operatives.

8. Which of the following is not correct about markets in agriculture?

- (a) The aggregate of contracts between sellers and buyers
- (b) A place for solving basic economic problems
- (c) A place for social activities
- (d) A number of people in contact with each other for the purpose of buying and selling

9. Which of the following is not a problem of agricultural marketing in Nigeria?

- (a) Scattered sources of supply
- (b) Lack of transport facilities
- (c) Instability of prices
- (d) High quantity of farm produce

10. Which of the following is a reason for marketing harvested crops immediately after harvest in Nigeria?

- (a) Much income is generated by early sale.
- (b) No facilities to produce crops immediately.
- (c) There is the lack of storage facilities for harvested crops.
- (d) Pest attack only harvested crops.

