

THINGS TO FIND OUT

1. Why are farmers often advised to increase the size of their farms over time?
2. How does the Law of Diminishing Returns apply to such common farm situations as stocking rate per hectare, planting density or the number of tractors purchased on a farm?
3. How do farmers determine the best level of input use in terms of costs and returns?

ESSAY TOPICS

1. The types of agricultural enterprises found in an area depend on both economic and production factors. Describe why this is the case, using examples where appropriate.
2. 'Farming is less a business and more a way of life.' Discuss the implications of this statement in relation to farm situations that you have studied.

GLOSSARY

Fixed costs costs that do not vary over the time interval being studied during the production process

Law of Diminishing Returns the fact that, when successive units of a variable input are used in a system, with all other inputs held constant, a point is reached where total output declines—each marginal increase in output gained from the use of successive levels of input declines, eventually causing a fall in total production levels

Marginal cost the change in total cost due to a 1 unit change in output

Marginal physical product the change in output level obtained for each successive unit of input

Production function one of the various relationships that can exist between inputs and outputs

Total costs the sum of the costs of variable inputs and the costs of fixed inputs at any given level of production

Total physical product curve a graph of the input-output production function

Variable costs costs that can vary over the time interval being studied during the production process

OBJECTIVES

After you have studied this chapter you should be able to:

1. Discuss the concept of an open market.
2. Describe the various functions associated with the buying and selling of goods.
3. Describe the various markets that exist for agricultural products.
4. Describe the law of demand.
5. Describe the law of supply.
6. Explain how market price is a reflection of the forces of supply and demand.
7. Outline the factors that influence consumer demand.
8. Outline the factors that influence product supply.
9. Discuss the concept of derived demand.
10. Compare and contrast the purpose of various types of farm budgeting procedures.
11. Outline the advantages and disadvantages of gross margins.

INTRODUCTION

If you visit any city, town or location where a crowd of people gather, the chances of locating an area where goods are marketed is fairly high. A **market** exists where buying or selling occurs for a particular commodity.

Due to a number of dynamic forces, the prices offered for similar goods tend to equalise out as competition between buyers and sellers occurs. For a truly **competitive market** to evolve, the products for sale must be more or less the same, so that the people who buy commodities (**consumers**) show no preference towards which products they buy. Competitive markets should have a large number of buyers and sellers, and not be dominated by any single group

MARKETS AND PRODUCTION

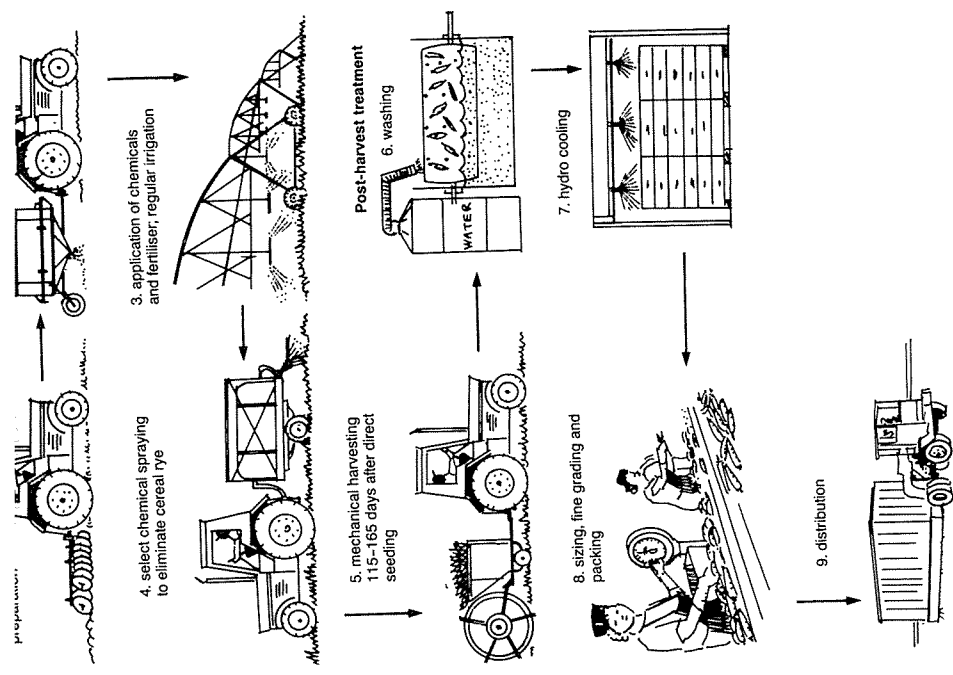


Fig. 16.1
Getting carrots from the farm to you

number of buyers or sellers entering or leaving the market. Such a market is also known as an **open market** or **free market**. In many situations, the conditions for a free market operation to exist are not met; so various unique market situations have evolved for many agricultural products.

BUYING AND SELLING PROCESSES

The process of marketing produce is not simple. Marketing, when carefully analysed, involves not only the buying and selling of goods but also associated activities such as transport, storage, packaging and promotion of goods for sale. As a consequence of these additional features of a successful marketing process, many specialised employment areas have become established. Four major areas are:

1. **Exchange and merchandising** Functions associated with the exchange of goods include the finding and gathering of material to sell and the maintenance of quality standards. The merchandising functions of advertising, display and general public promotion also are part of this employment area.
2. **Transport and storage** Functions associated with the transport, storage and general control of supply of material onto the market ensure a continual supply of the product to consumers. They attempt to even out the market and maintain a guaranteed level of income for producers (**suppliers**).
3. **Market research** Extensive consumer survey activities and promotional activities may be conducted, to provide a product in the form that consumers demand. Financing of ventures to ensure success of projects is included in this process.
4. **Product development** Research may be carried out, directed towards providing information that assists in the development of new markets, or improved handling or storage facilities for products.

As a result of the above processes, a margin exists between the price paid to the farmer and the price paid by the consumer. This margin covers the cost of various marketing processes and is termed **adding value** to the product.

AGRICULTURAL MARKETS DIRECT SELLING

For many products there are no formalised marketing systems. The farmer must negotiate either directly with buyers or sell to agents at recognised market locations. Vegetable and flower growers are typical examples; the process is illustrated by Figure 16.1.

TECHNOLOGICAL MARKETS

Many agricultural products can be **graded**, according to purity, protein quality, frame scores or other types of objective measurement. Certain commodities, due to this objective assessment, can be sold by description or on the basis of sample (e.g. wool). When goods are sold by description, buyers simply need to have the information in front of them; they do not have to travel to the market site to buy. Objectively assessed product can be sold via telephone or

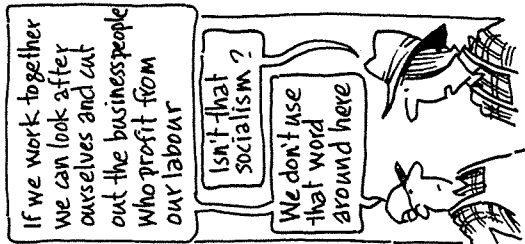


Fig. 16.2
Marketing boards

modern communication between computers (e.g. computerised selling of livestock).

MARKETING BOARDS

Several types of agricultural marketing boards exist. At one end are the business organisations that are operated on a non-profit basis and are under democratic control by members (e.g. agricultural co-operatives) (see Fig. 16.2). At the other are compulsory federal and state marketing boards.

Agricultural co-operatives

Agricultural co-operatives are set up to allow farmers to bypass some of the middle operators in marketing, to cut costs and gain some guaranteed return for their goods. Members of a co-operative are able to trade as a group, some obtaining better marketing bargain power. Co-operatives may provide a single service or combinations of services for farmers, relating to marketing produce, lowering transport costs or purchasing some inputs (e.g. seed, fertiliser, fuel) in bulk and passing the savings on to member farmers. Some co-operatives provide insurance, credit and specialist services; a few can process and package members' produce.

Statutory marketing boards

Compulsory co-operative structures exist in the form of **statutory marketing boards**.

Commonwealth marketing boards are largely concerned with regulating the supply of commodities onto the export market. Examples include the Australian Wheat Board, Australian Wool Corporation, and Australian Meat and Livestock Industry Association. Product promotion and the provision of funds for research have also been significant aspects of the operation of these boards.

Many agricultural products must be sold through State government marketing boards. For example, all milk produced in the State from dairy cows must be sold and administered by the Dairy Corporation. In recent times, some of these boards have been relaxed to one of voluntary membership (e.g. the Egg Corporation). These statutory marketing boards also attempt to maintain or increase returns to farmers, stabilise incomes over time, provide increased market bargaining power and, above all, maintain an orderly system for regulated produce disposal. Once again, such boards cater for research, regulation of produce quantity and quality, and promotion.

DEMAND AND SUPPLY

DEMAND

Market demand for any single commodity refers to the collective buying power of consumers. A relationship exists between different market prices of a commodity and the quantity of product that

consumers are willing to purchase at these varying prices. This relationship is shown in Figure 16.3.



Fig. 16.3
Demand curve

The line illustrated is a theoretical representation of what occurs. True demand relationships are curves, but Figure 16.2 suffices to demonstrate a fundamental law applied to markets called the **Law of Demand**. Basically, at low prices consumers buy more of the product; and as market prices increase, less of the product is purchased. This is in part due to low income earners' ceasing to purchase goods and other consumers' decreasing the quantity bought at higher market prices.

SUPPLY

Market supply for any single commodity refers to the collective amount brought to market by producers. The relationship between the amount of a product supplied to the market by producers, and different market prices, is shown in Figure 16.4.

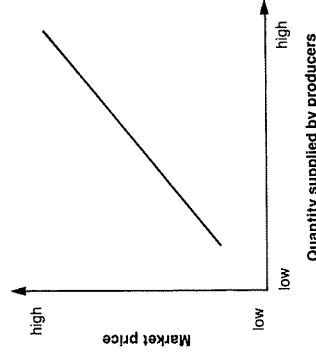


Fig. 16.4
Supply curve

Again only a basic trend is illustrated, which holds true for most open markets, namely that producers are willing to supply more of the product onto the market as market prices increase. This is known as the **Law of Supply**.

EQUILIBRIUM
As a result of the mutually antagonistic forces of demand and supply, a situation rapidly establishes itself in any open market place, where consumers will not buy highly priced commodities and, as more of a commodity enters the market, the lower its market price becomes. Figure 16.5 illustrates the opposing nature of the laws of supply and demand.

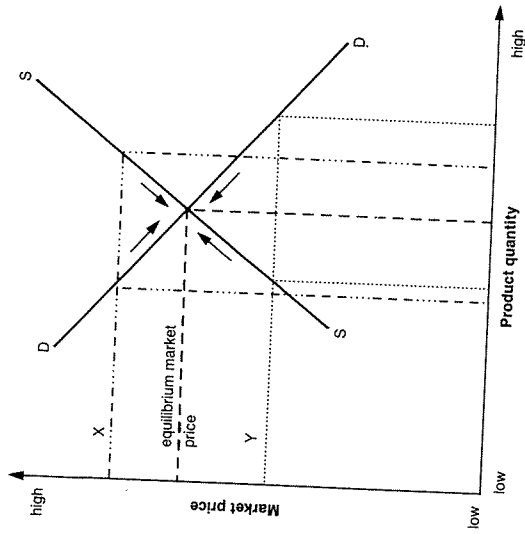


Fig. 16.5
Equilibrium market price determination

At X the quantity supplied exceeds the quantity demanded. Suppliers will compete with each other to sell more of the product, forcing market price down.
At Y the quantity demanded exceeds the quantity supplied. Consumers will compete with each other to get more of the product, forcing market price up.

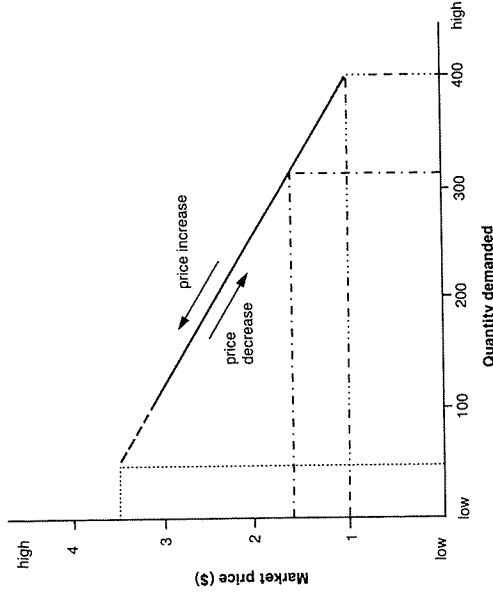
The point in the diagram where the supply and demand lines intersect is termed the **equilibrium market price**, which represents the price at which the product is traded. This is the market price where the quantity demanded is exactly balanced by the quantity supplied. At points above and below this equilibrium market price, the forces of supply and demand push the price back to an equilibrium position. This is the case whenever products are for sale where no particular preferences are displayed by consumers, where the market is not dominated by one particular producer, and where there are no restrictions on new buyers or sellers' entering or leaving the market place.

FACTORS AFFECTING DEMAND

Many factors influence demand, including the following:

1. market price of the commodity;
2. consumer tastes as determined by advertising, culture, education and habit;

3. disposable income of consumers at any particular time;
 4. number of people wanting the commodity;
 5. prices of alternative products available to consumers.
- Figure 16.6 illustrates what occurs where a change in the market price of a commodity occurs. Note that movement is along the demand curve.



At a market price of \$1.00, 400 units of the commodity are required.
At an increased market price of \$1.50, about 310 units of the commodity are required.
At the much higher market price of \$3.50, the market has contracted down to only 50 units.
A movement along the demand curve has occurred in response to a change in price.
The reverse occurs if market price is decreased: the quantity demanded increases.

Fig. 16.6
Demand curve, price change

However, as shown in Figure 16.7, when a change occurs in factors other than price, a shift in the position of the entire demand curve occurs. The direction of the shift can have either a positive or negative effect on the demand for the product. If supply remains the same, a new equilibrium market price will be established, higher (if demand has increased) or lower (if demand has decreased) than the previous market price.

FACTORS AFFECTING SUPPLY

The following factors have a dominating influence on the supply of goods to a market:

1. The market price offered for the product will affect the amount of the product released onto the market. There is an upward limit to this in agriculture before unripe or immature goods are encountered in the market place.
2. The degree of technological innovation involved in the production of agricultural material will affect the efficiency of operations (e.g. harvesting) or the amount of land that

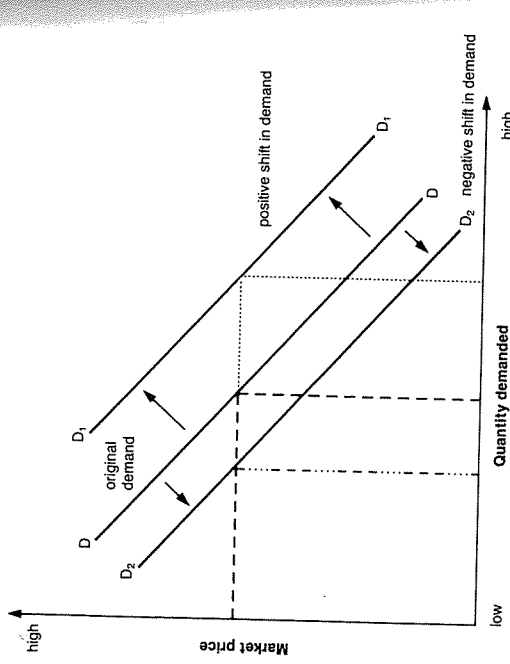


Fig. 16.7
Demand curve: quantity change (a shift in demand)
The positive shift indicates an increase in demand for a commodity, due to factors other than market price: from D to D_1 (to the right).
The negative shift indicates a decrease in demand for a commodity, due to factors other than market price: from D to D_2 , D_3 (to the left).

- 3. The number of people producing and marketing the product at any one time will affect the quantity offered for sale.
- 4. The cost of production will influence the scale of production.
- 5. Prices offered for alternative commodities may influence the management directions of farmers, such as the varying market prices offered for wool versus wheat grain.
- 6. Environmental factors (e.g. weather conditions, disease and pests) may increase or decrease yield, or encourage or discourage production.

As illustrated, in Figure 16.8, movement along the supply curve occurs for changes in price.
However, the entire supply curve is shifted in position if any factor other than price changes. For example, favourable weather conditions may cause supply to increase and the supply curve to shift to the right (a positive shift). If demand remains the same, a new equilibrium market price will be established, lower than the previous market price. Figure 16.9 illustrates the case of a leftward (negative) shift in supply, caused by unfavourable conditions that decrease supply.

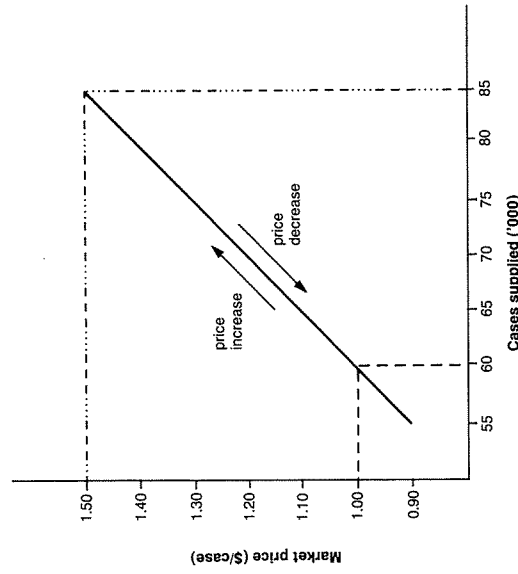


Fig. 16.8
Supply curve: price change
If the market price rises by 50 cents a case, what happens?
At \$1.00, 60 000 cases are supplied by growers.
At \$1.50, 85 000 cases are supplied.
A change in the price of the product supplied results in movement along the line.
The reverse occurs if market price decreases.

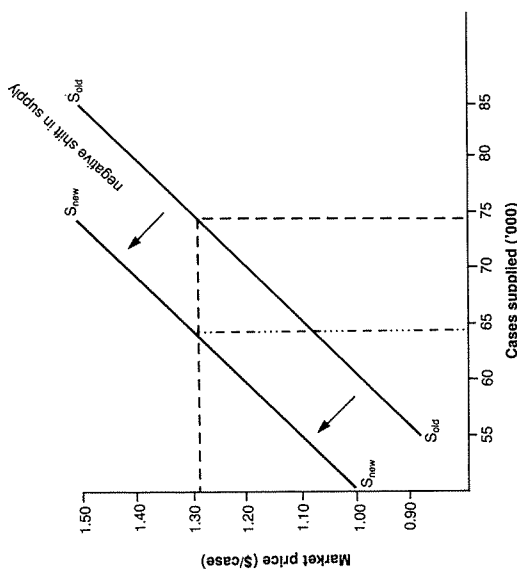


Fig. 16.9
Supply curve: quantity change (a shift in supply)
Due to a problem such as disease or weather, cases supplied by growers decrease. Supply falls by 10 000 cases across the board. This produces a negative shift in the position of the curve (to the left). Where \$1.30 once saw 75 000 cases on the market, now only 65 000 cases are available. The reverse would occur if favourable conditions caused supply to increase overall.

QUESTIONS

4. (a) Graph the data in Table 16.1.
(b) What relationship can you deduce?
5. (a) Graph the data in Table 16.2.
(b) What trend can you see?
6. (a) Redraw the above curves if a 50 cent increase in prices occurs (i.e. \$0.90 are now \$1.40).
(b) What happens to the curves?
7. (a) What is the common value if the two curves are drawn on the same set of axes? This is the equilibrium market price.
(b) What happens to this price with the 50 cent increase in market price?

Table 16.1

Market price for fruit (\$/case)	Quantity supplied (cases)
0.80	55 000
0.90	60 000
1.10	65 000
1.20	70 000
1.30	75 000
1.40	80 000

Table 16.2

Market price for fruit (\$/case)	Quantity demanded (cases)
0.80	100 000
0.90	90 000
1.00	80 000
1.10	70 000
1.20	60 000
1.30	50 000

FARM PRODUCTION LEVELS DERIVED DEMAND

For many agricultural products, demand is not directly related to the raw material released at the farm gate; it is more closely related to the processed materials available in shops. Producers, in other words, are more interested in the prices of woollen garments, biscuits, or tinned fruit or fruit juices rather than the prices of wool, wheat grain or fresh fruit paid to the farmer directly. **Derived demand** is the term used to describe the demand for these refined or value-added products.

There is a long chain of intermediate products between the farmer and the final shopper. Long production chains may mean that increasing or decreasing levels of consumer demand for the refined final product result in very large reactions to production levels of raw materials from the farm.

MANAGEMENT

In response to the market forces already outlined, the farmer as a decision maker attempts to maximise returns by using scarce resources (inputs) in the most economic (cost-effective) and environmentally efficient manner possible. The farmer must build into the management process safeguards against many factors that contribute to uncertainty in exactly knowing the outcome of management decisions over time. Uncertainty factors have been discussed in Chapter 14, as have methods of overcoming uncertainty.

However, there are several specific management techniques that allow a farmer to determine the effects on farm income due to possible changes in production techniques, in combinations of farm

enterprises (subsystems), or in the combinations and levels of inputs or resources used in the production process. The techniques of budgeting and gross margin analysis are discussed in the remainder of this chapter. They are effective only if they are based on reliable information in the full knowledge of economic and environmental factors existing at the time of production.

FARM BUDGETS

Budgets are summaries of probable financial outlays and incomes over a specified period. They help farmers in making decisions for a particular farm at a set point in time. The financial information used in the construction of a budget is subject to uncertainty; so alternative investment strategies also should be investigated.

Budgets can assist farmers in a number of ways, namely:

1. determining optimal rates for production factors, such as the level of fertiliser usage on a farm;
2. calculating the profitability of various farm practices;
3. determining the advantages of adding additional enterprises or changing the combination of enterprises on a farm;
4. assessing the need for hiring additional labour or machinery rather than purchasing or employing permanent additions to the farm;
5. assessing the profitability of expanding the entire farm or improving various farm subsystems, such as pastures by installing irrigation systems.

WHOLE FARM BUDGETS

Whole farm budgets are constructed to estimate entire farm expenditure and income over the financial year. Whole farm budgets are useful in calculating taxation requirements, in assessing the financial situation for the entire farm when applying for a bank loan, and in assessing the impact of a future radical change to whole farm organisation. Such changes might be the introduction of new technology across the farm, alteration of whole farm labour levels, assessment of future risk in established marketing situations, or adoption of alternative production systems.

Components

There are a number of components to a whole farm budget:

1. **Capital value of the property** The farmer establishes the value of the land, equipment and improvements on the farm in order to establish the amount of capital invested in the operation. Values are determined for land, water supplies, fencing, buildings including the farm house, machinery, and livestock or other products.
2. **Assumed annual returns** Based on farm records of production and existing market prices (with allowance for inflation effects over the next 12 months), the farmer makes

3. **Assumed annual costs** Again the farmer estimates the costs for the next 12 months on the basis of farm records, experience and professional advice. Costs are both short run or variable costs, which relate to levels of production, and long run or fixed overhead costs, which relate to just having a farm. It is prudent to include a charge for labour in this area of the budget, even if it is family labour, to gain an accurate view of long term profitability.

4. **Profit/loss** Profit or loss for an enterprise is calculated from:

$$\text{Profit/loss} = \text{Total returns} - \text{Total costs}$$

The figure obtained is only as accurate as the figures used in calculating estimated farm income and costs. Should unforeseen circumstances arise (e.g. a shortage of product being supplied to the market because of too few suppliers), market prices and consequent income levels will rise.

5. **Return on capital invested** Return on capital invested in the farm enterprise is calculated to allow the farmer to compare this return with other scenarios regarding investment of money. Return on capital investment is calculated from:

$$\text{Return} = \frac{\text{Net income}}{\text{Capital invested}} \times 100\%$$

Example: beef cattle

The following is an example of a whole farm budget for a beef cattle property, which has diversified to include an interest in a stud dairy herd. The owner also runs some sheep.

1. **Capital invested in the property \$**

Land	
Buildings	388 000
Stock value	224 000
Total	<u>165 000</u>
	777 000

2. **Anticipated income**

Sale of sheep	2 400
Sale of cattle	35 000
Sale of wool and skins	1 100
Milk sales	47 400
Contract work in the area	<u>5 800</u>
Total	91 700

3. **Anticipated expenses**

(a) <i>Fixed or overhead costs</i>	
Equipment depreciation	6 300
Rates, land tax	8 800
Salary for permanent worker	23 000
Insurance, interest	<u>1 200</u>

(b) **Variable expenses**

Fodder, seed, fertiliser	15 000
Casual wages	15 000
Cartage	2 000
Fuel	3 000
Veterinary fees	2 500
Light, power	<u>750</u>
Total	78 050

4. **Profit/loss statement**

Profit = Total return - Total costs	
= \$91 700 - 78 050	
= \$13 650	

5. **Return on capital invested**

Return = $\frac{\text{Net profit}}{\text{Capital invested}} \times 100\%$	
= $\frac{\$ 13 650}{\$ 777 000} \times 100\%$	
= 0.0175 \times 100%	
= 1.75%	

At this point the farmer would compare the interest return on capital with that from bank, building society or other forms of investment.

PARTIAL BUDGET

A **partial budget** is used to examine changes in income and expenditure when a change in one section of the farm occurs. This is achieved by comparing a new situation with the existing setup. When a subsystem is altered, usually with one subsystem replacing another, it is not always necessary to do a whole farm budget. The farmer is interested in determining what additional revenue is obtained, what costs may be incurred, and whether the proposed change would leave the farmer in a better or worse financial situation. This method does not assist the farmer in determining the optimum combination of resources to use in the production system. It simply compares one alternative situation with another.

If the farmer wishes to invest in a new technology relative to the existing operation, a partial budget is useful in comparing costs for adopting the new technology with anticipated increased returns. For example, where a farmer wishes to change from producing square bales of hay, which are stacked in sheds, to producing round bales, to be covered in plastic and left in the paddock, a partial budget is used to assess the profitability in changing management systems.

Example: cattle vs prime lamb

The sample partial budget that follows shows the effect of changing from a current situation of running 60 cattle to a possible option of developing a first-cross prime lamb operation based on 600 Merino ewes that are crossbred with Border Leicester rams. Prior to developing the partial budget, the farmer has calculated that it will

cost \$22 440 to purchase the sheep and upgrade existing farm structures to accommodate the new stock. This cost is offset by the sale of cattle anticipated to fetch \$12 800. Capital outlay for the change is therefore \$9640. The questions to be answered then are:

1. Which enterprise generates the better income?
2. Does the income obtained from the new enterprise justify the cost of converting from cattle production?

Present activity: 60 cows	\$	Proposed activity: 600 ewes	\$
Annual income		Estimated annual income	
Cfa cows	1 350	Wool	7 725
Cfa bull	200	Cfa ewes	1 800
Vealers	11 880	Cfa rams	45
Total	13 430	Lambs	10 560
		Total	20 130

Annual running costs		Estimated annual running costs	
Husbandry	360	Shearing	1 150
Cow replacements	2 500	Husbandry	1 280
Bull replacements	500	Ewe replacements	3 564
Total	3 360	Ram replacements	360
		Total	6 354
Annual profit	10 070	Estimated annual profit	13 776
Expected difference in profit	= \$3706		

(Note: cfa means cast for age, or sold because of old age.) From this information it can be seen that when the plan is in full operation, additional capital of \$3706 per year will be obtained.

LONG TERM OR DEVELOPMENTAL OR CAPITAL BUDGETING

Long term or developmental or capital budgeting considers the impact of time. It is basically a series of partial budgets over time. This type of budget is useful when evaluating long term farm operations (e.g. pasture improvement, woodlot schemes, soil conservation systems).

GROSS MARGINS

Gross margin calculation is a simplified method of showing relative returns for activities so that direct comparisons can be made. Gross margin is determined from:

$$\text{Gross margin} = \text{Total revenue} - \text{Variable costs}$$

Table 16.3 indicates several common variable costs. Fixed costs are ignored as it is assumed that a farm is being used. Table 16.4 indicates many common types of fixed costs.

Table 16.3 Typical variable cost items

Crop related	Livestock related
Seed	Seed and fertiliser for fodder crops
Fertiliser	Haymaking, purchased feed
Sprays	Drench, vaccine, other veterinary costs
Fuels and lubricants	Shearing and crutching
Repairs and maintenance to machinery and equipment	Other contract livestock services
Contract harvesting	Casual labour
Casual labour	Animal insurance
Carriage	Carriage
Irrigation running costs	Shed and yard repairs

Table 16.4 Typical overhead cost items

Administration—accounting, telephone, postage
Rates and rents
Depreciation of machinery and equipment
General farm insurance and workers' compensation
Interest payments
Wages of permanent employees
Repairs to water supplies, farm roads, buildings
Taxation payments
Lease payments

Gross margins must be expressed in comparable terms; so units on a per hectare or per animal or per tractor or per labour-hour basis are commonly used. Units must be stated, to allow farmers to make direct comparisons.

Farmers are able to determine the income forgone by developing certain combinations of enterprises on farms, through the use of gross margins. While gross margins are useful for farm analysis, they should not be seen as a measure of farm profit.

Gross margins per hectare calculated for a variety of enterprises on farms in similar environments are often used in forward planning. However, limitations do exist with these direct comparisons. Cash crops often illustrate high gross margins, but to be economically viable over time the farmer needs to be aware of long term physical and financial limits to expansion. Comparison of the gross margins of long term crops (e.g. woodlots), with annual crops may give misleading results that do not allow for the many years of little or no income obtained from woodlots or other long term farming systems (e.g. orcharding).

Example: wheat

Gross margin for a cash crop such as wheat, grown on 50 hectares, is calculated as follows:

Total return	\$ 2700
Variable costs	
Equipment repair	150
Seed	80
Fertiliser	100
Sprays	120
Fuel	75
Insurance	100
Harvest labour	150
Rail cartage	50
Total	825

Gross margin = \$2700 - 825

= \$1875 or \$37.50/ha

Once calculated, this gross margin for wheat can be compared with other annual crop enterprises for a similar locality. In the most commonly used situation, wheat, barley and canola, which all require similar equipment, labour levels and environmental conditions, can be reasonably compared.

Example: sheep vs cattle

The gross margin analysis in Table 16.5 indicates how enterprises can be compared. Notice the units used.

Table 16.5 Sheep and cattle operations: comparison of gross margins, and assumptions used

	Sheep	Cattle
Merino wethers \$18.02/dse		Steers \$16.67/dse
• wethers purchased at \$30/head and replaced every 4 years		• heifers retained
• cfas sold at \$8/head o/s		• 2yr old calving
• wool cuts 6 kg/head at \$5/kg net		• 90% weaning
Merino breeding \$17.67/dse		• cows retained for 6 calvings
• 80% weaning		• steers sold at 16 months (450 kg) at \$1.20/kg
• cull ewes and wether hoggets sold at \$25/head		• cull heifers sold at 14 months (320 kg) at \$1.20/kg
• ewes retained for first 4 lambings		• cull cows and bulls sold at 90 c/kg
• cfa ewes sold at \$8/head		Vealers \$15.43/dse
• wool cuts:		• heifers retained
—ewes 5.0 kg/head at \$5.00/kg net		• 2 yr old calving
—hoggets 4.5 kg/head at \$5.20/kg net		• 90% weaning
—weaners 1.5 kg/head at \$3.50/kg net		• cows retained for 6 calvings
• replacement rams purchased at \$400/head		• steer vealers (300 kg) and heifer vealers (250 kg) sold at 10 months at \$1.20/kg
		• cull cows and bulls sold at 90 c/kg

Gross margins are given on an equivalent unit of measurement—**dse** or dry sheep equivalent—allowing some degree of comparison. When looking at these gross margins, also bear in mind differences

in stocking rates, capital required to develop yards, fencing and watering systems. The demands of cattle are higher than those of sheep. Note also the assumptions used to calculate the gross margins.

CONCLUSION

There are many factors to consider when evaluating alternative enterprises for farms or assessing farms in general. Budgets allow an economic assessment of the situation; gross margins are useful for enterprise comparison. The farmer also needs to assess physical and technological risks involved in the operation of the farm.

THINGS TO DO

1. With the aid of agricultural magazines or newspapers, obtain current market prices for the major livestock and crop enterprises in your local area. Continue this for several weeks. What trends do you notice?
2. For a continuous period no shorter than 6 weeks, establish market price trends for a major local product. What effect will the market price have on farmers' anticipated levels of production and future production levels?

THINGS TO FIND OUT

1. For a major local agricultural product, find out how this product is marketed. What mechanisms exist to:
 - (a) guarantee the supply to the market?
 - (b) provide a marketing outlet for farmers?
 - (c) promote the product?
 - (d) add value to the product?
2. Why is the concept of 'adding value' to an agricultural product considered important by marketing organisations?
3. Develop a gross margin for two major crop or livestock industries in your district.
4. Research the role of information technology (telephone, computer systems, objective assessment of products) in livestock marketing.

ESSAY TOPICS

1. Discuss the marketing strategies available to farmers for products from one plant and one named animal production system.
2. Discuss, with examples, the ways that farmers are able to assess and plan future farm operations.
3. How do the laws of supply and demand influence marketing strategies for agricultural products?