

AGRICULTURE MARKETING

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INTRODUCTION

This paper deals with Agriculture marketing, particularly at the local level.

MARKETING IS THE MAJOR WEAKNESS OF A SMALL PRODUCER

When we talk about agriculture at the local level the major weakness here, as with all SMEs (small and medium size enterprises), is in marketing. Local producers must be aware of what is involved in marketing that will add value to their commodity.

FORMAT OF PAPER

This paper shall develop by looking at the three options for local producers in PNG. All three options involve various degrees of marketing.

What choices are there? The first option is *direct exporting*. This takes time and effort, plus a lot of finance and expertise. It's high risk and easy to make losses due to unfamiliarity with regulatory requirements, etc. All marketing expenses and responsibilities fall to you as exporter. This is obviously not a real option for a small producer.

The second option is to *sell to a local buyer*. This can be done 3 ways. First it can be sold to a middleman such as an exporter (AGMARK) or to a retailer (such as Andersons). Secondly it can be sold to the Consumer at the local market. Selling to the retailer or end-user is the easiest option as payment is supposed to be quick. There is less need for marketing expenses.

The third way is to form a co-operative. There are numerous disadvantages if management is not strictly commercial. Therefore this has normally been an option developed in rural areas where there has previously been no local buyer. With this sort of organization small producers can jointly create a critical mass and sufficient economies of scale to market their product successfully. Again much depends on the co-operative entrusting management to someone with commercial competence. And then the problem arises of having enough managerial talent to carry on the business if the manager falls sick or needs to take some leave. There have been examples of successful and unsuccessful Co-operatives in PNG.

AN EXAMPLE AND A SOLUTION

Mr Farmer is a small agricultural producer. Mr Farmer's problem is that, while having a product that can compete internationally, he lacks the marketing and information infrastructure to make the leap into exporting. The costs of creating such an infrastructure are beyond Mr Farmer's resources and credit is hard to come by.

Does this sound familiar to PNG? Yes!

A SOLUTION

Governments have tried to address the marketing problems of SMEs by creating export promotion offices, establishing training institutions, etc. The South Pacific Trade Commission (SPTC), currently headed by PNG's Mrs Tuvasa, is an example of an export promotion office which *does a good job and avoids* the problem of inefficiency and incompetence.

However bodies like the South Pacific Trade

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Commission and IPA need to be supplemented by other additional efforts. The bottom line is that it costs money and there is the ever-present spectre of inefficiency and inability looming over bureaucratic offices.

A 1997 UNCTAD/WTO study titled "The SME and the Export Development Company" presents both an alternative to export promotion offices and an additional effort: this "additional effort" is for the government to encourage the growth of private sector institutions that support SME exports. The government can save money while achieving important goals in development and trade.

The key is to bring two different types of private institutions together and to help each other understand the other's requirements for a successful business relationship.

The SPTC representatives have recognised the need for this sort of business relationship and it is the core of their work. But it is not enough by itself.

CONTRIBUTION OF THE LARGE PRODUCERS

Not enough appreciation is made in this country of the contribution of the large producers to assisting agriculture to make the transition from subsistence to commercial.

Where large producers exist many of the problems of the SMEs disappear or become manageable. This is because the problems of critical mass disappear, the attraction of infrastructure and commercial skills plus the availability of a market all make the environment for the small producer more friendly.

In agriculture large producers do not compete against the small producers as both produce small quantities in PNG compared to the world market. Both are competing together against a much larger world market. Both are helping each other as their separate productions are aggregated

to cover shipping overheads and increase volumes overall and lower each other's marketing costs. When these large agricultural enterprises are absent then we see the many problems arise or are not solveable without the large injection of government cash.

LET'S LOOK AT SUCH A SITUATION

Imagine the coconut producer outside Kerema town. Is his produce marketable compared to someone outside Madang, Kavieng or Rabaul?

No. The Kerema coconut producer has enormous problems because there is no established infrastructure or marketing network for coconuts there compared to other more developed areas. His marketing costs are enormous, perhaps even so huge as to make it uneconomic. Coconuts thus get left on the tree except what is needed for subsistence purposes.

SECRET OF MARKETING FOR SUCCESS

Marketing is an essential element in agriculture. There is an essential need to establish a brand or reputation in the agricultural field.

Coffee is a good example. Tourists and long-time residents love our Goroka coffee. That is because of effective marketing.

What is the secret? The first element of success is to have a basic good product. And if the product is of a special high quality then be proud of it. Let everyone know about it with whatever level of advertising you can afford - it may just be the sign on your pick-up truck or an ad on EMTV.

The second element is to make sure that customers are only supplied the genuine product consistently. Other agricultural products need not be of a premium quality but the quality of the particular brand must be of a consistent quality.

Third element of success is the most important for PNG producers: marketing the product.

Transport logistics and commercial marketing are the two areas to marketing produce.

WHAT CAN BE DONE NOW TO IMPROVE AGRICULTURAL MARKETING?

1. Infrastructure is the key to improving

The marketing of PNG Agricultural product relies on Roads, Bridges, Power, Telecommunication and local markets.

2. Local market Development

PNG has plenty of land on which to grow food. Local markets are seen all over the country. These vary from being small informal roadside and village arrangements to large formal markets like Lae Main Market. Most of these markets are not well serviced by buildings, power or water. Additionally they close at different time with little regard to the producer or the consumers ability to get to the market. There needs to be a major review of local market opportunities and local market infrastructure.

e) Small producers frequently don't realise how critical it is for their customers to have consistent supply and how important this is a factor in marketing. Often confidence to the buyer that you can consistently supply is the difference between being able to sell to a quality customer and not being able to sell. Fix up any factors that will affect your consistency of supply.

f) Cleanliness - at minor cost attention to cleanliness will bring rewards in higher sales. Cleanliness of anything associated with delivery and your product will also impress your customer a little extra.

In the end marketing is about enhancing your product and giving the consumer a lasting impression.

IF YOU ARE A LOCAL LEVEL PRODUCER HOW CAN YOU BETTER MARKET YOUR PRODUCT?

Take a lesson from successful rural marketers and your marketing will improve. Visit your target market twice in order to:

- a) determine what you have to sell - your surplus, or what you can grow or rear to sell - your possible surplus.
- b) identify potential customers, the closer to your village the better.
- c) ensure that the cost of your goods to the customer is below what he will buy them for.
- d) Market to your customer - is your goods superior in some way in price or quality?