

# Marketing of Horticultural Products – A Professional Approach

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## Introduction

Rural population forms a major portion of the Indian population. The census of India reports 72.2 % of the Indian population as residing in the rural areas. It is also found that 77 % of the rural population depends on agriculture and horticulture is a part of agriculture. The vibrancy of the Indian economy will depend to a very large extent on the buying power of the rural masses. A prosperous agriculture/horticulture sector is of paramount importance to the Indian economy.

India is the second largest producer of fruits and vegetables in the world, next only to China. Its share in the world production of fruits is eleven percent and vegetables seven percent. Because of its varied agro-climatic conditions, temperate, sub-tropical and tropical, India can produce a variety of fruits and vegetables.

The era of globalization and the process of liberalization have given a new impetus to the growth path and modernization of the Indian economy. It is imperative to restructure and reorient the agriculture/horticulture sector to meet the specified global needs. The emerging horticulture scenario calls for new initiatives in order to give a fillip to steady growth of horticulture production and marketing both in the domestic and international markets. A Professional Approach to develop and implement comprehensive, effective and efficient marketing strategies to assist the horticultural farmers both big and small to help increase sale both in the domestic and export markets so that it can contribute significantly in strengthening the Indian economy.

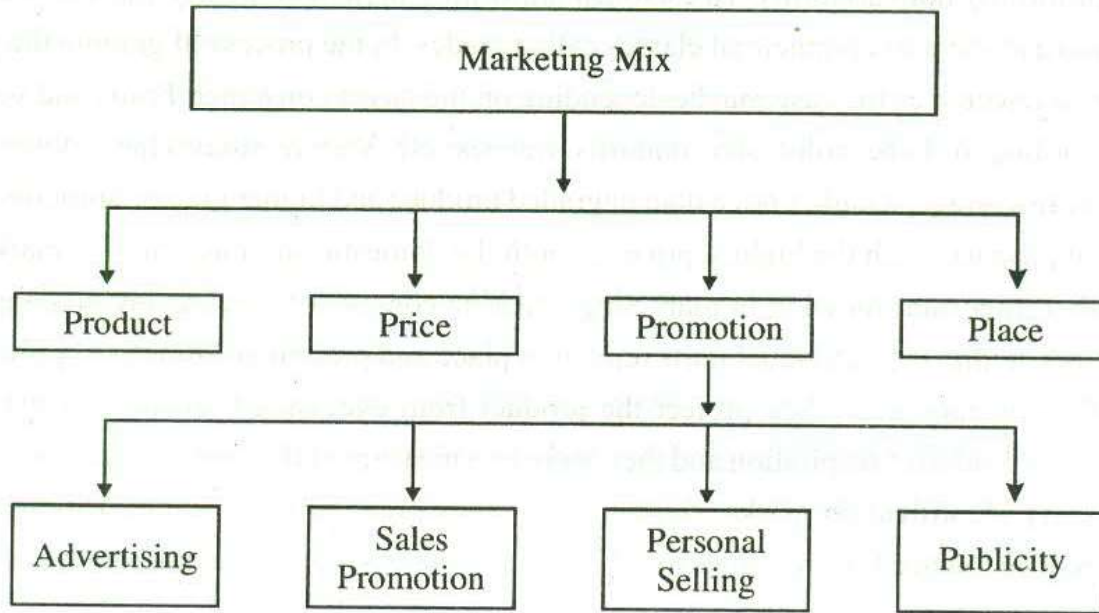
## The Horticulture Marketing Program

To make horticulture marketing effective and efficient, it is critical to build a good marketing program or plan, to achieve the desired marketing objectives. The marketing program consists of numerous decisions on the mix of marketing tools to be used. The marketing mix is the set of marketing tools used to achieve the desired marketing objectives. The horticulture marketer should use the various components of the marketing mix strategically to improve the productivity of his marketing efforts. The classification of these marketing tools as given by McCarthy is depicted in figure 1.

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**Figure 1**  
**Classification of the Marketing Tools**



### **Product**

Product is the key offering of the marketing mix and it is no different in horticulture marketing. It is the offering made to the consumer to satisfy his need or want. All the activities in any horticulture marketing system are directed towards moving the product from the farm to the final consumer. If the horticulture farmer is able to produce and offer a product the consumer wants then there will definitely be a greater demand and a better price for his product. The farmer should make an effort to understand the product that will satisfy the needs and wants of his customer and grow the same rather than growing what the other farmers in his neighboring farm are growing. The important variables under the product component that are significant in horticulture marketing are product variety, quality, grading, packaging and branding.

Different variety of the product maybe required by different target customers. In case of pomegranates, for example, the variety demanded by the juice manufacturer maybe much different from that of the fresh fruit consumer. Similarly the variety of grapes demanded by the raisin manufacturer maybe much different from that of the consumer who consumes fresh fruits.

Maintenance of quality is becoming increasingly important owing to the growing consumer awareness in both domestic and international markets. It requires attention not only at different stages of marketing but also during the crop growth period at the farm. In the globalised era the Indian farmer is facing an onslaught of international suppliers in the domestic markets. This can develop into a healthy market situation only if horticulture production in the country becomes quality oriented and cost-effective. So efforts should be directed towards growing quality products to attract better markets and better prices. Research organizations like Indian Institute of Horticulture Research (IIHR) and the Agriculture Universities in the country conduct regular research to evolve better variety and quality of horticulture products to aid the farmers.

Grading is another aspect that has a great impact in horticulture marketing. The individual horticulture products of any given variety vary greatly in size, shape, color and freedom from blemishes. However the consumer demands uniformity not variability. To establish uniformity in market quality, most horticulture products are divided into a number of commercial classes called grades. In the process of grading the products are segregated, trimmed/rejected as the case maybe depending on the target consumer. Fruits and vegetables are usually graded according to shape, color, size, maturity, ripeness etc. Various studies have shown that graded produce fetches, on an average, a higher price than ungraded produce and higher grades, attractive appearance and uniform size of produce fetch the highest prices in both the domestic and international markets.

Packaging is another important function in marketing. Packing consists of placing any given product in an appropriate container so that the individual units remain in place and present an attractive appearance. Packages have the following functions: they protect the product from excessive bruising and PH losses, they provide ventilation for oxidative respiration and they serve as a measure of the contents and a means by which the product may carry identification marks, shipping directions or advertising matter. Efficient packing to uniform size can reduce the need for repeated weighing and thus help reduce the marketing costs.

Branding is the next major issue in product strategy. Branding is the process by which a marketer tries to build long term relationships with the customers. It is finding its relevance even in horticulture marketing today, as Russel Hanlin, the CEO of Sunkist Growers, observed: "An orange is an orange... is an orange. Unless ... that orange happens to be Sunkist, a name 80% of consumers know and trust". A brand is a name, term, sign, symbol or design, or a combination of them, intended to identify the products of one seller or group of sellers and differentiate them from those of the competitors. It identifies a seller or group of sellers. Well known brands command a price premium and a loyal consumer base, as the consumers of a particular brand will associate it with consistent quality and value. This has a greater relevance in horticulture marketing as it is comparatively difficult to express the quality of the products. A well developed branding strategy will help market the horticulture products better in both the domestic and international markets.

### **Price**

Price is one element of the marketing mix that produces revenue; the other elements produce cost. Traditionally price has operated as the major determinant of the buyer decision and it remains so even today. Though price represents revenue to the producer-seller, it represents cost to the consumer. Pricing is a very critical decision because, if set too high it may have an impact on the demand of the product and if set too low it will have an impact on the profitability. Pricing decisions in horticulture marketing are critical as in marketing of any other manufactured product.

There are a number of forces that influence the prices of horticulture products. These forces can be grouped into five broad categories:

- 1) Supply conditions including the area under cultivation, productivity, quantity produced, imports, weather and diseases
- 2) Demand conditions including income, prices, tastes and preferences, population and exports
- 3) Government through price support, supply constraints and trade policies
- 4) Process of globalization and liberalization
- 5) Horticulture marketing system through its value added activities, procurement behavior, price and cost behavior.

The prices of agriculture products tend to be more variable than prices of non-agriculture products mainly due to the variation in supply of the product. The price of any horticulture product tends to fall when its supply is more in the market and vice versa. This variability in price can be observed both inter-season, that is variability from one season to another and intra-season, that is variability during different phases in the same season because of variation in time periods of cultivation and harvesting amongst farmers.

The demand for a particular horticulture product will also have a great influence on its price. The demand in turn can be influenced by factors such as population, general economic conditions, income, tastes and preferences etc. the degree of their influence on price depends greatly on the product's price elasticity. The product is said to be price elastic if an increase or decrease in the price of the product brings about a substantial increase or decrease in its demand. Price elasticity of demand ( $E_p$ ) is given by the formula

$$E_p = \frac{\text{Percentage change in quantity demanded}}{\text{Percentage change in price}}$$

Some products are more price elastic (example grapes) as compared to others (example rice). A product is usually more price elastic if it is a want rather than a need to the consumer and if it has more available substitutes.

The Government also influences the prices of horticulture products through price support, supply constraints and trade policies. The process of globalization and liberalization is bound to integrate the local agriculture market with the global market. It will be difficult to insulate the domestic agriculture market from international demand and supply forces and the market prices cannot remain uninfluenced by the world market prices. The process of globalization and liberalization will influence pricing to a very great extent.

The activities, strategies and behavior of the various marketing intermediaries also have an influence on the price of the horticulture product. It is believed that the prices of horticulture products are not set, either by the farmer or the consumer, basically because of their lack of bargaining power. The producers and consumers are both exploited in India because of hoarding and speculation by many of the marketing intermediaries. The wholesalers and retailers to a very large extent determine and set the prices of horticulture products in India.

Ideally the prices should be determined jointly by consumer demand, farm supply and the marketing system for optimum results.

### **Place**

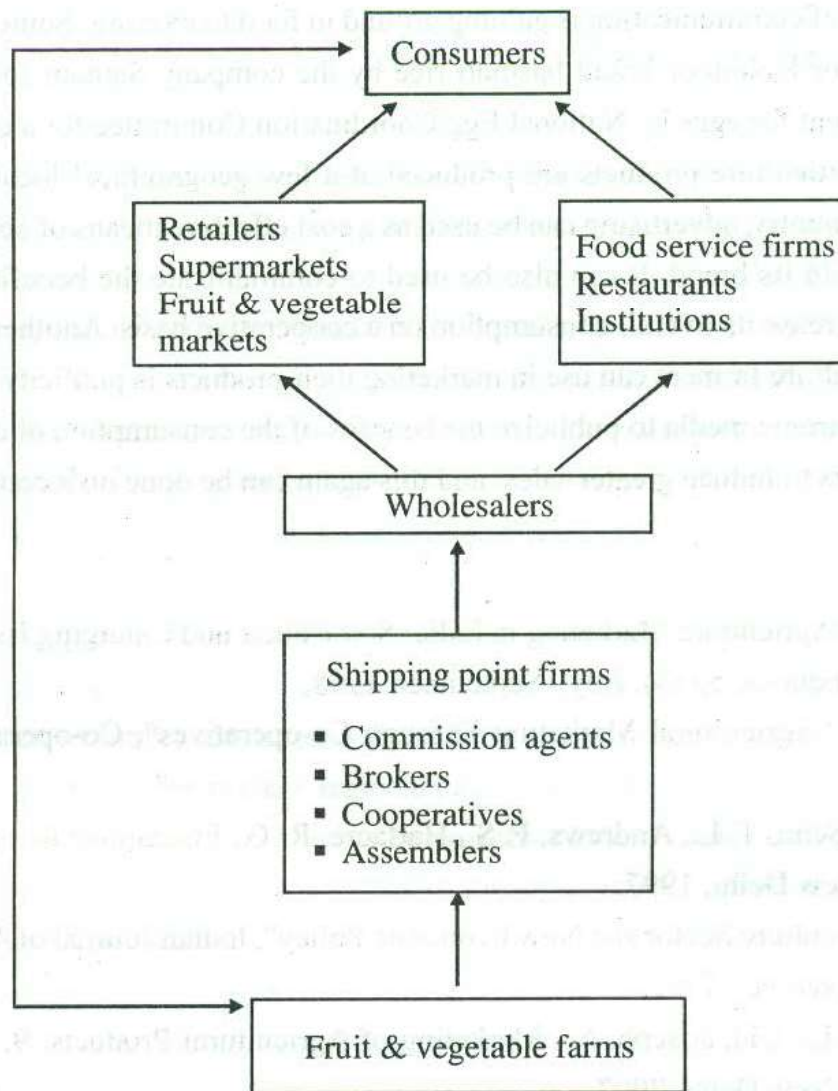
The place or distribution component of the marketing mix is concerned with all the activities related to the distribution of the horticulture product from the farmer to the final consumer. Evolving a sound distribution strategy is very important as, the component of the distribution cost in the total marketing cost, is very substantial and increasing day by day. Most farmers do not sell their produce directly to the final consumer; between them stand a set of intermediaries performing a variety of functions. These intermediaries constitute the marketing channel (also called as distribution or trade channel). Some intermediaries like wholesalers and retailers take title to the goods, others like brokers and commission agents do not take title to the goods and still others called as facilitators like transporters and independent warehouses just assist in the distribution process.

### **Functions of the Marketing Channels**

A marketing channel overcomes the time space and possession gaps that separate the products from those who need or want them. Some of the key functions performed by the members of the marketing channel are as follows:

- 1) They gather information about current and potential customers
- 2) They develop and disseminate persuasive communications to stimulate purchase
- 3) They reach agreements on price and other terms to effect transfer of ownership
- 4) They place orders with the farmers
- 5) They mobilize funds to finance inventories at different levels in the marketing channel
- 6) They assume risk connected with carrying out channel work
- 7) They provide for successive storage and movement of products
- 8) They provide for collection of bills.

The various marketing channels available for marketing of fresh fruits and vegetables are illustrated in Figure 2. There are basically three principal markets: (1) shipping point markets, (2) wholesale markets and (3) retail markets. The shipping point markets are located in the horticulture produce growing areas. Their purposes are to aggregate large volumes of produce from numerous growers, prepare the products for markets and allocate them to different markets. Wholesale markets are located in the population centers. They take products from shipping point firms in large quantities and sell in smaller quantities to the retailers. The retailers buy from wholesalers in small quantities and sell them to the final consumers. Farmers also sell a part of the produce directly to the consumers, exporters and food processing units.



## Promotion

Promotion mix is concerned with the communication about the company and its products/services to its present and potential stakeholders. It is also called as the communication mix. A comprehensive horticulture marketing system today should involve a well developed promotion mix strategy. The horticulture marketer should be able to communicate about his product and its advantages to his potential and present consumer in a very effective and efficient manner to induce purchase. The promotion mix basically consists of four important promotional tools, namely advertising, sales promotion, personal selling and publicity.

**Advertising** is any paid form of non-personal, mass presentation and promotion of ideas, goods or services by an identified sponsor. **Sales promotion** consists of diverse collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular product or service by consumers or trade. **Personal selling** is the direct form of face to face communication to stimulate quicker or greater purchase of particular product or service by consumers or trade. **Publicity** is any non-paid form of non-personal, mass presentation and promotion of ideas, goods or services by an identified sponsor. Advertisers include not only business firms, but also museums, charitable organizations, government etc.

Advertising as a means of communication is gaining ground in food marketing. Some of the recent examples are the advertisement for Kohinoor brand basmati rice by the company Satnam for a branded agriculture product and advertisement for eggs by National Egg Coordination Committee for a commodity product like egg. As most of the horticulture products are produced at a few geographical locations but consumed by customers all over the country, advertising can be used as a cost effective means of communicating about the branded products to build its brand. It can also be used to communicate the benefits of consumption of a particular product to increase its overall consumption on a cooperative basis. Another effective communication tool that the horticulture farmers can use in marketing their products is publicity. The farmers can make use of the print and electronic media to publicize the benefits of the consumption of a particular horticulture product to the consumers to induce greater sales, and this again can be done on a cooperative basis.

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