Marketing Farm Products: An Elementary Discussion Prepared Especially for Boys' and Girls' 4-H Clubs

A. M. Emberle

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MARKETING Farm PRODUCTS

AN ELEMENTARY DISCUSSION PREPARED ESPECIALLY FOR BOYS' AND GIRLS' 4-H CLUBS

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Marketing Farm Products

An Elementary Discussion

Prepared Especially for Boys’ and Girls’ 4-H Clubs

By A. M. Eberle, Extension Economist, Marketing

Every 4-H Club boy and girl is interested in learning how to produce efficiently. South Dakota has thousands of club members who, through this knowledge, will some day be producing for market. The knowledge of how to sell what they produce is just as important as the knowledge of how it should be produced. Many times the knowledge of efficient marketing determines whether a farmer makes a profit or takes a loss on what he produces.

Years ago when each farm was practically a factory in itself there was no marketing problem. Enough food was raised for the family. Sufficient amounts were canned for winter use. Wool was spun and made into clothes, and very little was needed outside of what the farm itself produced. But as population increased and farmers began to specialize in their production it became necessary to establish a marketing system in order to dispose of this extra production not needed by the family. A system developed, therefore, so that a farmer who raised all wheat could sell it and buy back meat, dairy products and fruit, or a livestock man could sell his livestock and buy back flour, and other products that he needed. In other words, the tendency for farmers has been not to produce all the necessities of life, but to do that thing for which they are best adapted and to exchange part of their production for a portion of the products of other men. In order to make this exchange a marketing system was developed. This system gradually grew with the development of our country until today it is a very complex and important institution.

What is Marketing?

Marketing is the buying or selling of useful things. Whenever farmers raise more of a product than can be used on the farm, and that product is taken to town and sold the process involved is marketing. Marketing as related to the farmers’ products may be defined as the rendering of those necessary services which make it possible for the consumer to utilize the products of the farm. The consumer cannot use raw products, so it is necessary to put them in the form in which they will be useful. The services involved in doing this are called marketing.

When a farmer goes to town and buys useful things that his family needs that is also known as marketing. Our standard of living calls for many things we do not raise on the farm so we are marketing practically every day. The general practice of farmers is to raise certain products in large amounts so that they can be sold and a cash income secured from them. For this reason some farmers raise a large quantity of wheat, others large numbers of hogs or cattle, some have good size poultry flocks and so on. Many times we find farmers raising and selling a little of several kinds of products. With the income derived from the sale of these products farmers buy manufactured goods and other products they need and do not raise themselves. So the farmer is marketing when he sells the things he raises, and when he buys the products of others.
can do his own assembling in an efficient manner, he will save this expense and have it reflected to him in a greater return.

**Grading.**—Grading means dividing or sorting agricultural products into lots of uniform quality. In doing this, certain rules of standardization are used. The rules are usually based upon condition and quality of the product. In the case of livestock, conformation, finish and quality determine the grade of the different types. By applying the same measuring stick to each animal they can be classified into uniform lots. In the case of grain, condition is the main deciding factor. Condition includes weight, moisture, weed seeds, cracked and damaged kernels. The best grain is called No. 1, second best, No. 2, third best, No. 3, and so on down. The grading of fruits and vegetables implies that a first grade product is free from defects in form and quality. The United States Department of Agriculture has been very active in developing grades for all farm products and also canned and baked goods. Copies of the grades of the commodity which you are interested in can be secured from the Department of Agriculture at Washington, D. C.

**Processing.**—Processing is the service which changes raw materials into the finished goods desired by consumers. Since farmers do not ordinarily grind flour, slaughter livestock in large numbers, make shoes, or can fruit for sale, it is necessary to have someone do this processing. Perishable commodities that are produced at certain times of the year are processed so they can be kept and made available the year around. Girls’ canning clubs learn to process vegetables and fruits so they can be processed during the summer and fall when supplies are large, and used during the winter when it is almost impossible to secure fresh products. The method used depends upon the kind of product. Some of the methods are condensing, canning, preserving, drying, smoking, and pickling.

**Transportation.**—Agriculture is dependent upon transportation, for all the products raised on the farm and not consumed there must be transported to the consumer. Agriculture could not grow without adequate transportation facilities. As a part of marketing it includes not only the moving of raw materials from the farm to the mill or market but the transporting of the finished product to places where it is needed by the consumer. The farmer usually hauls his own products to town but from there someone else performs the transporting service for him.

**Storage.**—Since farm products are not all consumed at once after they are produced, storage facilities are necessary. We market the bulk of our livestock in the fall of the year so the packers have great refrigerators where the meat is stored until it is used. Fruit is usually picked only in the summer and fall of the year and, by means of storage, is made available to the public the year around. About one-half of the egg production occurs during the three summer months. Storage makes it possible to save what is not needed so that the market can be supplied in the winter time when fresh eggs are scarce. All people are interested in storage. Without it, agriculture would be under a serious handicap.

**Financing.**—Funds, either in the form of money or credit, are necessary in the marketing of farm products. They make it possible for farmers to finance their operations from the time that crops and other products are matured until the essential marketing services are rendered. Producers, with unsold commodities, have need of the service of financing. The middleman needs credit to finance his operations from the time the farmer is
paid for raw material until the finished commodities are paid for by the consumers. Lack of adequate credit has been a great drawback to the progress of many farmer-owned marketing agencies.

Risk Taking.—When agricultural products are marketed there are certain risks that must be assumed. Some of these risks include losses due to poor packing, failure to grade properly, shortage of cars, improper loading, delay in transit, lack of proper warehouses and many other risks due to physical conditions. Then there are the market risks that deal with market changes and price fluctuations. It is almost impossible to eliminate risks entirely, and they must be assumed by someone. The person that assumes them does so through endeavoring to buy the products at a low enough price so that his purchase will pay out even though part of the commodity could not be sold, the price suddenly changed, or a loss was sustained through unfavorable physical conditions.

Different Methods of Marketing

Selling to Local Buyers.—One of the earliest forms of marketing was to take the product to town and sell it to a local buyer. This may have meant selling it to a merchant, butcher, a buyer who came to town on certain days, or a buyer stationed there. Many farmers still prefer this method of marketing. Where only a small quantity is offered for sale about the only method available for marketing is to take it to some local buyer. Individual club members having a calf or pig to sell have no other way to dispose of it outside of selling it to some local buyer unless there is a shipping association in the community.

Shipping to a Large Market.—Some farmers kill and dress poultry, pack them in barrels and send them to a commission firm on some large market. Large livestock producers consign their livestock to a commission firm on a terminal livestock market. Some poultry raisers send cases of eggs to the larger poultry centers. All these practices have to do with selling through a large market or through a terminal market.

Selling Directly.—Direct marketing takes place when the products are sold direct to the processor. When hogs are sold from the farm to the interior packing plant, direct marketing is being practiced. Other examples of direct marketing are, a farmer shipping his wool direct to a mill, a local cooperative elevator selling grain direct to some farmer who is feeding stock or direct to some other elevator, or a farmer selling his feeder cattle or sheep direct to some farmer who wants them to fatten. In any of these transactions, the product is sold without the services of a middleman, and so it is called direct marketing.

Other forms of direct marketing are possible through parcel post, where a farmer has developed a city trade of his own, through road-side markets, or farm women's markets, which are becoming very common, and selling at the farm by advertising what he has to sell.

Exchange Lists.—Under this method a list of the livestock for sale in a county or in several counties is published. This information is gathered by sending out a questionnaire asking the growers to list what stock they will have for sale. Usually only breeding stock or stockers and feeders are handled this way. The list contains the owner's name and address, and the breed, kind, age, weight, color, and approximate date on which stock can be delivered. These lists are usually mimeographed and sent to farmers in the county, to feeders in the eastern section of the state, and to feed-
ers in other feeding areas. If a farmer is interested in any of the stock listed, he gets in touch with the owner by either writing him, or by going and looking at the stock. This is a very inexpensive method of selling, about the only expense involved being the collecting of the information and the printing and mailing of the lists. In a similar manner seed exchange lists are made up and serve a very useful purpose. This method of selling

When the weights on either end of a scale beam are equal the beam remains balanced and the pointer holds steady. The same principle holds true when the demand for a product is sufficient to take care of the supply. Prices are then steady.

When one weight is heavier than the other the scale beam goes down on the heavy side and the indicator moves toward the heavy weight. If the heavy weight is represented by supply the indicator would register a downward movement on the price scale.

The reverse movement of the scale beam takes place when the demand is greater than the supply. The indicator then moves to the high side of the price scale.
requires a central office to collect and publish the information. Sometimes this is done by agencies, such as cooperative creameries, elevators, etc., who issue lists of products other than they market. Exchange lists for some products are often maintained by the county agent's office, and by the State Extension Service.

Sire Exchange Days.—The barter system was perhaps the earliest form of marketing. By bartering is meant the exchanging of one article for another without the use of money. The "Sire Exchange" is a form of bartering. Under this plan, on a certain advertised day, farmers bring to a central point, usually a town, the sires they can no longer use. The town in which the exchange day is held usually cooperates and furnishes pens and stall room. A farmer can look over the sires present, and if he sees one that suits him, he makes his own deal with the owner. They can exchange sires if both are satisfied, or one can buy the sire of the other. All classes of livestock, including poultry, can be included in an exchange day.

Exhibits and Fairs.—Exhibits and fairs can be used as a medium through which to market pure bred livestock. Breeders showing their stock at fairs do so with the idea in mind of advertising their stock. This practice results many times in the selling of sires and is a method of marketing.

Cooperative Marketing

Thus far, only private marketing agencies and methods of marketing have been mentioned. There is still another method available to farmers which is known as cooperative marketing. In the case of the private marketing agencies, money is invested to make a profit and all the profit that is made in performing marketing services is paid as dividends to stockholders. In the case of cooperative marketing, money invested only draws a reasonable rate of interest, and any profit above this is returned to each patron in proportion to the amount of business done.

When 4-H Club members load a carload of hogs that were raised in their project work, ship them to market, and when the check comes back, give to each member what his hogs brought, minus the freight and marketing expense, that would be called cooperative marketing. We can say, then, that when farmers organize themselves into a marketing association through which they are to market their products and receive for them all they are worth minus the expense of handling, they are practicing cooperative marketing.

A cooperative marketing association is justified only when it can improve the marketing conditions of the territory and can perform the necessary marketing services cheaper than the existing agencies. No association should be formed merely because a certain person, or group of persons thinks favorably of the cooperative idea. Some of the advantages of cooperative marketing are—the savings made are returned to the farmer; since quality is usually rewarded by an increased price, the cooperative creates an incentive to produce a quality product; by pooling orders, purchases sometimes can be made to better advantage; more reliable market information can be supplied; a community becoming cooperative minded usually is a better place in which to live. The disadvantages of cooperative marketing are—the cooperative idea has been oversold; the fear that outsiders will receive higher prices than will be secured by members; the dif-
Production Costs

There are certain costs involved in the production of hogs. The above illustration shows the items that enter into the cost of producing hogs for market.
There are many essential services necessary in the marketing of hogs. These services represent marketing costs since they must be performed by someone. The above illustration shows the essential services that are performed from the time the live animal leaves the farm until the carcass is sold in the form of cuts of meat to the consumer.
ficulty of securing a capable manager; the jealousy of rival factions or leaders; and the difficulty of securing cooperation and interest from members at all times.

A cooperative association should be a business proposition, and farmers should not expect to get results except through united effort and through the application of sound business principles. An association does not possess magical powers just because it is farmer-owned and controlled.

**Essentials of a Successful Cooperative Marketing Organization**

The most important essentials of a successful cooperative marketing association may be listed as follows:

**Sufficient Volume of Business.**—This is absolutely necessary in order to attract buyers, employ capable management, and keep down overhead.

**Good Business Methods.**—Business principles and methods must be practiced at all times. The keeping of complete and accurate records is important.

**Capable Management.**—A manager many times determines the success or failure of a cooperative organization. A manager should have business capacity, experience and character. He should be rural minded, and a team worker.

**Adequate Finance.**—A cooperative marketing association must have the capital needed to provide for the necessary facilities and for operating purposes as well as a source of credit for emergencies which may arise.

**Membership Loyalty.**—If the membership do not stand back of their organization and do not support it, it will soon cease to function. A farmer who accepts membership in an organization and expects to share in its benefits must have a knowledge of its aims, a clear understanding of the job, and a knowledge of the individual duties that go with it. Some of the obligations of membership are: To attend all meetings, study reports, exchange opinions, assist in forming sound public sentiment, live up to the obligation, deal with disloyalty, and elect competent directors.

**Things a Cooperative Can Do and Should Work Towards**

1. Reduce marketing costs through efficient selling and reflect these savings back to the producer.
2. Improve quality by reflecting the increased price back to the producer of a superior product.
3. Standardize products so the larger quantity of a uniform product will bring a higher price.
4. Collect and distribute reliable and accurate market information.
5. Operate with the least amount of difficulty possible, for it is hard to please everyone.
6. Develop membership interest and have efficient director guidance. Interest on the part of members is essential to any cooperative, and it takes a good board of directors to run an association successfully.
7. Create advertising and sales agency in order to sell a standardized product at the most favorable prices.
8. Aid in purchasing supplies through the pooling of orders.
Things a Local Cooperative Should Not Do

1. Arbitrarily fix prices at which products are to be sold, for the consumer holds the purse strings, and if the price is too high, he will buy less.

2. Guarantee cost of production, because cost varies greatly between farmers. A price that would cover one farmer's costs would very likely not cover another farmer's costs.

3. Eliminate all the middlemen, because there are certain necessary marketing services that must be performed. A cooperative may replace the local buyer and distributor, but this is not elimination, for it is merely combining the services under one control.

4. Get more for members' products than non-members do, for private concerns sometimes try to break a cooperative by paying high prices.

References

Cooperative Marketing and Purchasing, United States Department of Agriculture, Washington, D. C., Circular No. 121.


Farmers Cooperative Associations In the United States, United States Department of Agriculture, Washington, D. C., Circular No. 94.