



WE BELIEVE IN QUALITY WHICH LEADS TO RESULTS

AGRI SALES AND MARKETING



Prepared By Thomson Zulu

MBA, BSc Prod Mgt, KCN

Call Us on 0974847338 or 0965075873

Agricultural marketing

- According to Adi Godrej of Godrej soaps, “the real consumer is discerning and the rural market is vibrant. At the current rate of growth it will outstrip the urban market. The rural market is not sleeping any longer. We are.”
- “The real India lives in India.” “The wealth of India is under the pillow of the farmer” All smart marketers have revered to this gospel. They are Hindustan Lever, Godrej, Colgate – Palmolive, Nirma, Philips, Dabur etc.”
- Evolution of Rural Marketing
Phase I (Before Mid- 1960)
- Rural Marketing referred to marketing of rural products in rural areas and agricultural inputs in rural markets. The term rural marketing was used to refer to Agricultural Marketing.
- Evolution of Rural Marketing
Phase I (Before Mid- 1960) - continued
- Agricultural products like food grains, cotton, oil seeds, etc occupied the central place of discussion.. The marketing of agricultural inputs received secondary importance.
- The market for durable inputs like tractors, harvesters, threshers,, power tillers, oil engines, etc was on a very negligible scale.
- Evolution of Rural Marketing
Phase I (Before Mid- 1960) - continued
- Unorganised market of local products like bamboo baskets, ropes, earthen and small agricultural tools like ploughs, etc was made in a general way.
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- Evolution of Rural Marketing
Phase II (Mid 1960 – 1990):
- Green revolution ushered in scientific farming practices and transformed many villages into prosperous centres.

- It increased the demand for better irrigation facilities, soil testing, high yielding varieties, tillers, harvesters,, etc.
- During this period, KVIC was established, which helped in developed village industries, handicrafts, hand looms, soaps etc.
- Phase III (After Mid 1990):
- During this phase, rural Marketing included marketing of house hold consumables and durable goods.

The reasons are:

- 1) Communication
- 2) Transportation
- 3) T V
- 4) PLC Extension
- Marketing of Agricultural Inputs
- Two categories :
- 1) Consumables
- 2) Durables
- Factors determining consumption of fertilizers
- Profitability of farming
- Availability of irrigation facilities
- Introduction of new technology
- Introduction of genetically modified seeds
- Availability of fertilizers
- Price of fertilizers
- Credit facility available

- Classification of Fertilizers

There are three groups of fertilizers depending on the nutrients they supply:

- Nitrogenous- N
- Phosphates - P
- Potassium - K

- Under Retention Price Scheme, if there is any short fall, the Government gives 'subsidy' to the manufacturers
- Retention Price is fixed by the Government after taking into account-Type of prod, cost , maintenance
- Defects in fertilizers marketing
- Inadequate sale points, specially at hill and desert areas
- Inadequate supply
- Not stocked in time
- Adulteration
- Under weights
- High pricing in seasons
- Force to buy another kind of fertilizer

Ex: While buying Nitrogenous fertilizer, forced to buy 'phosphates'

Lack of credit facility

Inadequate information

- Suggestions for better fertilizer marketing
- 1) Need for increasing number of sale points specially in hilly and desert areas
- 2) need for proper distribution arrangements, involving a combination of cooperatives, government and private agencies

- 3) sale points – Agro-service centres- to give advice to the farmer
- Suggestion - continued
- 4) For preventing loss, there is a need for improving packing
- 5) Need for linking credit with supply
- 6) Offering of smaller packets of 5 to 10 kg.
- 7) Testing of fertilizers at different stages for preventing under weights and adulteration
- 8) minimize number of brand names
- Ten point programme suggested by the Ministry of Agriculture
 - 1) Massive demonstration for specific commodities like cotton, oilseeds, jute, sugarcane, etc
 - 2) Training of village workers, salesmen and farmers
 - 3) Organization of fertilizer festivals
 - 4) Strengthening of soil testing labs
 - 5) provision of credit facilities
 - 6) Provision of credit in kind as fertilizers
 - 7) Opening of more retail selling points
- 10 point program - continued
 - 8) Linking of commercial bank credit program with fertilizers on an area basis
 - 9) Provision of transportation and distribution of domestic and imported fertilizers
 - 10) Mechanized & semi-mechanized equipments for handling bulk fertilizers
- Promotion
 - 1) Creating brand image
 - 2) Inter personal and group contacts
 - 3) Mass media-a) Advertisements in vernacular language

- b) Literature on crops, pamphlets, folders
- c) Radio
- d) *Krishi darshan* programmes
- e) Hoardings, posters, paintings,
- f) free soil testing and explain the type of fertilizer required
- g) adopting villages
- Rural Demand and Rural Market Index
- Hierarchy of markets
- Rural people recognize different market places for purchase of different products and services. This is termed as Hierarchy of markets for rural consumers
- The markets identified by them are as follows:
- Village shops
- Shandies, *Jathras or Melas*, Haats
- Primary wholesale assembling markets
- Secondary wholesale assembling markets
- Terminal markets
- State capitals, metros and cities
- hierarchy of markets for rural consumers
- .
- THOMPSON RURAL MARKET INDEX
 1. Area of the district in sq km
 2. Demographics Population
 3. Males: No
 4. Females: No

5. Density per sq km

6. Percentage distribution of population by population strata

● THOMPSON RURAL MARKET INDEX

7) No of Villages

8) % distribution of villages by population

9) Literate: Rural No.

10) % of literacy

11) Literate: males

12) Literate: females

● THOMPSON RURAL MARKET INDEX

13) Occupational Pattern Cultivators: No.

14) Agricultural labourers

15) Non - agricultural labourers

16) Agricultural Related Data Gross cropped area in hectares

17) Gross irrigated area in hectares

18) Area under non-food crops in hectares

● THOMPSON RURAL MARKET INDEX

19) Average size of operational holdings in hectares

20) Agricultural Inputs data Pump sets and tube wells : No.

21) Fertilizer consumption in metric tonnes

22) No. of tractors

● THOMPSON RURAL MARKET INDEX

23) Rural Electrification data % of villages electrified

24) Commercial banks Data No of rural branches

25) Deposits in Rs. in lakhs

26) Advances in Rs.in Lakhs

- THOMPSON RURAL MARKET INDEX
- Any positive change of these variables will have increase in the value of agricultural output
- Other variables which can be considered—road length, Railway lines, no of post offices, no of two wheelers, no of television sets, etc
- Marketing of Seeds
- *Reap as you sow*
- Seed business is a business of trust
- Seed is an important input
- Farmers retain a part of their produce for seeds in next season
- Production of quality seeds

Seeds are produced in 3 stages-

- Breeder seeds
- Foundation seeds
- Certified seeds
- Seeds- 3 stages
- Breeder seeds :

The production of breeder seeds is organized by Indian Council of Agricultural Research- ICAR

- Foundation seeds :

The breeder seed is multiplied into foundation seed by NSC, SFCI and SSCs. Even private seed producers have entered into this line

- Seeds 3 stages- continued
- Certified seeds :

The foundation seed is supplied to selected farmers for multiplication into what is called the certified seed.

The certification agencies keep a watch over these plots and test in the labs.

- Seed processing, packing and storage
- Seeds are purchased by the registered seed growers.
- Seeds processing- 5 steps
 - a) Extraction
 - b) Drying
 - c) Purification
 - d) Treatment
 - e) Packing – a label is put on each bag
- Quality Control and Certification
- Indian Seeds Act, 1966 has come into force from 1st October, 1969
- This act aims at two pronged attacks viz., Compulsory labeling and voluntary certification
- Seeds marketing and distribution
- Complicated
- Seeds should reach the farmer in time.
- Seeds produced in one season are supplied in the following season
- Delay in supply affects germination percentage
- Seeds are supplied by cooperatives and private traders
- National Seeds Project
- Government of India in collaboration of World bank launched National Seed Project in October, 1976
- Components of National Seeds Project are as follows:

- Components of National Seeds Project are as follows:
- Development of farms for production of foundation and breeder seeds
- Setting up of seed processing plants for foundation seeds
- Construction of specialized seed stores
- Building up of buffer stock of good quality seeds
- Components of National Seeds Project - Continued
- Strengthening of seed certification agencies and setting up of seed testing centers
- Strengthening of universities' farms for production of breeder seeds
- Establishment of state seed corporations
- Creating of training facilities for seed technology and marketing
- Institutions in supply and marketing of seeds
- NSC
- SFCI
- SSCs
- National Seeds Corporation- NSC
- was established in March, 1963
- under Min of Agriculture of GoI
- leader to develop seed industry
- contributes to share capital of SSCs
- coordinates production of seeds in collaboration with ICAR
- conducts market research and sales promotion
- Training staff
- Maintaining reserve stock of seeds
- Certification

- Export marketing

- Functions of NSC

1. Establishment of strong seed production industry
2. Produce foundation seeds based on breeder seeds evolved at research stations
3. Establishing of seeds processing plants
4. Imparting technical training and extension education of farmers
5. Enter into contracts for distribution and selling of seeds
6. Undertake by means of quality control measures in all phases of seed business, in cooperation with SSCs

- NSC produces and markets certified seeds of rice, maize, jawar, bajra, jute, fodder crops, vegetable crops, etc

- NSC strengthens marketing by introduction of dealer system and helps in development of export market also

- State Farms Corporation Of India

- Established in 1969 under Companies Act, 1956

- For running agricultural farms for production of seeds of food grains, fibre crops, fruits and vegetables

- Operates in collaboration with SSCs

- Contributes to the share capital of SSCs

- Consultant to universities

- One unit is in Raichur

- State Seeds Corporations

- In 13 states for widening network of production and distribution of seeds

- SSCs are concerned with-i) Production,

ii) Processing, iii) Storage and iv) Marketing

- Demand for seeds
- Seeds are required for 190 million hectares of gross cropped area
- Demand is recurring , seed is produced for the next season
- Inelastic demand for price, as it is an indispensable input
- Dependence on certified seeds is increasing. Farmers own retained stock is limited
- Area under H Y variety seeds of food grain crops in 1995-96 (in lakh hectares)

Paddy	332
Wheat	232
Maize	35
Jawar	90
Bajra	69

The demand for quality seeds is more for pulses, oilseeds, fibres, vegetables, fruits, flowers

- Pricing of Seeds
- Ordinary seeds are marginally higher than grain price
- H Y seeds are much higher
- Prices are announced by the Government
- Plant protection chemicals

There are 79 licensed manufacturers of technical grade material, out of which 51 are active, nearly 10 (out of 51) account for 50% of the production

All manufacturers and formulators register with Central Insecticide Board under Insecticide Act, 1968

- Nearly 50% of the sale points of agro- chemicals are in 5 states (A P, U P, Gujarat, Tamil nadu and West Bengal) –as the consumption is more
- State wise consumption of Agro chemicals

● Crop wise Agri- chemical consumption

CROP	Proportion of area total area(%)	Consumption to total (%)	under cultivation to
1. Cotton	05.0	27	
2. Rice/ paddy	24.0	27	
3. Plantation crops	00.5	15	
4. Vegetables	01.7	12	
5. Sugarcane	01.8	04	
6. Oilseeds	10.0	04	
7. Wheat	10.0	03	
8. Others	47.0	08	

● Cattle, Poultry and Aqua feeds

● Many companies are active in this area

● Important ones are- Hindustan Lever and Godrej Agrovet

● Operation Flood – gave boost to milk production

● Venkateshwara Hatcheries, Deejay Hatcheries - supply one day old chicks for eggs and broilers

● Acqua farms – for breeding and harvesting shrimps

All these have export potentialities

■ Rural market Environment

■ To exploit rural market potential – need to understand rural market in terms of population, occupational pattern, income generation, marketing, communication, buying behaviour- this helps in evolving strategies

■ Population

■ Major portion – 70 %

- For every urban, there are three rurals
- % is decreasing, but in absolute number, it is increasing
- Increase in rural population
- % decrease in rural population
- .
- Population does not automatically guarantee a market
- It should be backed by income
- Occupational Pattern
- About 50% - own land or lease land for cultivation
- 27% - agricultural labourers
- Others are petty shop keepers, salary earners, teachers, village level officials
- Location of Rural Population
- Vastness - in terms of area
- Urban Market – located in 3,697 places – Metros, Cities, Towns
- Rural – 5,80,779 villages
- Location of Rural Population
(Census 1991)
- Location of rural population
- .
- Village are not uniform in size
- Challenge to Marketing men
- Nearly 42% of Villages - less than 500 persons or about 100 households
- Expenditure Pattern
- National Sample Survey Organization conducts consumer expenditure surveys.

- Some – do not spend on items like footwear

On rural food expenditure –

- Rs. 121.78 (Rural)
- Rs 165.46 (Urban)

On non-food items

- Rural Rs 67.68
- Urban Rs 132.54
- Total Consumer expenditure

Rural Rs 189.46

Urban Rs 298.00

Demand for urban - superior durable goods like automobiles, washing machines, watches, TVs

- Rural Expenditure – on mopeds, bicycles, electrical goods, hand wound watches. Etc
- Literacy level in 1991

Urban literacy is 73%

Communication medium – TV

- Land Distribution
- 75% of Rural income is from agriculture
- Land distribution - uneven
- 75% of holdings account for 25% of land cultivated
- 25% - 75% of land
- Large groups demand tractors, etc
- All demand fertilizers, seeds etc
- Sub division and fragmentation is common in landed property
- Irrigation

- Nearly, 80% of area under wheat cultivation is irrigated
- 45% - rice
- 3% - cotton
- 20% - maize
- Development programmes
- Intensive Agricultural District Programme [IADP]
- Intensive Agricultural Area Programme [IAAP]
- High Yielding Varieties Programme [HYVP]
- Drought Prone Area Programme [DPAP]
- Small Farmers Development Agency [SFDA]
- Marketing of consumables and durables
- Clothing
- Rural people buy cloths/clothes of fast colour.
- There are typical regional preferences, for example, the rural people of Rajasthan like maroon colour.
- There are typical male and female preferences – the males of Maharashtra wear *dhoties*, shirt and *topi*
- There is no hope for MNCs selling their “honest shirts” in rural areas. They never buy a shirt of Rs 750; shoes costing Rs 2000
- High priced – not simply for rural
- Cannot afford them
- Maintenance of costly apparels in the dusty atmosphere is a problem
- There is no point in corporate firms trying to get in a big way there
- Even when the rural people buy costly clothes / cloths (sarees, dress for groom or bride) they buy traditional type like made in Benaras or the imitation there of
- Khadi and Gramodhyog clothes and other things are popular in rural India.

- Total sales of Khadi bhandar exceeded Rs 11,000 crores in India, more than that of HLL
- The bed sheets, blankets are different
- They consider city clothes as being immodest and cheaper
- They ask a question – “why do the city men cover themselves fully with socks to ties when they become rich and ladies wear less and less
- Shelter
- Mostly mud houses
- In some states like Punjab, Haryana, Kerala there is some semblance of the rural – urban continuum
- Farmers becoming rich convert their *kaccha* houses into semi- pucca or pucca houses
- Plastic products have made inroads in the rural houses
- Having brass and copper utensils is considered as auspicious
- Plastic furniture are used
- Have stone benches in front of their houses
-
- Electric items are used
- Bulbs, pumps, shigadi,
- get electricity free
- Even farmers of Haryana refuse to pay for electricity
- Education
- Many quacks
- Medicines - in Kirana shops
- One can get tablets for headache, fever, vomiting, stomach-ache and upsets, antiseptic creams
- PHCs - Government doctors – bare foot doctors

- II Consumer Durables

- Bicycles, radio, M cycle, moped, TV, Furniture, Sewing machine, Jeep, Old car

- Features

- Small packages and loose dispensations

- Imitations

- If someone notices the difference between two imitations, rural shop keeper offers two explanations:

- “oh, The firm was earlier owned by two brothers who are now separate and are producing and selling under slightly changed names.”

- “the producers are producing these cheap version for rural people cutting down on packaging costs to avoid taxes”

- The share of the rural market is about 50% in most of the consumer items

- The products in final stages of the PLC in urban areas, are growing in rural areas

- Ex: razors blades, shaving rounds, radio, mono tape recorders

- Growth

- During 1984 to 1989, the market for packaged goods showed a growth of 300% , at about 60% p.a.

- Factors contributing to the growth of RM

- Increase in productivity in agriculture and marketable surplus

- ... in rural dev programmes

- ... transportation and communication

- ...rural retail network

- ...TV channels

- Liberalized Govt policies

- Manufacturers - greater emphasis

- Rural entrepreneurship

- Revolution in packaging
- Changing life cycles
- Product
- Is there any need for redesigning or modifying products ?
- Or the same products can be sold?
- Answer – ‘Yes’ and ‘No’
- Paisa packs like 25 paisa tea, 5 gram Vicks veporub, 50 gms soap, Colgate ka chota pack, 1 Re shampoo, Vicks single pack tablets
- There is a need for redesigning or modifying
- Reasons: specific requirements, purchase habits, income levels, customs, beliefs
- TVS – Suzuki AX – 100 R – Rugged
- PVC footwear
- Rajdoot m bike
- Bajaj M-50
- Sometimes, the products designed for urban market found their entry in rural markets
-
- Imitations
- Pricing
- Crucial aspect
- Per capita income is low
- Distribution
- Take into account purchasing habits
- Hierarchy of markets – consumables are purchased in village shop, whereas durables from towns
- Distribution strategy

- HLL has recognized greater potential
- 'Operation Harvest" – for population of 2000 and above
- In 90's - 'Operation Bharat' - 1000 population
- 'Project Shakti' – 1000 persons
- Self Help Groups - SHG
- MBA – Fourth Semester
- 05 MBA MM 415
- Module 1
Introduction
- Definition
- Scope of rural marketing
- Concepts
- Components of rural markets
- Classification of rural markets
- Rural vs urban markets
- Module 2
Rural marketing environment
- Population
- Occupation pattern
- Income generation
- Location of rural population
- Expenditure pattern
- Literacy level
- Land distribution
- Land use pattern

- Irrigation
- Module 2
Rural marketing environment - continued
- Development programmes
- Infrastructure facilities
- Rural credit institutions
- Rural retail outlets
- Print media in rural areas
- Rural areas requirement
- Problems in rural marketing
- Rural demand
- Rural market index
- Module 3
Marketing agricultural input
- Consumable inputs
- Durable inputs
- Fertilizers
- Product, Price, Distribution, Promotion
- SWOT analysis of agri chemicals market – seeds, cattle, poultry, aqua feeds, tractors, power tillers, irrigation equipments, other farm machinery
- Module 4
Marketing of consumables and durables
- Product
- Price
- Distribution strategies
- Product redesign

- Modification needs
- Module 5
Marketing of agricultural produce and rural and cottage industry products
- Marketing of agricultural produce
- Regulated markets
- Formation of co operative organizations
- Contract farming
- Agricultural exports zone (AEZ)
- Marketing of rural / cottage industries
- Artisan products
- Module 6
Role of financial institutions in rural marketing
- Agricultural credit situation
- Types of credit
- Rural credit institutions
- NABARD – commercial banks – state co operative banks (SCB) – state co operative agricultural and rural development banks (SCARDB)
- Regional rural banks RRB – local area banks – flow of institutions credit to agriculture – kisan credit card scheme – impact on rural market
- Module 7
Role of co operative institutions in rural marketing
- Co operatives as organizations
- Structure of co operative organizations
- Types
- Share of co operatives in national economy
- Impact of co operatives on rural marketing

- Module 8

 - Rural marketing strategies

- Rural marketing segmentation

- Product strategies

- Pricing strategies

- Distribution strategies

- Promotion strategies

- Social marketing

- Case studies with Indian context

- Recommended Books

- Rural Marketing – T P Gopalswamy

- Rural Marketing – R V Baddi & N V Baddi

- The Rural Marketing Text Book – Pradeep Kashyap, Siddhath Rant –

- Reference Books

- Rural Marketing – Habeeb Ur Rahman

- Rural Marketing – Sukhpal Singh

- Rural Marketing – C G Krishnamacharyalu & Lalitha Ramakrishnan

- Agricultural Marketing in India – Acharya



AGRICULTURAL MARKETING

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The reasons are:

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● Distinction between Urban and Rural markets

Points for comparison	Urban Market	Rural market
I Environment 1. Agglomeration 2. Infrastructure (Road, electricity,) 3. Density of	Concentrated High High per square km	Widely spread Low Low per square KM

Population 4. connectivity , mobility	Good	Poor
II Social relations	Social norms are less visible Status is achieved	... more visible status is ascribed It is determined by birth in a family
Caste relations	Caste difference is indirect and is generally subjected to economic influence-white collar workers	Direct and strong Individuals -identified
IV Exposure to marketing stimuli	1. High product exposure 2. High Ad exposure 3. More convenient buying 4. More retail outlets per '000 population	Low exposure and retail outlets
V Dependence on nature	Less Income does not depend on nature	High dependence on natural factors
VI employment	Employment in Government.	Agrarian base. Income not regular and fixed

<p>and Income</p>	<p>Business, industry, service, contract, daily labour in organised and unorganised sectors. White collar workers whose income is regular, predictable.</p>	<p>Mostly small holdings per house. Acute seasonality of income.</p>
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- Indian Marketing- Challenges and Opportunities

- Geography

- Ranks 7th in the world in terms of size.

- Area is 2,986,000 sq kms

- Main lands

- Great mountain region

- indo-Gangetic plain

- Desert region

- Southern peninsula

- Climate

- Winter (December – February)

- Summer (March- May)

- South West monsoon (June- September)
- Post monsoon (NE –Oct – Nov)
- Rainfall is erratic and ill distributed
- Wide variation in temperature
- Urban – Rural character
- Indian market is deeply rural in character
- 75% - 80% is Rural
- 20% - 25% is Urban
- Shift towards urbanization specially in Gujarat and Maharashtra
- Maximum villages are in U P, M P, Bihar
- Sex
- 52% are males
- 48% are females
- Age
- Youth market – 62%
- Exceeding 60 years - less
- India's new prosperity and Market potential attributes
- Deregulation, liberalisation, and privatization – rebuilt economy
- Sharp rise in incomes and consumption especially among middle class
- Indian consumer market is estimated to be 6th largest in the world,
- But still, private consumption is low – Present consumption levels
- Consumption

Toothpaste

- 50 grams per head annually

- As against Brazil's 300 gms
- Soft drinks – 4 per heads annually – 30 in USA
- TV Sets – 70 per 10 house holds as against 145 in Japan
- Consumption

Low consumption indicates that there is a great potential in Indian market

There is ample opportunity to exploit this potential with the help of Advertisement and Salesmanship

- Poverty is decreasing
- Middle classes are migrating up the economic ladder
- Demand is now more for branded goods and premium price brands
- Urban middle class and rural rich are happy too spend money lavishly.
- India's rural market
- Experiencing increasing demand for cycles, scooters, cookers, mixers, TV
- Although poverty is widespread, Tractors, Agri machines, TV, Aerials, Satellite dishes are booming
- Return of MNCs, Coca cola, IBM, General Electricals, Motorola, Sony, Erickson, etc have entered again.
- It proves that India has a vast market with rising incomes, with booming class
- The Indian Consumer Market
- It has changed drastically during the last ten years
- Shift from Sellers' market to Buyers' market
- *'Caveat Venditor to caveat emptor'*
- Reasons for growth in Consumer goods
- Rapid growth in supply of goods and services
- Increasing effective demand due to rising purchasing power of middle class

- Prosperity in rural areas
- Overflowing unaccounted money everywhere
- Inflationary condition. Inflation is a permanent guest
- Aggressive advertising on TV – inspiring for children, youth and women
- Consumer is a King
- Middle class explosion
- More disposable income
- Profitable market due to many Upper middle class
- Expenditure is more on non-foods than on food items
- Invest in Stock Market
- Our market is on par with UK, France, Germany
- Middle Class Life Style
- Modern kitchen appliances
- TV, VCR, Fridge, Washing machines, Micro wave ovens, Interior home decorations, personal means of transportation, ready made garments, Jewellery
-
- Middle Class
- Describes the market
- Similar pattern
- Receptive to new ideas,
- Welcomes innovations
- Housewife – educated, employed, knows home management, cost conscious
- fashion loving- not crazy
- Rural Marketing

- Self sufficiency in food grains, even exports
- Green revolution and White revolution
- 65% population in rural
- 40% of expenses – on consumption
- Vast and partially tapped
- 15% top farmers account for 40% expenditure
- Untapped potential – Challenge
- Now – exposed to TV and Communication revolution
- Rural Marketing
- Rural - traditional bound
- Conservative and shy
- Rustic
- Illiterate
- Shopping in weekly bazaars
- Now, use toothpaste, tooth brush, talcum powder, shaving set, hair oil, Shampoo
- Tractors, Eveready, Aspro, Saridon, Nirma
- Features of Rural marketing
- Consumers:

-Rural folk, Simple in living, rustic in behaviour, Innocent by nature

- Needs are simple, deep faith in religion, customs, superstitions


- Women are gullible and illiterate


- Features of Rural marketing


- Income level:


- High segment ; Jamindars, rich farmers

- Low segment: Poor farmers, artisans
- Life style- changing
- Agricultural revolution – Poultry, Dairies

 Features of Rural marketing


 Vast and Scattered markets: Connected by *Kuchha* roads, Railways, Konkan railways,


 6 lakh villages are there in India.

 Features of Rural marketing

Seasonal demand:

- Harvest – purchase decisions
- Purchases are made in Diwali, Holi, Baisaki

 Features of Rural marketing

 Cultural Diversity


✦ Due to languages


✦ Religion

✦ Culture


✦ Social customs


✦ tradition

 Features of Rural marketing


 Market Structure

✦ Composed of private sole traders, co operatives, fair price shops, weekly markets

 Features of Rural marketing

 Infrastructure facilities

- storage, transport

 Four Special Problems of Rural marketing

Physical Distribution

- About 3 lakh villages have no roads
- Kuchha roads – still dominating
- Useless in rainy season

Four Special Problems of Rural marketing

Distribution channel problem

- Longer channels
- No banking facilities
- Now RRBs
- Alternative channels
- Private shops
- Fair price shops
- Villages – weekly markets
- Town stockists act as financier, wholesalers, advisors.

Four Special Problems of Rural marketing

Problem of personal selling

- Parle G, Nirma, Colgate, Vicks

Role of personal selling

- Print – no place
- TV and Radio
- Only 245% have TVs
- Companies like ITC, Lipton, Brooke Bond, HLL, have trained their sales force to be familiar with rural culture

Marketing Communication in Rural India

Communication Media

- Not print
- Low literacy
- Diverse culture, languages, varied culture
- Newspaper – 15/ 1000 people

Media mix

-Radio, Cinema, TV, Display in retail shops

-Point of Purchase

-Picture

Marketing Communication in Rural India

Non conventional communication – ‘Shamiyana’

Portable exhibition kit

A-V Vans

Sales in festivals and marriage season

Used by Asian Paints, M-80, Godrej,

Eveready, HLL, Hamara Bajaj

Role of Branding and packing

- Face of Rural Marketing in India
- Saturday, 10th February 2007
- Rural Marketing
- Self sufficiency in food grains, even exports
- Green revolution and White revolution
- 65% population in rural
- 40% of expenses – on consumption

- Vast and partially tapped
- 15% top farmers account for 40% expenditure
- Untapped potential – Challenge
- Now – exposed to TV and Communication revolution
- Rural Marketing
- Rural - traditional bound
- Conservative and shy
- Rustic & Illiterate
- Shopping in weekly bazaars
- Now, use toothpaste, tooth brush, talcum powder, shaving set, hair oil, Shampoo
- Tractors, Eveready, Aspro, Saridon, Nirma
- Features of Rural marketing

Consumers:

- Rural folk - Simple in living
- rustic in behaviour
- Innocent by nature
- Needs are simple
- deep faith in religion, customs, superstitions
- Women are gullible and illiterate
- Features of Rural marketing
- Income level:
 - High segment ; Jamindars, rich farmers
 - Low segment: Poor farmers, artisans
 - Life style- changing

- Agricultural revolution – Poultry, Dairies

- Features of Rural marketing

Seasonal demand:

- Harvest – purchase decisions

- Purchases are made in Diwali, Holi, Baisaki

- Features of Rural marketing

- Cultural Diversity

- ✦ Due to languages

- ✦ Religion

- ✦ Culture

- ✦ Social customs

- ✦ tradition

- Rural marketing is now more challenging and interesting.

- It is a two way process It includes inflow of goods into rural areas and outflow of products to urban areas.

- RURAL to URBAN

- 1) Agricultural products

- 2) Products produced by rural

- artisans

- RURAL to RURAL

- Products produced by rural

- artisans

- URBAN to RURAL

- 1) Agricultural inputs-

- 2) Consumables- fertilisers, etc

- 3) Durables-Tractors, etc

- 4) Manufactured consumer goods

- Rural Population in India
- Occupational Pattern
- Location of Rural Population (Census 1991)
- Villages are not uniform in size
- Challenge to Marketing men
- Nearly 42% of Villages - less than 500 persons or about 100 households
- Land Use Pattern
- Excessive dependence on food crops than on non-food commercial crops
- 70% of area – on food crops
- 30% of area – on non food crops
- 177 million hectares – food
- 50 million hectares – non food
- Reasons for – food crops
- Food security
- Small portion to market - large portion is retained for self consumption
- Non food – entire goes to market (Ex: groundnut, Sugar cane, Cotton)
- High yielding varieties like rice, wheat, etc – generate more income
- Growth - Punjab, Haryana, UP, - due to High Yielding varieties
- Rising rural prosperity
- Lowest income group is shrinking
- High income group is double
- Income group
- Growth in consumption

- tara chaap
- Elephant chaap, Arjun, Sarpanch, Asian paints [Gattu]
- Distribution strategy
- Nearest towns, feeder markets / mandi
- PDS
- Shandies / haats / Jathras /melas
- Exhibition /
- Mobile Audio – video vans
- Mobile traders
- Promotion strategies
- Television
- Cinema
- Radio
- Print media
- Hoarding / Wall paintings
- Shandies
- Special campaigns
- like Tractor Owners’ Meet
camps like - oral hygiene camp,
- Banners
- Gift schemes
- Village adoption schemes
- Non conventional communication – ‘Shamiyana’
- Portable exhibition kit

- A-V Vans
- Sales in festivals and marriage season

- Defects of Agricultural Marketing

- 1) Lack of organisation

- Exploited

- Buyers are united

- Of late, *Raita Sanghas, hasiru sena*

- 2) Forced sales in villages:

- Reasons:

- Poverty and indebtedness

- Lack of prompt and adequate finance-- borrows on growing crop and sale is only a formality

- Unsatisfactory communication facilities- bad roads

- Perishables

- Forced sales in villages:

- Hard pressed for cash for payment to the creditors, rent, etc. They know fully well that by waiting they can get better price.

- Wheat, for example, is sold at low price, purchased after 6 six months at a very price for seeds, and consumption

- Forced sales in villages:

- Lack of storage facilities

- Unintelligent and complicated marketing practices

- 3) Superfluous middlemen:

- As many as 10 to 12 middlemen like

- village merchant,

- itinerant merchant,
kucha and pucca arhatiya,
- co operative societies,
- mills,
- 3) Superfluous middlemen:
 - export agents,
 - commission agents,
 - wholesalers,
 - retailers, etc operate in the channel
 - The long channel reduces the share of the rupee paid by the ultimate consumer
- 4) Multiplicity of market charges:
 - Commission to Dalal
 - Weighing charges
 - Loading and unloading charges
 - Filing the weighing pans
 - For holding the bags open
 - Deductions for impurities
 - Multiplicity of market charges:
 - Payment to sweepers, waterman,
 - Charity- for *dharmashalas*, dispensaries, *goshalas*, *pathashalas*
 - The market charges are not only high, but also not well defined.
- 5) Malpractices of Market:
 - a) Scales are manipulated against the seller

b) Use of non standardised weights

c) Arbitrary deductions- religious, charity,

d) Large quantity as samples

- 5) Malpractices of Market
Continued

e) Settlement of price under the cloth

f) Agents favouring the buyers who come there more frequently

g) No protection to the farmer in case of disputes

- 5) Malpractices of Market
Continued
 - Deductions for impurities
 - Payment to sweepers, waterman, beggars
 - Charity for *dharmashala, pathshalas, go-shala*
- 6) Multiplicity of weights and measures
- The market charges are not only high, but are varied.
- [Rs 21.5 - on sale of goods worth Rs 100.]
 - Commission to dalal
 - Weighing charges
 - Loading and unloading
 - Holding the bag open
- 7) Multiplicity of weights and measures

- of bits of wood or iron
- a seer ranges from 31 to 102 tolas

Effects:

- Cheating
- Needless complications
- Difficulty in compiling statistical data
- 8) Inadequacy of storage facilities
- Mostly in pits, granaries – earthen cylinders
- *Khanaj*
- Not adequate
- Dampness, weevils, vermin
- With change of temperature grains loose weight
- Inadequacy of storage facilities
- Wheat harvested contains moisture, evaporates in summer, is regained in Monsoon,
- Dampness raises moisture content – soft – susceptible to insects
- Damage is greater in case of underground pits
- Inadequacy of storage facilities
- Infection is not detected
- Rodents – losses due to rodents, ants, mice is more
- Rats damage right from the field to consumption
- Dr P J Deoras of CFDTRI has estimated that there are more than 2,400 mn rats in India. Now they are approximately, 4,000mn
- Inadequacy of storage facilities
- 20 rats consume the quantity sufficient to one person

- Gross estimate - rats spoil more than – at least 1/5 of grains
- One ton to 100 rats p.a.
- Inadequacy of storage facilities

Nature of damage

- Apart from damaging , rats carry food grains to the nests
- While digging 30 rats burrows, 15 kgs of food grains were recovered
- Damage 10 times more than what they eat
- Void 1 ½ gallon of urine during a year
- Small mouse is found of climbing up paddy plant and eat every grain, sometimes – cut them
- 9) Mixing and Adulteration
- In whole sale market, fixed adulteration of at least 5%
- Farmer takes care to adulterate maximum

Adulteration of Commercial crops

Dampening of cotton

- ✦ Harms pressing
- ✦ Mistaken notion that it becomes glossy or bright
- ✦ Increases staple length
- Pack more cotton
- Usual practice is gunny bags are put – on bags water is put
- Mix up dry and wet layers
- Short staple is mixed with large staple
- Rural market Environment

- To exploit rural market potential – need to understand rural market in terms of population, occupational pattern, income generation, marketing, communication, buying behaviour- this helps in evolving strategies
- Population
- Major portion – 70 %
- For every urban, there are three rurals
- % is decreasing, but in absolute number, it is increasing
- Rural Population in India
- Population does not automatically guarantee a market
- It should be backed by income
- Occupational Pattern
- About 50% - own land or lease land for cultivation
- 27% - agricultural labourers
- Others are petty shop keepers, salary earners, teachers, village level officials
- Occupational Pattern
- Income Generation
- Location of Rural Population
- Vastness - in terms of area
- Urban Market – located in 3,697 places – Metros, Cities, Towns
- Rural – 5,80,779 villages
- Location of Rural Population
(Census 1991)
- Village are not uniform in size
- Challenge to Marketing men
- Nearly 42% of Villages - less than 500 persons or about 100 households

- Expenditure Pattern
- National Sample Survey Organization conducts consumer expenditure surveys.
- Some – do not spend on items like footwear

On rural food expenditure –

- Rs. 121.78 (Rural)
- Rs 165.46 (Urban)

On non-food items

- Rural Rs 67.68
- Urban Rs 132.54
- Total Consumer expenditure

Rural Rs 189.46

Urban Rs 298.00

Demand for urban - superior durable goods like automobiles, washing machines, watches, TVs

- Rural Expenditure – on mopeds, bicycles, electrical goods, hand wound watches. Etc
- Literacy level in 1991
 - Urban literacy is 73%

Communication medium – TV

- Land Distribution
- 75% of Rural income is from agriculture
- Land distribution - uneven
- 75% of holdings account for 25% of land cultivated
- 25% - 75% of land
- Large groups demand tractors, etc
- All demand fertilizers, seeds etc

- Sub division and fragmentation is common in landed property
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- Irrigation
- Nearly, 80% of area under wheat cultivation is irrigated
- 45% - rice
- 3% - cotton
- 20% - maize
- Development programmes
- Intensive Agricultural District Programme [IADP]
- Intensive Agricultural Area Programme [IAAP]
- High Yielding Varieties Programme [HYVP]
- Drought Prone Area Programme [DPAP]
- Small Farmers Development Agency [SFDA]

- Hill Area Development Programme
 - Operation Flood I, II,III
 - Sericulture Development
 - Fisheries Development [Blue Revolution]
 - Integrated Rural Development Programme [IRDP]
 - Health, Education, Sanitation, Adult education, Women Dev - impact on life styles
 - Rural market Index
 - THOMPSON RURAL MARKET INDEX
 - Attempt to assess the rural market potential
 - By Hindustan Thompson associates limited
 - First attempt in 1972
 - Data was collected from 334 districts by identifying 11 factors
 - In 1986, another attempt was made by collecting data from 383 out of 412 districts
 - Data from 383 districts were taken for ultimate analysis
 - THOMPSON RURAL MARKET INDEX
 1. Area of the district in sq km
 2. Demographics Population
 3. Males: No
 4. Females No
 5. Density per sq km
 6. Percentage distribution of population by population strata
 - THOMPSON RURAL MARKET INDEX
- 7) No of Villages
- 8) % distribution of villages by population

9) Literate: Rural No.

10) 5 of literacy

11) Literate: males

12) Literate: females

■ THOMPSON RURAL MARKET INDEX

13) Occupational Pattern Cultivators: No.

14) Agricultural labourers

15) no- agricultural labourers

16) Agricultural Related Data Gross cropped area in hectares

17) Gross irrigated area in hectares

18) Area under non-food crops in hectares

■ THOMPSON RURAL MARKET INDEX

19) Average size of operational holdings in hectares

20) Agricultural Inputs data Pump sets and tube wells; No.

21) Fertilizer consumption in metric tonnes

22) No. of tractors

■ THOMPSON RURAL MARKET INDEX

23) Rural Electrification data % of villages electrified

24) Commercial banks Data No of rural branches

25) Deposits in Rs. In lakhs

26) Advances in Rs. Lakh

■ THOMPSON RURAL MARKET INDEX

- Hindustan Thompson associates Limited have selected 10 variables, which have strong correlation with the value of agricultural production which are as follows;

1. Agricultural labourers
2. Gross cropped area
3. Gross irrigated area
4. Area under non-food crops

■ THOMPSON RURAL MARKET INDEX

5. Pump sets
6. fertilizer consumption
7. Tractors
8. Rural credit
9. Rural deposits and
10. Villages electrified

■ THOMPSON RURAL MARKET INDEX

■ These variables have high correlation with value of agricultural output ranging from 0.52 to 0.79.

■ Based on the index number, districts have been classified as A, B, C, D, and E class markets as shown below:

■ Class of Markets Index range No. of districts % of Market

A	60.00 to 100.00	22	17.8
B	40.00 to 59.99	39	20.5
C	30.00 to 39.99	54	20.4
D	20.00 to 29.99	86	23.0
E	Below 29.99	154	18.3
Total		355	100.00

■ THOMPSON RURAL MARKET INDEX

- Any positive change of these variables will have increase in the value of agricultural output
- Other variables which can be considered—road length, Railway lines, no of post offices, no of two wheelers, no of television sets, etc

DISTINCTION BETWEEN MARKETING OF AGRICULTURAL AND MANUFACTURED GOODS

	MARKETING OF MANUFACTURED GOODS	MARKETING OF AGRICULTURAL GOODS
I PRODUCTION	Continuous	Seasonal
	Large scale	Small scale
	Can use full capacity	cannot
	Scientific equipments are used	Not so much
II DEMAND	Elastic	inelastic
	Can be created by advertisement & salesmanship	Not so much Rare examples are: Egg Corporation, Operation Flood
III CONTROL:		
On quality	Possible	Not possible
On quantity	„	„
On cost	„	„

IV CHANNEL	Short channels	Long channels
	Big retailers and super bazaar	Notorious middlemen (Arhatiyas, <i>Banias</i> , <i>beparis</i> , <i>dalas</i> , etc) known for exploiting the farmers.
V PRODUCT	Not so bulky	Bulky
	Prices are almost standardised	Not fixed
	Branded	Cannot be branded (exceptional examples: <i>annapoorna</i> wheat)
	More varieties	Less varieties
	Attractively packed	difficult
	Producer's reputation helps	A small producers cannot influence demand
	Quality standard can be maintained	difficult
VI GOVERNMENT CONTROL	Lees Government support	Resale price maintenance Support price

		Inputs and finance offered at concession rate
VII CLASSIFICATION OF GOODS	<p>Durables and Non durables</p> <ul style="list-style-type: none"> • Convenience goods • Shopping goods • Speciality goods • Unsought goods 	<ul style="list-style-type: none"> • Agricultural raw materials • Agricultural consumer goods
VIII COST OF TRANSPORTATION & STORAGE	Normal	Extremely high
IX MARKET INFORMATION	Easy	Difficult
X MARKET FEATURES	<ol style="list-style-type: none"> 1. Large number of consumers 2. Scattered consumers 3. Small unit of purchases 4. Frequent 	<p>A-Production-</p> <ol style="list-style-type: none"> a) Small scale b) Seasonal c) Scattered <p>B-Product</p> <ol style="list-style-type: none"> a) Bulky

	buying 5. Poorly informed buyers	b) Perishable C-Consumption a) Inelastic demand b) Government support
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Classification of Markets

I On the basis of Location

a) Village market

b) Primary market-Located in big towns- near production centres-goods travel from village to the traders

- c) Secondary wholesale markets- located in district HQs- or at important trade centres or railway junctions
- d) Terminal markets- The produce is ultimately disposed to the consumers or the processors
- e) Seaboard markets- for foreign trade

II On the basis of Coverage

- a) Local or Village market- for perishables, vegetables, milk, heavy and bulky goods like sand, bricks
- b) Regional markets-
- c) National market
- d) World [global / International] market

III On the basis of nature of Transactions

a) Spot market

b) Futures market

IV On the basis of Volume of Transactions

a) Wholesale markets

b) Retail markets

V On the basis of Time Span

a) Short period markets- milk, fish, and vegetables

b) Long period markets- for less perishable

c) Secular markets- for machinery, manufactured foods

VI On the basis of Number of commodities

a) General Markets-all types of commodities like food grains, fibre crops

b) Specialised markets- one or two commodities like food grains, vegetables, cotton

VII On the basis of Degree of Competition

a) Perfect market-

1. Large number of buyers and sellers
2. Perfect knowledge
3. No cost of transportation
4. Prices are determined by demand and supply forces

b) Imperfect Market

a) Monopoly

b) Duopoly

- c) Oligopoly
- d) Monopolistic

VIII On the basis of Regulation

- a) Regulated markets
- b) Unregulated markets

IX On the basis of type of population

- a) Urban markets
- b) Rural markets

X On the basis of Nature of Commodities

- A] Commodity markets

- a) Produce exchange
- b) Market for manufactured goods
 - i) Consumer goods
 - ii) Industrial goods
- c) Market for Agriculture goods

- d) Bullion market

C] Capital Market

- a) Money market

- b) Stock market

- c) Foreign exchange market

D] Services- banking, insurance, transportation, warehousing, consultancy, etc

XI On the basis of Stage of marketing

- a) Producing markets
- b) Consuming markets

XII On the basis of Demand and supply

- a) Sellers market Demand > Supply
- b) Buyers market Supply > Demand

