



Marketing of Agri Products

Handout 4

Applying Marketing Mix in Agriculture

Practical Example of Applying the Marketing Mix in Agriculture:

Marketing in a beef farming enterprise

Marketing has always been essential for a beef farming enterprise to be effective. Competition with imported, subsidized meat and from white meat producers has placed pressure on beef farmers to improve their marketing skills. Furthermore, there is an emerging awareness that a market must be found or created before beef animals are slaughtered. Keeping beef in cold rooms is an option, albeit a costly one for which funds must be obtained. In the past, moneys levied from the sale of slaughtered carcasses were used to fund a system of cold storage. On the other hand, animals kept on the farm continue to eat, draining resources and leading to over finished animals at slaughter. In times of beef shortages, there is no problem because all available carcasses are sold. However, in the past, when large numbers of cattle were slaughtered, beef prices plummeted. A drop-in price could favour consumers in the short term, but beef farmers with high input costs, will not be able to cope under conditions of unstable market prices. Thus, planning is essential.

Marketing Channels

Although some farmers slaughter in their own abattoirs and sell the meat through their own butcheries, most beef farmers sell live animals:

1. Out-of-hand
2. At a farmer's association auction
3. An auction held privately
4. To a feedlot or through a custom feedlot
5. For slaughter at an abattoir – either directly or after on-farm fattening (feedlot or pasture or veld finishing).

With out-of-hand sales, no commission is payable and usually the buyer provides his own transport or, where a farmer provides transport, the buyer pays. When animals are taken to a local auction (usually a farmer's association sale), the seller is responsible for the commission payable to the auctioneer, although there are some auctions where the buyer pays the commission. The seller pays for the transport to the sale yard or the return of animals if not sold, and the buyer pays for the transport of animals sold. Usually, no commission is payable to an auctioneer when animals are not sold. With private auctions, the same rules usually apply as at farmers' association auctions, although sellers can negotiate the terms they want with the auctioneer, within certain limits.

Feedlotters usually buy at auctions, but often have agents visiting farmers or have known clients from whom they obtain animals for their feedlots. However, there are custom feedlots where a

farmer sends his livestock for fattening. The farmer pays a management fee as well as for the feed costs and treatments e.g. vaccination, dipping, dosing, implants, and treatment of sick animals. With custom feedlots, cattle remain the property of the farmer and at the end of the feeding period the farmer can decide where he wants his animals sold or whether he wants them returned to his farm.

Selling animals through an abattoir is usually done through an agent or the owner of the abattoir.

The farmer must ensure that the animal is fat enough and is responsible for transport to the abattoir as well as for the slaughtering fees. In return, the farmer is paid for the carcass, the hide and the offal, which includes the head and trotters. With some small abattoirs, the abattoir owner takes the hide and offal in lieu of the slaughtering fee. It is advisable to investigate costs because there are times when the prices of hides and offal are high when it could be better for farmers to pay the slaughter fee and retain the hide and offal price. Because selling procedures are so variable, it is advisable for sellers to check all steps and responsibilities for costs before accepting an offer to sell animals.