

**Model Answer**  
**AS- 2379**  
**M.Com (III Sem) Examination, 2013**  
**(Optional: Marketing)**  
**AGRICULTURAL MARKETING**  
**Paper: fourth**

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**Ans 1. Short Answer Type Questions;**

**(i) Four functions of Agricultural Marketing are as follow;**

- Promote agricultural production of ;
  - i. Strategic crops (tobacco, cotton, sugar, soya beans, barley)
  - ii. Crops for the provision of food security (maize, wheat, sorghum).
  - iii. Livestock ( beef, dairy, piggery, poultry, small stock)
- Borrowing and lending for agricultural production.
- Promoting contract farming through encouraging private sector participation.
- Promoting marketing and fair pricing of agricultural commodities.
- Advise the Minister of Agriculture on formulation of national policies.
- Coordinating the operations of statutory bodies charged with regulating and marketing of agricultural products

*(Any four)*

**(ii) Pricing of Agricultural Product**

Once we have identified consumers, located a retail outlet and completed test marketing, you need to determine the selling price for your product. Price is the primary means of generating income and profits for your business.

There are three major factors to consider in setting your price.

The price must cover the cost of producing and marketing your product.

It must be at a price that the buyer is willing to pay for the product. and

The price offered by competitors will influence the price you pick. Setting your Price will help you through the process of setting a price for your product.

**(iii) Channels involved in distribution of agricultural products;**

**Indirect Channel:**

Producer/grower/ farmer - Commission Agent - Whole sale agent - Wholesaler - Retailers - Customer/Consumer (Middlemen presence in between producer and end user or customer)

**Direct channel:**

Producer/grower/producer - Customer/ Consumer/end user ( No middlemen in between producer and end user or customer)

**(iv) Problems faced by Cooperative Societies**

- Dormant membership
- Lack of active participation of members in the management of cooperatives
- Over-dues in cooperative credit institutions
- Lack of mobilization of internal resources and over dependence on government assistance
- Political interference and over politicization hampers their growth.

**(v) Examples of Strategic crops are;**

tobacco, cotton, sugar, soya beans, barley etc.

**(vi) Reforms required in agricultural marketing**

Below are the certain measures that can be affected to bring out the reforms in agricultural marketing so as to ensure just and fair price for the farming community.

- Provide loans to the farmer at low rate of interest so that they will be freed from the clutches of local moneylenders who squeeze them
- It is essential to provide subsidized power supply and loans to the farmers as the expenses towards power consumption takes considerable amount of investments.
- Generate a new distribution network that connects the farmers directly to the consumers to get maximum returns as the present channel of distribution involves multiple mediatory who take away the major portion of profits which otherwise the farmers is supposed to get.
- Elimination of the existing loopholes in the present legislations is warranted.
- There should be stringent action against black marketers and hoarders who buy the stocks from farmers at cheap prices and create artificial demand and then sell the stocks at higher prices.
- Creating local outlets at each village where the farmers sell their stocks directly to the consumers or the authorized buyers at fixed prices would help to a great extent. Intervention of government in this network is essential to bring the fruits to the farmers.
- At the village level there should be counseling centers for farmers about the worth of their stocks so that they can get fair price. The crucial role of Non-Governmental Organizations (NGOs) is needed in this context.

**(vii) Grading are useful marketing functions as they offer the following advantages:**

- Grading facilitate buying and selling of goods by sample or description. When goods are of standardized quality, customers do not insist on detailed inspection.
- Standardization and Grading enable the producer to direct the goods of different qualities towards the market best suited to them.
- Transportation, storage and advertising expenses can be reduced by handling different grades or lots.
- Standardized goods enjoy a wider market.

**(viii)** A commodity market facilitates trading in various commodities. It may be a spot or a derivatives market. In spot market, commodities are bought and sold for immediate delivery, whereas in derivatives market, various financial instruments based on commodities are traded. These financial instruments such as 'futures' are traded in exchanges.

- (ix) The government is already fulfilling the objective of providing reasonable prices for the basic food commodities through Public Distribution System with a network of 350,000 fair-price shops that are monitored by state governments. It is more effective in states like Punjab, Haryana and some parts of Uttar Pradesh. And the same needs to be strengthened across the country.

Government should levy single entry tax instead of levying multiple entry taxes either directly or indirectly for the transactions and activities that are involved in agricultural marketing such as transportation, processing, grading etc., as it would benefit both farmers and consumers directly.

- (x) Buying Behaviour is the process by which individuals search for, select, purchase, use, and dispose of goods and services, in satisfaction of their needs and wants.

**Long Answer Type:**

**2. Characteristics of Agricultural marketing;**

Agricultural marketing covers the services involved in moving an agricultural product from the farm to the consumer. Some definitions would even include "the acts of buying supplies, renting equipment, (and) paying labor", arguing that marketing is everything a business does. Such activities cannot take place without the exchange of information and are often heavily dependent on the availability of suitable finance.

Numerous interconnected activities are involved in doing this, such as

- Planning production
- Growing and harvesting
- Grading, packing,
- Transport,
- Storage,
- Agro- and food processing,
- Distribution,
- Advertising and
- Sale

**3. Agriculture generally refers to the raising of a variety of plants and animals. This industry is one that is therefore dependent on many different agricultural products. Antibiotics, fertilizers, and pesticides tend to play a major role in the success of many agricultural ventures.**

The animals that are raised for agricultural purposes range from ostriches to cows. Most animals have specific dietary needs, so what is given to one type of animal will typically not be suitable to feed all others. Different types of animal feed must therefore be produced. Compound feeds are agricultural products that typically combine raw materials such as corn or oats with additives such as vitamins and minerals. These may be fed to some animals but are not suitable for all animals.

For humans to have meat that is safe and beneficial for their health, they must get it from healthy animals. Antibiotics are often used to treat and prevent diseases in animals so that humans are not

placed as risk. Animal antibiotics are also used to prevent outbreaks that could kill a flock or herd. Coccidiosis, for example, is a parasite that can affect sheep, pigs, and chickens. To prevent losses and the spread from one stock to another, animals are sometimes given anticoccidials to prevent this infection.

**1. Differences between the agriculture and industry products.**

<b>Characteristics</b>	<b>Industry</b>	<b>Agriculture</b>
<i>Financial Strength</i>	Many.	Average.
<i>Point of production</i>	Factories.	Plantation.
<i>Storage of raw materials</i>	Availability of raw materials, if others wise will upset the operations.	Availability of inputs such as fertilizer, seeds, pesticides, e.t.c. to avoid production delay.
<i>Management efficiencies</i>	Efficient of the staffs and there must be a divisions of labor.	Efficient of staffs is not necessary and compulsory as long as there is a division of labor.
<i>Promotion</i>	It's necessary so that the customer buy the products.	Not heavily necessary because it is a necessity product.
<i>Acceptance of customers</i>	The producer intends to reach to the customer/customer loyalty.	Because the product is a necessity, it is being accepted by the consumer according to taste.
<i>Volatile</i>	The production is volatile as long as there is a constant supply of raw materials.	The production is more volatile because it depends on environmental factors.

**4. The classification of agricultural production**

It covers Establishments (e.g., farms, ranches, dairies, greenhouses, nurseries, orchards, hatcheries) primarily engaged in the production of crops, plants, vines, or trees (excluding forestry operations); and the keeping, grazing, or feeding of livestock for the sale of livestock or livestock products (including serums), for livestock increase, or for value increase. Livestock as used here includes cattle, sheep, goats, hogs, and poultry. Also included are animal specialties, such as horses, rabbits, bees, pets, fur-bearing animals in captivity, and fish in captivity. Agricultural production also includes establishments primarily engaged in the operation of sod farms, cranberry bogs, and poultry hatcheries; in the production of mushrooms, bulbs, flower seeds, and vegetable seeds; and in the growing of hydroponic crops.

**\*(Explanation required by the student)**

5. Consumer behaviour is such a thing which depicts consumer's attitude towards a product. It shows consumer's likeness or this likeness towards the product.

Consumer behaviour plays a very important role in the success or failure of a product. If a consumer is satisfied from the product then his behaviour would be positive towards the product and if he is not satisfied from the product then his behaviour would be negative towards the product. A company's success largely depends upon the consumer's positive behaviour. Today's consumer is very well aware about the products available in the market. He knows what is a good product and what is a bad product. He is well educated and decides to purchase goods on merit. He will never go for such products which do not meet the quality standards. He will buy only those things which will truly satisfy his needs and expectations.

Today's global companies truly believe on this idea that a consumer must be fully satisfied. For this purpose they have the special departments like Research and Development. These global companies keep on doing research on the products and their customers. From research and surveys companies get the true picture of its standing in the market. According to the consumers' feedback they further develop and improve their products. For consumer it is an advantage that the company gives respect to his views and attitude and bring changes in the products accordingly.

**\*(Explanation required by the student)**

## **6. Problems involved in pricing of agricultural products**

1. Cost of Production
2. Changes in Input Prices
3. Input/output Price Parity
4. Trends in Market Prices
5. Inter-crop Price Parity
6. Demand and Supply Situation
7. Effect on Industrial Cost Structure
8. Effect on General Price Level
9. Effect on Cost of Living
10. International Market Price Situation
11. Parity between Prices Paid and Prices Received by farmers (Terms of Trade).

**\*(Explanation required by the student)**

## **7. Advertising of agricultural products is almost in same manner as in case of industrial goods;**

**Some of the important medium are as follow;**

- Print Media
- Tele-media
- Outdoor Advertisement
- Internet Advertisement
- Direct Advertisement

• **\*(Explanation required by the student)**

## 8. Explain the following terms:

### (a) **Grain marketing**

Grain marketing involves complex decisions and needs expert input, knowledge of all the marketing tools, experience and a sound understanding of the grain market. Farmers have to decide the level of risk they are comfortable with and all marketing strategy ensues from the risk level the farmer is willing to undertake. The marketing strategy options include hedging, storing or selling immediately at the cash market. Consulting a grain-marketing specialist is very helpful in understanding and determining the right process.

Grain market is dictated by supply and demand and the demand trends are gleaned from observing forward and future markets. Prices are low when demand is low and supply is high and vice versa. The risk the farmer undertakes is to wait until the prices are high, and if the farmer is not financially stable then this risk can be substantial. Thus, one of the first steps of grain marketing is to understand the risks related to the volatility of grain prices, determining the level of risk someone is willing to undertake and understanding its impacts.

### (b) **Livestock Marketing**

Under Livestock Marketing discussion are made for the marketing of cattle, pigs, sheep and goats. Poultry is treated separately because the structure of this subsector, the scale of operation and methods of production are distinctly different from larger farm animals.

The various operations involved in livestock production and marketing could be performed by one farm and in many countries mixed farming, i.e. grain-livestock, is common place. Alternatively, **breeding, fattening, slaughtering and packing** can be undertaken by specialised farms and other forms of agribusiness.

Producer attempts to adjust livestock production in keeping with demand often result in adverse market effects. The problem for livestock farmers is the inevitable lags, between changes in demand and adjustments to supply. In order to expand meat supplies in response to anticipated increases in demand, livestock producers must channel animals into the breeding herd rather than the market. This pushes up meat prices over the short run. Conversely, when prices fall farmers try to reduce production levels by selling off animals. The sell off increases meat supplies and further reduces prices over the short run. Profits are further squeezed by the increase in costs in the form of additional storage and interest charges. This practice of adjusting future production according to present day prices, results in marked output and price peaks and troughs. Periodically livestock prices drop below production costs and this retards the industry since producers become discouraged.

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