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## AGRICULTURAL MARKETS FOR THE SMALL AND THE MEDIUM ENTERPRISES

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**Abstract:** In many countries, and virtually every less developed country (LDC), agriculture is the biggest single industry. Agriculture typically employs over fifty percent of the labour force in LDCs with industry and commerce dependence upon it as a source of raw materials and as a market for manufactured goods. Hence many argue that the development of agriculture and the marketing systems, which impinge upon it, are part of the heart of the economic growth process in LDCs. Moreover in LDCs the consumer frequently spends in excess of fifty percent of the household's income on basic foodstuffs - much of which is inadequate both in quality and nutritional content. By contrast, the americans spend approximately twelve percent of their total disposable income on food. In Western Europe the figure ranges from about sixteen to nineteen percent of disposable income. Furthermore, whereas in developed countries the poor are relatively few in number, and therefore it is economically possible to establish special food distribution programmes to meet their needs, the scale of poverty in most LDCs is such that the commercial marketing system must be relied upon to perform the task of food distribution to poor and not-so-poor alike. This being so, it is imperative that the marketing system performs efficiently.

**Keywords:** agricultural and food marketing

## INTRODUCTION

Economic development itself provides the impulse towards more sophisticated and more efficient marketing systems. Dixie<sup>2</sup> suggests that as countries experience economic growth, their rate of urbanisation tends to increase substantially. Whereas the rate of population growth, in developing countries, averages around three percent per annum, their cities and towns are increasing their populations at about four percent per annum. In essence, this means that the number of people, in urban areas, needing to be fed by rural people, will double within sixteen years. This has clear implications for agricultural production and the marketing systems that direct the production and distribute the output to the points of its consumption. Subsistence farming is likely to diminish in importance as farmers respond to the increased opportunities that development and urbanisation create; farms are likely to decrease in number whilst increasing in size; and agriculture will probably become less labour intensive and more capital intensive.

Another development which has in recent times increased interest in marketing practices is the trend, in many developing countries, towards market liberalisation as part of economic structural adjustment programmes (ESAPs). The view that direct and indirect government participation in production and distribution had brought about structural distortions in economies has become widely accepted. Measures intended to correct these distortions include a return to market prices for all products and resources, the encouragement of a competitive private sector and the commercialisation, and sometimes privatisation, of all or some of the functions of marketing parastatals. All of this requires a better understanding of marketing practices and processes within the country implementing ESAPs, in general, and within the agricultural marketing parastatals affected, in particular.

## LITERATURE REVIEW

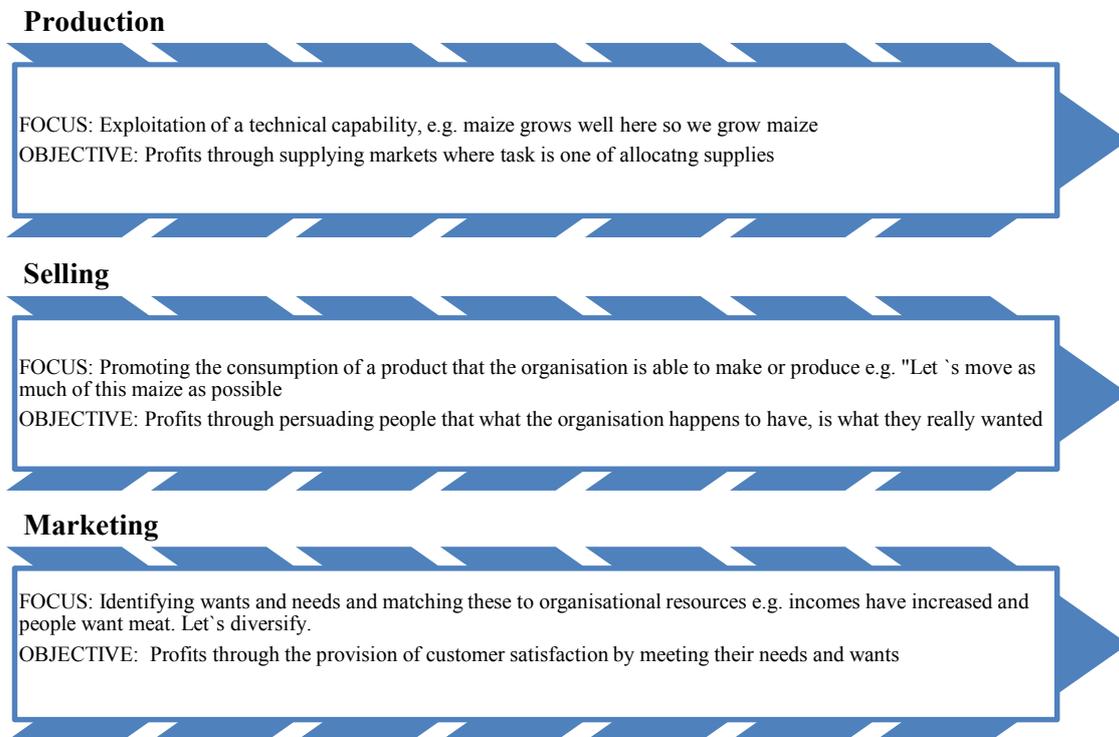
### **The importance of agricultural and food marketing to developing countries**

So far this discussion has been set in the context of commercial marketing but social marketing should also be acknowledged. Social marketing identifies human needs in non-competitive economies and/or sectors of society and defines the means of delivering products and services to meet these needs. The marketing mix of social marketing strategies is evaluated using quite different criteria from those employed in assessing purely commercial marketing strategies. Criteria such as the percentage of the target population reached with the technology, products, processes or services, quantities produced and distributed and uptake of the product, service or technology are more often employed. Benefits are measured in terms of development goals, such as improved nutritional status or increased rural incomes. The use of economic criteria is usually limited to the latter and to selecting the least-cost strategy to achieve a quantitative goal. However, the criteria used to evaluate commercial marketing strategies should not automatically be eliminated, because these improve the efficiency of some aspects of social marketing strategy without preventing the attainment of social objectives.

### **The marketing concept and marketing systems**

This definition promotes a customer orientation and since the organisation's long-term objectives will include its own continued existence it takes account of the need for sustainability. Moreover, this definition of the marketing concept does not preclude non-profit making organisations. Marketing is just as relevant to development projects, aid agencies, extension service organisations, and the like, as it is to commercial enterprises. Thus the marketing concept is that an organisation achieves its goals through the provision of customer satisfaction. Put another way, marketing is the integrative force that matches production to

customer needs and satisfaction. Marketing is not an activity to which an organisation turns its attention at the end of the production phase of operations. Rather marketing needs to be directing production in accordance with clear signals from the marketplace as what is needed by customers.



**Fig. 1.** Alternative business philosophies

Selection of target markets for agri-products is important. The features of the ideal target market segment are as follows:

- there are unmet needs which the company can successfully satisfy;
- consumers are solvent;
- at present, the market segment is highly absorbable;
- there are opportunities for further growth of sales;
- the market segment is not the subject of commercial activity by competitors.

The choice of the target market segment requires prior exploration and gathering of information about possible market segments about: current and predicted volume of sales in value terms; The expected growth rate of the sale; The expected amount of profit; The level of competition; Requirements for marketing and advertising channels, etc.

As a result of the analysis and comparison of the individual market segments based on the listed indicators, this segment of the market should be chosen as follows:

- the highest level of current and forecast sales, ie at present there is sufficient absorption;
- a higher profit rate, which means that it provides opportunities for further growth;
- low competition;
- simple requirements for marketing channels.

Once the company has found its attractive segments, it has to really determine which of the segments best corresponds to its strong business and experience and there to direct its efforts. A prerequisite for selecting a target market segment for a firm is to be attractive in

itself as a characteristic and a sufficient condition - to match the strengths of the company's business. In relation to the concept of "target market", there are also the terms "market window" and "market niche".

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The market window is a segment that is overlooked by both manufacturers and retailers. The market is flooded with goods, but any of the consumers can't find what best fits their preferences and desires. This is not a deficit, but an absence of goods that meet the requirements of consumers. The manufacturer or retailer, who is focused on such a market segment, is going to have great success. For this purpose, it is necessary to develop a specific product or service for matching the needs and desires of this market segment that no one is currently working on. This is the easiest and most effective way to create a niche market.

Market niche is a segment that most closely matches the product or experience. A large business can target multiple target markets or market windows simultaneously. In most cases, it turns out that her products are doing well only on one or two of them. There, the firm provides itself with a dominant or stable long-term position, regardless of the competition efforts. Such segments are said to form the niche market niche of the company. Of these, most of the company's profits come and they are a guarantee of its stability.

### **POSITIONING THE AGRO PRODUCT ON THE MARKET**

Market segmentation and product positioning are interconnected. Market segmentation provides the starting point for creating and producing the product that best fits the needs and preferences of the targeted target market. Positioning is related to the mere imposition of the product as best suited to these needs and preferences. Segmentation provides ideas for the features that a product or service should have in order to best meet the needs of users in the selected market segment. Positioning convinces consumers that they already offer the product they want the best. Market segmentation is a marketing activity involving data collection, analysis, evaluation and a proposal for target market selection. Positioning includes the whole set of marketing-mix elements to convey to the user that it is a different product than the one created specifically for him. This means to differentiate the product from competitors in the market and to present it as best satisfying the preferences of the target market segment.

Product differentiation is one or two indicators of material (visible) or non-material differences between the company's product and the competing products on the market.

Positioning is the creation of an appropriate product idea among users in selected market segments, achieved through an appropriate mix of marketing strategies and programs.

Positioning includes the following main activities:

- Choosing a way out of the market. There are several ways to get out of a market. The first way is by buying shares or shares of other companies. The second way is through proprietary development. This is recommended when the company is convinced that it is able to become a market leader. However, this means large financial costs and risks. The third way is, cooperation with other companies. This option offers a number of advantages: the possible losses in case of failure are shared among the partners and thus the risk for each individual company is reduced; The best forms of cooperation are not only complementary and complementary but also synergic.

- Choice of marketing tools;
- Choose time to market.

The solution to the issue of own positioning is related to a preliminary study of how its competitors have done and what their position on the market is. Considering the positions of competitors, the firm can judge what place to claim. There are two main options:

- to position itself together with one of the existing competitors and to start a fight for market share;

- develop a product with certain characteristics that is not yet available on the market.

The first option can be applied in the following cases:

- the company has the ability to construct and produce products better and superior to those of competitors;

- the market is large enough to accommodate two conquerors;

- the company has a lot more resources and / or experience than the competitor, and this selected market segment is the most responsible for its strong business (ie a niche market for the company).

The second option is attractive as an idea but can be applied under the following conditions:

- the company is in a position (as technical capabilities) to create it;

- it is economically appropriate to create such a product within the planned price level;

- has potential users ready to buy the new product.

The choice of product positioning option also depends on the prospective profits and the risk mitigation options calculated for both variables. Competitive positioning can be ensured through better product features, appearance, gauges, price, and more.

## **SELLING ARRANGEMENTS BETWEEN CO-OPERATIVES AND THEIR MEMBERS**

A principal policy question in co-operatives is the procedure to be used in selling members' produce. The alternatives are: outright purchase from members, or sale on commission.

**Outright purchase:** In this case members are paid for their produce, at prices fixed by the co-operative, at the time of delivery, and the co-operative takes title to the produce. The co-operative then resells the produce at the most advantageous terms it can secure. Profits made on the transaction will be used first to meet the operating expenses, any surplus balance being used or distributed by decision of the General Meeting. This approach requires the co-operative to have high levels of funds available. Since, in the case of seasonal crops, a lot of produce is being offered within the immediate post harvest period, a serious adverse cash flow situation can arise. This can be alleviated by a two-stage payment system whereby members are paid part of the sale price at the time of delivery, and the balance after the co-operative has resold the produce.

The main objection to outright purchase is that the co-operative carries all of the post harvest risks including: fall-off in demand, price fluctuation, reduction of produce value due to down-grading, deterioration giving rise to loss of quality and so value, failure of transport arrangements, spoilage, fire and theft. Some of these can be covered by insurance but most cannot. Generally, this method is only acceptable where the risks incurred are limited and can be reasonably well assessed. For example, where forward contracts have been negotiated. These risks being taken into account, outright purchase has the advantage of permitting the co-operative to add value to the crop and thereby add to the profits of its members. There are three principal ways in which a co-operative might add value to the commodity.

Produce can be stored for sale at a later date when prices have improved

Value can be added through primary processing of the crop. Cotton ginning is a good example of relatively simple and inexpensive process which is best done close to the fields.

The value of baled ginned cotton, is normally considerably more than the sum of the value of the raw cotton plus the cost of ginning. And there is the additional value of the cotton seed

Opportunity for adding value exists in the packing and presentation of the crop, or in the case of livestock, improvement in condition or quality before sale. Graded, washed and well packed fruits and vegetables can attract wider markets and premium prices.

There is a *caveat* which ought to be added. Whilst price advantages gained by adding value are of direct benefit both to the co-operative as a whole and to individual members, the additional investment needed to capture the additional return, can be prohibitive. Apart from the risks incurred, outright purchase, storage, packing, processing, transportation, marketing etc., require substantial financing. Moreover, these more complicated operations call for a high level of management skill and judgement, which is frequently a scarce resource.

**Sale on commission:** This far simpler, virtually risk-free, operation leaves the co-operative as the producers' agent with no legal title to the goods. All attendant risks therefore remain with the individual producers. The co-operative collects produce from members and sells in the most advantageous markets. It then deducts a commission at a previously agreed rate from the sale price. The co-operative meets the cost of its expenses from its commission income. With the sale-on-commission system the co-operative avoids the need to finance crop buying and it minimises its risks. In addition, much simpler operating procedures are required and expenditure can be more accurately matched to anticipated income.

The main disadvantage of sale-on-commission is that neither the member nor the co-operative is able to exploit possible price improvement. Another is the possible delays in the producer receiving cash for his crop. No payment will be made by a co-operative until it has been paid by the customer. Apart from the time taken in an 'open market' for crops to be sold, it is by no means unknown for parastatal agencies to be dilatory in paying-out for produce received from co-operatives.

## CONCLUSION

In conclusion, we can summarize that buying a product or service is not a separate action but a process. There are five stages in the purchasing decision process: finding the problem; Searching for information; Evaluating alternatives; Purchase decision; Post-purchase behavior. For the most part, consumer behavior is evident. Users learn from their previous experience. Loyalty to a particular brand is related to the learning process. Many aspects of the behaviors of buyer organizations are different from consumer behavior. Some key differences are: the characteristics of the search, the number of potential buyers, the purpose of the purchase, the purchase criteria, the size of the order, the interaction between the seller and the buyer, as well as the influence of the other business organizations.

Aggregate segmentation and product positioning are interrelated activities aimed at one goal - orientation towards the right customers and offering them the product in the most appropriate way.

**1. Risk bearing:** In both the production and marketing of produce the possibility of incurring losses is always present. Physical risks include the destruction or deterioration of the produce through fire, excessive heat or cold, pests, floods, earthquakes etc. Market risks are those of adverse changes in the value of the produce between the processes of production and consumption. A change in consumer tastes can reduce the attractiveness of the produce and is, therefore, also a risk. All of these risks are borne by those organisations, companies and individuals.

Risk bearing is often a little understood aspect of marketing. For example, when making judgements as to whether a particular price is a 'fair price' the usual reference point is the producer or supplier's costs. However the risks borne are rarely taken into account by those passing judgement and yet, almost inevitably, there will be occasions when the risk

taker incurs losses. Stocks will spoil, markets will fall, cheaper imports will enter the country, consumer tastes will change, and so on. These losses can only be observed if adequate surpluses were generated in previous periods. Risk bearing must be acknowledged as a cost since what is uncertain is not whether they will occur, but when they will occur.

**2. Market intelligence:** As far as is possible marketing decisions should be based on sound information. The process of collecting, interpreting, and disseminating information relevant to marketing decisions is known as market intelligence. The role of market intelligence is to reduce the level of risk in decision making. Through market intelligence the seller finds out what the customer needs and wants. The alternative is to find out through sales, or the lack of them. Marketing research helps establish what products are right for the market, which channels of distribution are most appropriate, how best to promote products and what prices are acceptable to the market. As with other marketing functions, intelligence gathering can be carried out by the seller or another party such as a government agency, the ministry of agriculture and food, or some other specialist organisation.

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