

- Small-scale farmer marketing series •

# AGRICULTURAL MARKETING



DEPARTMENT: AGRICULTURE  
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For further information contact:

Directorate: Domestic Marketing

Tel: +27 (0)12 319 6354

Fax: +27 (0)12 319 6169

E-mail: [Lulaman@nda.agric.za](mailto:Lulaman@nda.agric.za)

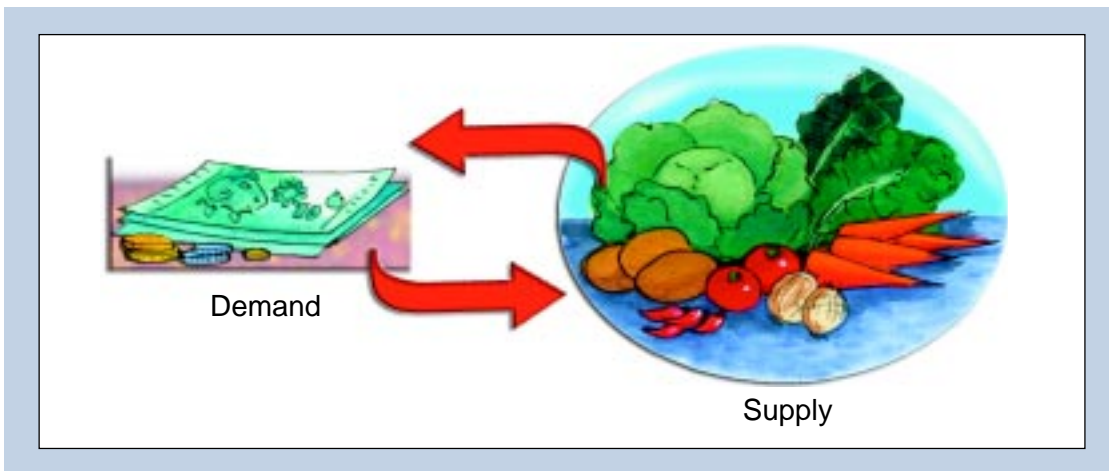
# Marketing

Production should be market oriented. This means that you should find out what the consumer wants (demand), then produce (supply) that product and sell it at a profit.

## Demand and supply

**Demand** is how much consumers are prepared to buy at a certain price.

**Supply** is what producers are prepared to sell at a certain price.



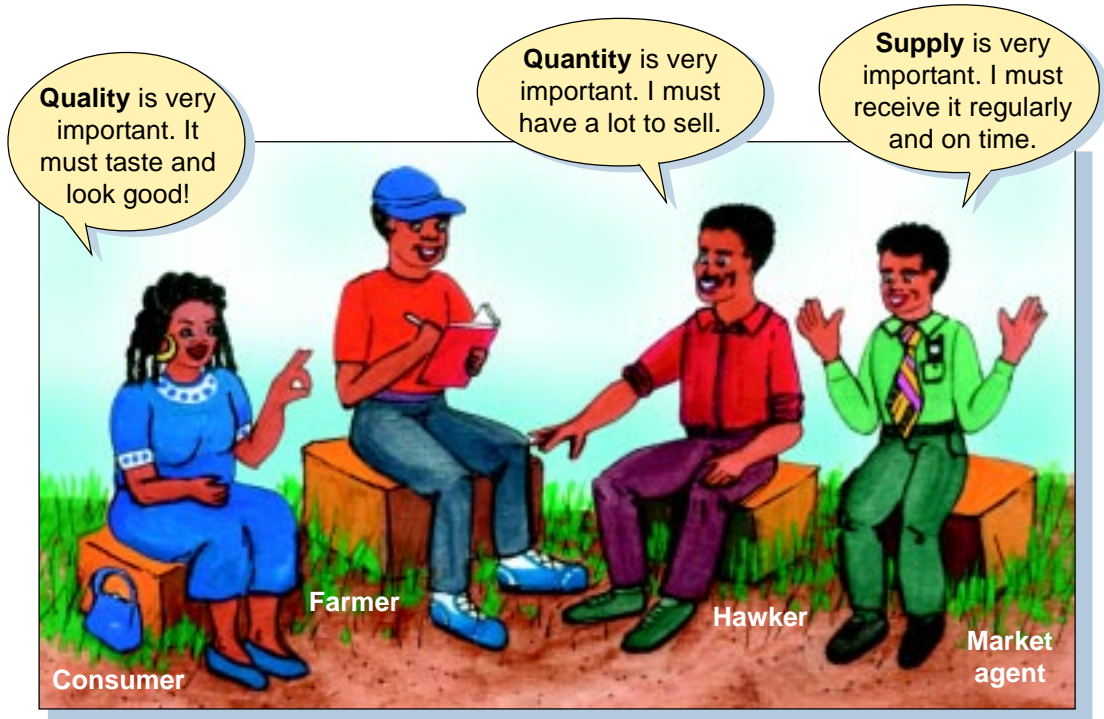
When the price goes up consumers will buy less, but when the price is low they will buy more or a bigger variety of products.



# The marketing process

## Step 1

Identify consumer wants and preferences by doing **market research**.



## Step 2

Identify which of these commodities are suitable for you to produce.



### Step 3

Plan the production of the product.



### Step 4

Plant the crop and harvest when it is ready.



**Produce the crop**



### Step 5

Choose the marketing channel that suits you best and where you can make the most profit.



**Sell the produce at a profit**

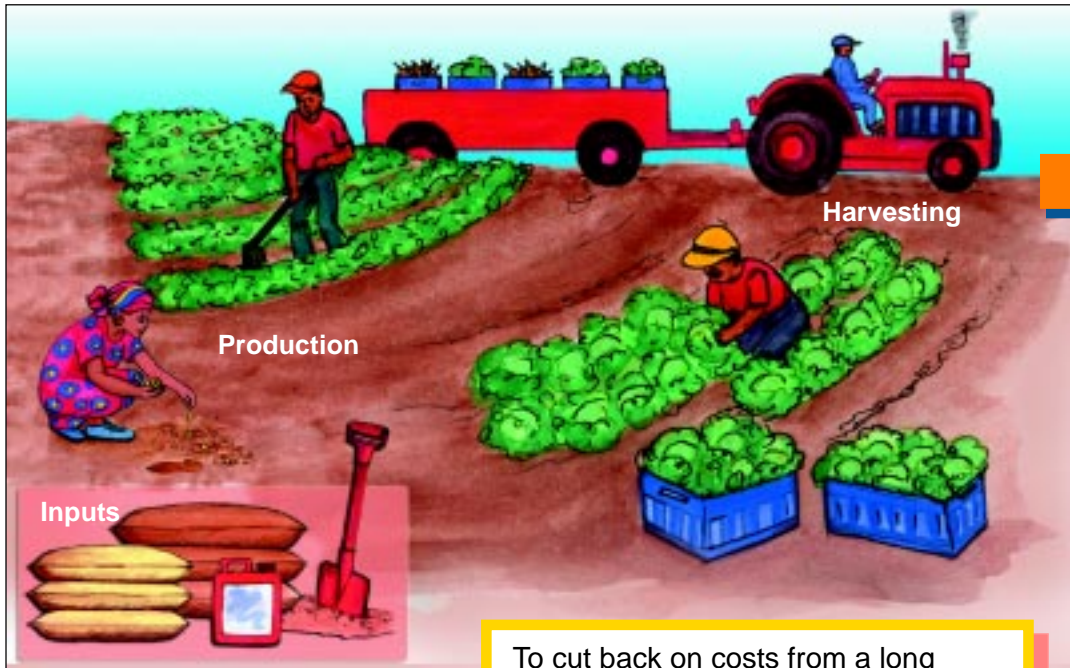
# The marketing chain

The marketing chain consists of a series of activities to get the product from farmer to consumer.

- You can benefit by adding value to the products to increase your own profit by being involved in the washing, packaging, storage, processing and retailing.

## Production and harvesting

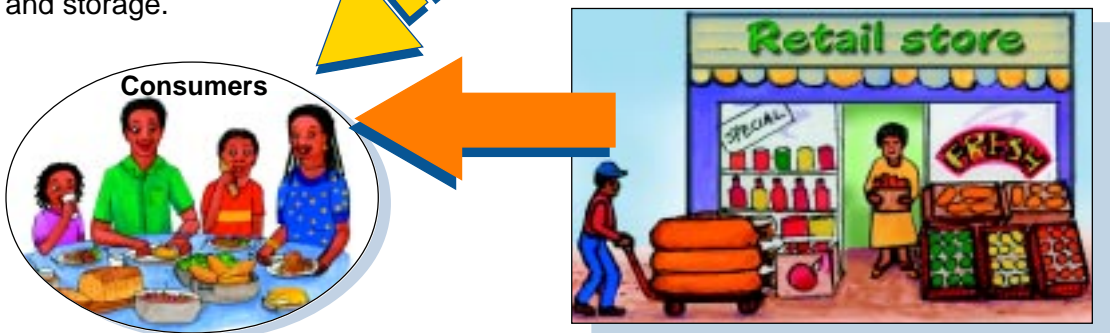
Production costs include seed, fertiliser, pesticides, implements, tractors, fuel, labour, etc.



To cut back on costs from a long marketing chain you can use a shorter channel by selling directly to the consumer.

## Retailing

Retailing costs include transport, advertising and storage.



## Storage and packaging

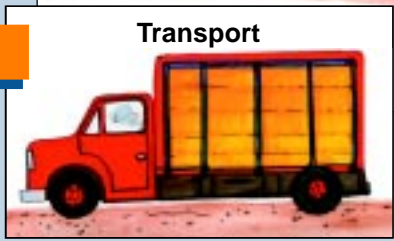
Packaging costs include grading, packaging material, labour, storage, insurance, etc.



Value adding by packaging and storage until the prices are more favourable generates more income.

## Processing

Processing costs include equipment, transport, packaging, additives, labour, electricity, etc.



Value adding by processing generates more value per product and therefore increases income.

# Alternative marketing channels

## Farm-gate marketing

The farmer sells products directly to buyers.

### Advantages

- No transport costs

### Disadvantages

- Low prices



## Village marketing

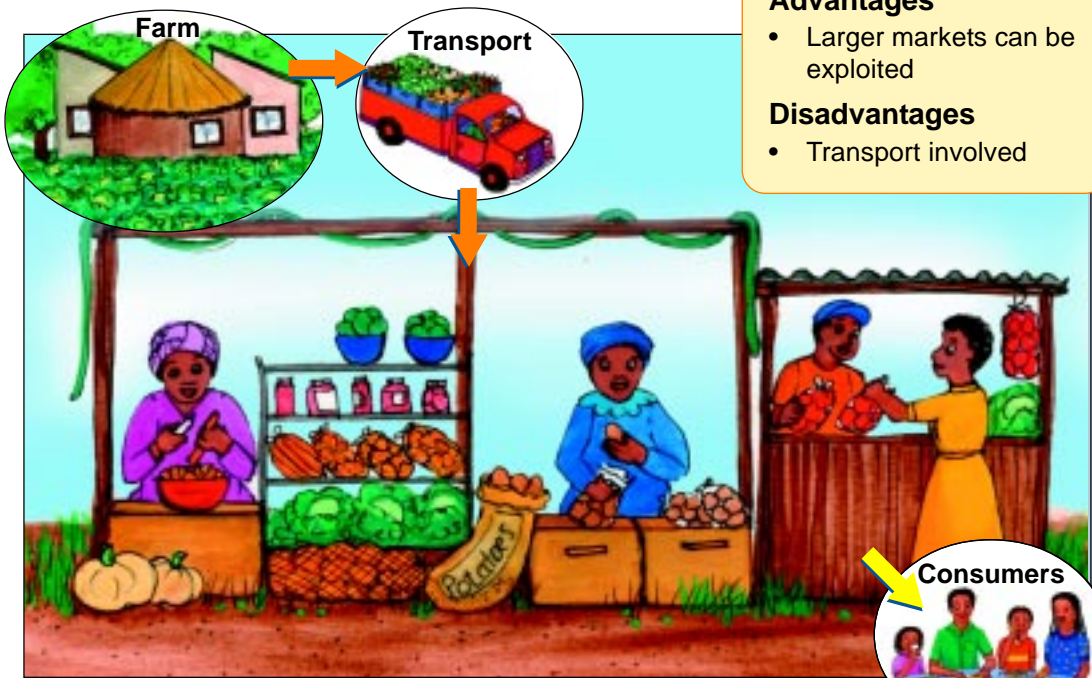
The farmer sells to the consumer or hawkers.

### Advantages

- Larger markets can be exploited

### Disadvantages

- Transport involved



## Fresh produce markets

Sales are done by market agents on behalf of the farmer on a commission basis. Quality, packaging and presentation are very important and produce must conform to accepted grading and packaging standards.



### Advantages

- Higher prices
- Large quantities

### Disadvantages

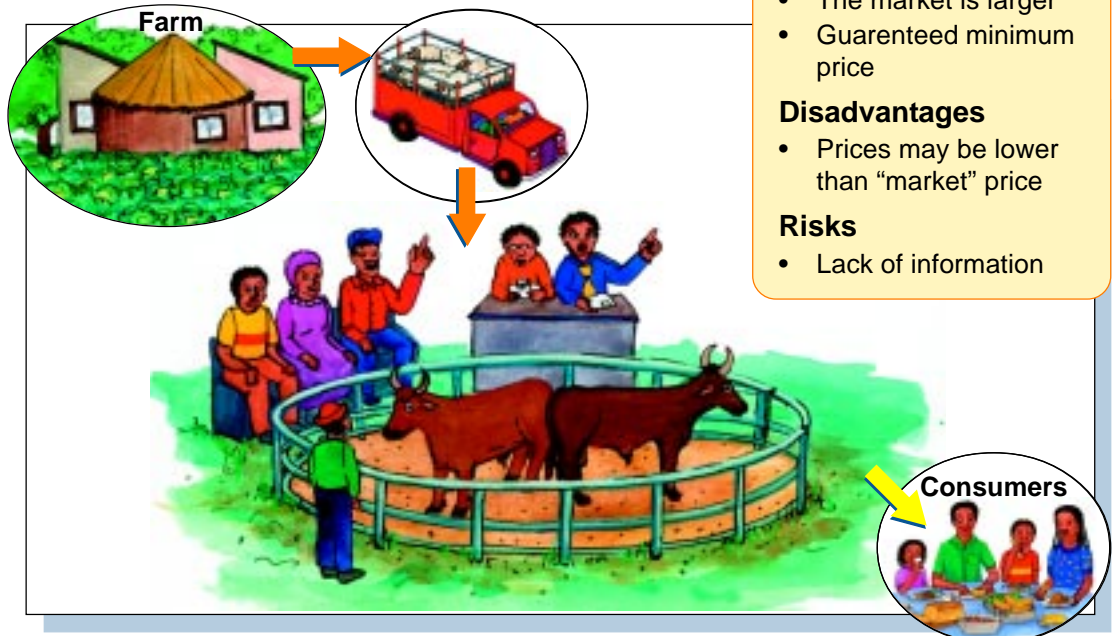
- Transport costs
- Higher marketing costs

### Risks

- Lack of information

## Auction pens for livestock

Auction pens provide a marketing service to livestock farmers.



### Advantages

- The market is larger
- Guaranteed minimum price

### Disadvantages

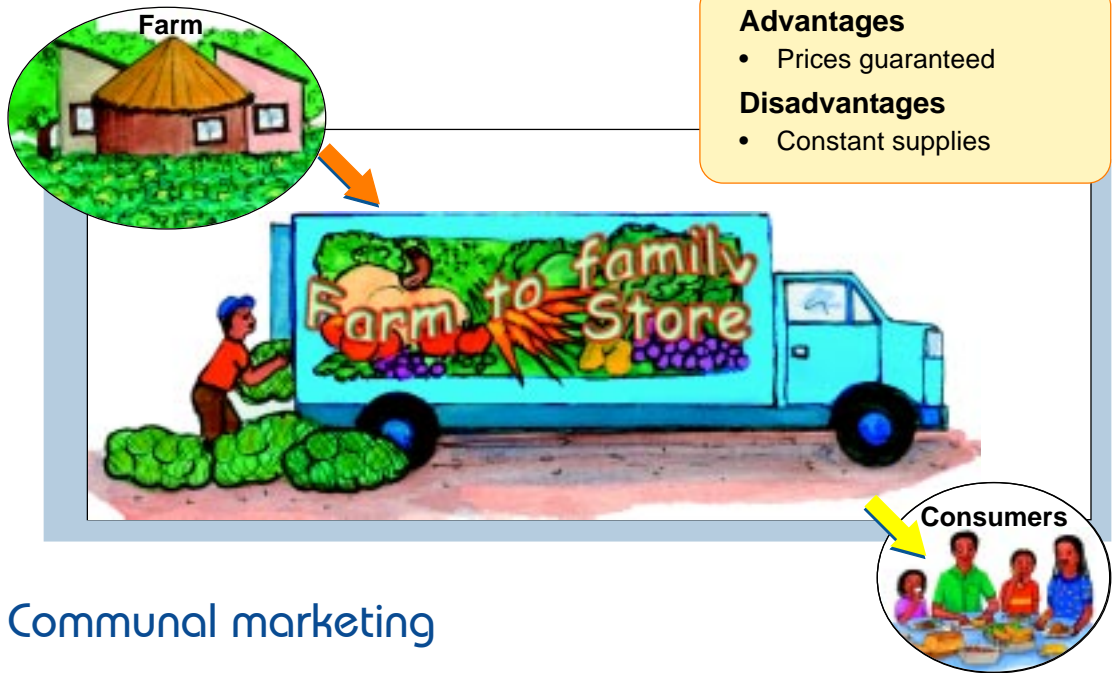
- Prices may be lower than "market" price

### Risks

- Lack of information

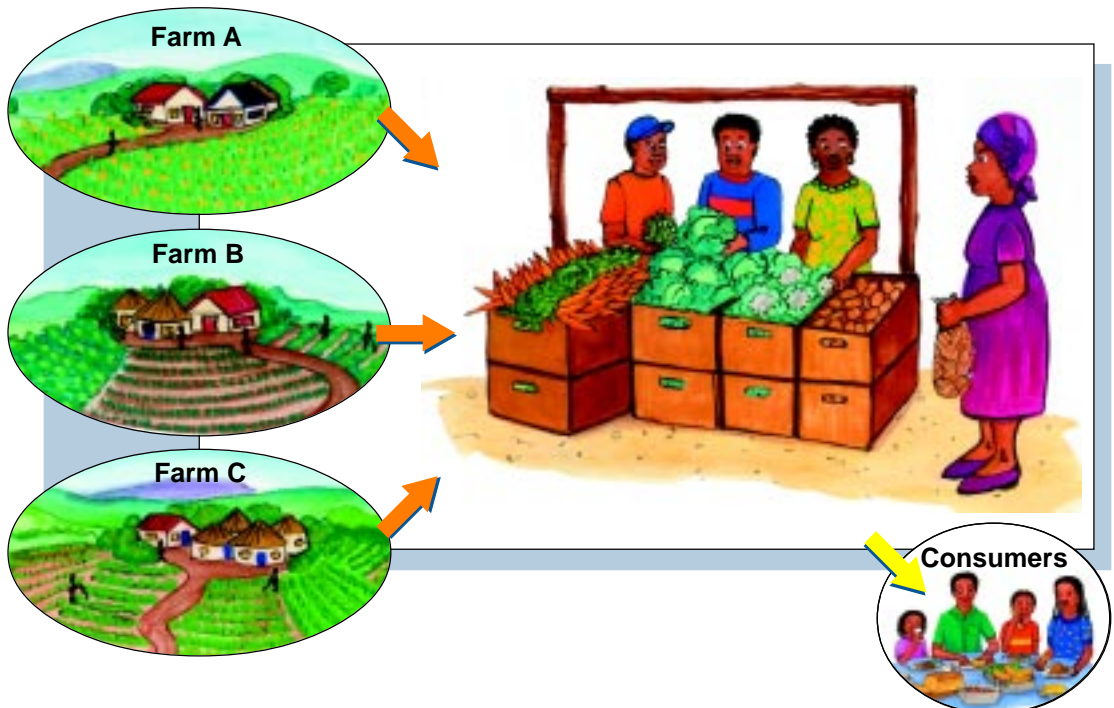
## Contract marketing

The farmer sells directly to the retailer on a contractual basis. Quality, quantity and delivery times are very important.

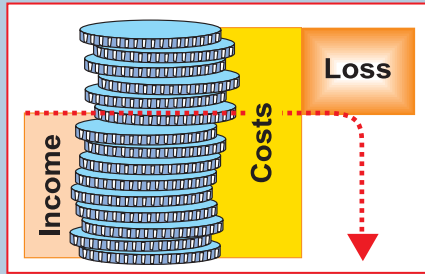
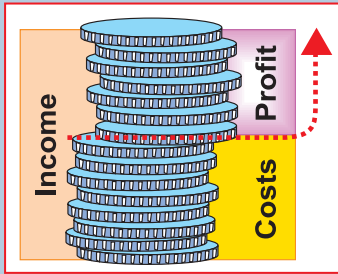


## Communal marketing

A farmers' association jointly markets the crop on a formal market.



# How to calculate profit or loss



Seed.....	R200
Fertiliser.....	R550
Labour.....	R1 000
Implements.....	R2 000
Bags.....	R200
Pesticides.....	R250
<b>Total costs...</b>	<b>R4 200</b>
Income.....	R7 850
<b>Profit.....</b>	<b>R3 550</b>

The relationship between costs and price = profit or loss.

## Useful contact information

### **Department of Agriculture**

Tel: (012) 319 6000  
<http://www.nda.agric.za>

### **National Agricultural Marketing Council (NAMC)**

Tel: (012) 341 1115  
<http://www.namc.co.za>

### **Agricultural Research Council (ARC)**

Tel: (012) 427 9700  
<http://www.arc.agric.za>

### **Land Bank**

Tel: (012) 312 3600  
<http://www.landbank.co.za>

### **Department of Trade and Industry (DTI)**

Tel: (012)  
<http://www.dti.gov.za>

### **CSIR**

Tel: (012) 841 2649  
<http://www.csir.co.za>

### **Rutec**

Tel: (011) 832 1036  
e-mail: [Rutec@iafrica.com](mailto:Rutec@iafrica.com)