



Lecture 31

SEED MARKETING

A definition of seed marketing

Seed marketing should aim to satisfy the farmer's demand for reliable supply of a range of improved seed varieties of assured quality at an acceptable price.

- To the retailer in the agricultural sector, for example, it is selling seed along with other inputs to the farmer.
- To the farmer it is simply selling what he produces on his farm. However, whatever the circumstances, a well-defined sequence of events has to take place to promote the product and to put it in the right place, at the right time and at the right price for a sale to be made.
- Too many people think of marketing solely in terms of the advertising and selling of goods, whereas in reality marketing starts long before the goods exist and continues long after they are sold. Therefore, for the marketing process to be successful: the farmer consumer's needs must be satisfied; the seed company's objectives must be realized.

MARKETING STRUCTURE

Seed distribution systems

Seed distribution can be carried out by government, public sector agencies, co-operatives and the private sector or, as is often the case, by a combination of all of these. Channels for seed marketing may be described as:

Direct

The seed producing organization supplies the farmer directly. Some features of direct channel distribution are:

- the supplier has direct contact with the consumer
- a high level of service and customer support can be maintained
- direct control is maintained over the quality of the product
- the upkeep of such a system can be expensive, with high fixed costs if a sales force is employed
- a responsive management structure and well-motivated staff are required

where there are many staff involved in a direct sales organization there can be an inbuilt inertia to change so the system may lack flexibility.



- the revenue necessary to pay for the high fixed costs will only come from

having a wide product range and achieving good market shares or selling high value products such as horticultural seeds.

Single level

The seed producing organization supplies the farmer through independent retail outlets. The main features of this system are that:

- the seed supplier relies on the retailer for contact with the consumer
- retail networks require strong service and support from the supplier
- good administrative control must be provided by the sales management
- the supplier's distribution system must be well organized and responsive
- product quality at the retail level must be monitored for deterioration and adulteration and a return system should be considered
- although the products may be well promoted, the supplier relies on the retailer to make the final sale.

Multilevel

The seed producing organization supplies a national distributor, wholesalers or regional distributors who, in turn, supply sub-distributors or the retail outlets.

This system is characterized by:

- the supplier having no direct contact with the consumer
- products being strongly promoted in order to create demand
- supplying seed to the distributors in sufficient time to achieve timely availability at the retail level
- management ensuring that there is a good system of monitoring sales and obtaining feedback from the consumer
- the distributor being interested only in the strongest selling lines.

If neither infrastructure nor the economy are well developed, national distributors may simply not be available and the seed producer will have to supply seed to regional wholesalers or distributors.

Sources of seed available to farmers

For farmers there are a number of sources available for the purchase of seed. These are:

Direct sales

The seed producer supplies the farmer directly from central seed stores and a network of his/her own supply points

Farmer producers

Farmers with seed production contracts are licensed to supply other farmers within their zone



of influence

Cooperatives

Cooperatives act as 'farmer producers' and/or as suppliers of inputs to members

Farmer dealers

Farmers act as dealers, supplying their neighbours; this can evolve into a highly developed system

Commission agents

These work directly with the producer or his/her intermediaries, passing on orders from the farmers

Grain merchants

Traders involved in the seed and grain business who are also licensed seed producers

Crop buyers

Collectors and crop or commodity traders who provide a point of contact with farmers and can be used to market seed

Retail store dealers

Town and village dealers who retail a range of agricultural inputs, with the larger operators possibly having sub-dealers

Industrial processors

Processors interested in specific crops including oilseed crushers and vegetable canners, who may have an interest in supplying seed as part of a growing contract or integrated production system

Cold store operators

Potato cold store operators trade potato seed since they deal directly with the growers and have the appropriate storage

Consumer outlets

Garages, shops and supermarkets (are best suited to display small packets of seed)

Mail order

Suitable for low volume, high value products such as vegetables and flowers.

Although government extension outlets are not strictly retail outlets, seed is sometimes supplied to the farmer through government sponsored agencies and departments which administer crop or regional development and credit programmes.

ORGANIZATIONAL CHART

- **Product management**

Concentrates on developing and implementing marketing policy for a seed product or range of products



- **Advertising, promotion and public relations**

Aims to create product awareness, influence farmers' buying decisions, (PR) and build up a positive perception of the company

- **Sales order administration and dispatch**

Involves receiving and processing orders, allocating stock and dispatching orders, and maintaining stock records

- **Stock control and quality assurance**

Involves managing the inventory for each class of seed, crop and variety, to ensure maintenance of germination and vigour

- **Distribution and transport**

Entails moving the seeds from the point of production to the point of sale

- **Sales and invoicing**

The process of making the actual sale and receiving payment for it, i.e. the end result of the marketing activity

- **Management information**

Involves collating and interpreting sales information and other information as a basis for monitoring operations and planning future activities

- **Customer care**

Involves after-sales service, dealing with complaints and maintaining customer loyalty

THE PROMOTIONAL ACTIVITIES

Resources invested in variety development and seed production will be wasted if farmers are not persuaded to use the improved varieties. All promotional activities involve sending messages to the distributors and consumers in order to inform them about a company's products and help them to make their decision to buy a particular variety or brand of seed.

- **Advertisements**

Messages sent via the media to inform and influence the farmer



- **Sales promotions**

Specific techniques designed to increase sales of particular seeds

- **Personal selling**

The importance of salesmanship

- **Publicity and public relations**

Generalized communication which is designed to promote the company's image rather than that of specific seeds

- **Extension**

Farmers in developing countries have certain characteristics:

- They have low purchasing power coupled with a low rate of return from farming.
- They are generally conservative and therefore are slow to adopt new products.
- They may not be well informed.
- They often lack mobility and the means to transport goods.

It should also be recognized that educational and literacy standards will not always be high in rural communities. The use of visual material will help to overcome some communication problems. In all forms of communication, companies should always try to make the subject of seeds interesting and relevant to the consumer.

Advertising

The published print media

This includes newspapers, periodicals, magazines, trade and professional journals. There may be both advantages and disadvantages when advertising in this manner.

Some advantages of the printed media are that:

- good coverage can be obtained and, by using the local press and specialist

papers, accurate targeting can also be achieved

- it is relatively cheap and immediate
- complex messages can be given in print; these can be read again and again
- reply and cut-out coupons with an exchange value can be used to encourage

farmers to request further information and buy the product.



Some disadvantages of the printed media are:

- the text, and therefore the message, may not be well understood due to language and literacy problems
- only limited space may be available
- printed text has limited impact and colour does not always reproduce well in newspapers
- a daily paper has a limited life and the advertisements will have to compete for attention with stories and other information.

As well as placing advertisements, press releases can be given to newspapers or features written that carry the name of the company and its products.

The broadcast media: This includes television, radio and cinema.

Television

Some advantages of television are:

- the impact will be greater as both sound, colour and movement can be used to convey the message
 - massive coverage can be achieved and some local targeting may be possible.

Some disadvantages of television are:

- it can be very expensive and is only suitable for simple messages
- the exposure time is short and the advertisement may miss the target audience
- TV reception may be poor and if local targeting is not possible the message will not be relevant to many viewers
- there may not be any related interest programmes that will be viewed by the target audience
- in many countries farmers cannot afford television, although televisions are often available in clubs, bars and other public places.

Radio

Some advantages of radio are:

- good coverage is achieved; this is not confined to the home as people listen to the radio everywhere, including when they are working on the farm



- it is relatively cheap to broadcast on radio compared to television and advertisements are easier to prepare
- the incidence of local broadcasting, in local languages, is greater than with television
- related interest programmes and farming information spots are usually more frequent.

Some disadvantages of radio are:

- reception may be poor in certain areas
- people don't always listen closely and consequently may have poor recall of the message.

Language problems can be overcome through local broadcasting and there is always the possibility of involving local personalities to add interest and relevance to the area. Radio is useful for making announcements, such as the availability of seed in the area. Another form of broadcasting is the loudspeaker van which can be used to tour villages or towns to make similar announcements, particularly on a market day.

Cinema

In rural locations where cinema is the main entertainment a high proportion of the audience will be involved in farming so this medium could be considered for advertising. Advertising slides are not expensive to prepare and these can be shown during the show.

The outdoor media

Outdoor media include posters, signs and advertising on transport, bus shelters, walls and buildings. These forms of advertising can be used to increase the visibility of the company and its products. Outdoor advertising may have considerable and lasting impact at a low cost if it is well situated and if there is not too much competition for the available space. Exclusive arrangements can always be made for the use of space.

In addition to commercial advertising, retailers should be supplied with signs and crop boards. It is important that good sites are chosen which are highly visible and strategically placed to ensure maximum exposure.



Packaging design



Packaging is a form of advertising. Clear printing, the use of colour, brand or company logo and well reproduced photographs or images are all important components of design.



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PRICING POLICY

Seed pricing involves setting prices when a new product is launched or a new distribution channel is used. Also, decisions may need to be taken to change the price in response to competition and to the general market situation.

In the public sector prices are often based on an economic pricing policy. Economic pricing considers the effect of seed price on the economy, taking into account the amount officials think farmers can afford to pay and the role of the seed industry in the development of agricultural production. Ideally, however, the public sector should follow a more commercial pricing policy which accounts for all costs and allows for an element of profit.

Some objectives in government seed pricing could be:

- to induce farmers to use certified seed of improved varieties in order to increase national production
- to provide adequate incentives to seed producers to supply seed in sufficient quantity to meet demand
- to encourage the development of private distribution channels
- to implement government agro-economic policies.

Some objectives in private sector seed pricing are likely to be:

- props maximization which will be the long-term target although there may be many other shorter term considerations which will influence pricing policy, such as increasing market share and gaining acceptance of new products
- price competition, may be achieved by setting a price that gives a competitive edge in the market place but may not be lower than that of a rival because other factors, such as service, will be contributing to a company's competitive advantage
- a yield 01? investment which must be at least as good as other uses for investors' funds.

Pricing strategies

Once a company's seed pricing objectives have been established, different pricing strategies must be considered. These include:

Low price strategy

Low price strategies are used where consumers respond very positively to small downward changes in price, but a company may not always gain from setting low prices as more efficient competitors may respond with similar price cuts. If the product is not particularly price sensitive then the net effect of a price reduction can simply mean a reduction in revenue. A company may be tempted to reduce its price where similar or substitute products are also sold



or when there is an oversupply. However, seeds can become devalued by selling them cheaply especially where there are real benefits associated with the product. Imported vegetable seeds are often chosen by farmers in preference to locally produced varieties in the belief that they are better because they are more expensive. It is therefore critically important to understand the likely response of the farmer when adopting a low price strategy.

Market price strategy

Where a few large companies dominate supply, products tend to be similar (known in the seed industry as "me-too" varieties) and the role of price tends to be neutral, i.e. a market price is established.

High price strategy

This strategy can be used as a long- or short-term policy. In the case of the long-term policy the company will have identified a market segment for a high quality, value-added product such as graded and treated seed for precision drilling. A high price will reflect the exclusive image or added value of the product. A short-term, high-price policy takes advantage of a new product introduced onto the market, as may be the case with a new high-yielding variety where supply is limited.

Pricing techniques

The important influences on pricing are cost, demand, prices of the product's main competitors and short-term sales targets.

Cost-plus pricing

This method involves calculating the unit cost of a product and adding the appropriate profit margin to give a base price which might then be altered in relation to prevailing market conditions. While this seems a simple approach the fact that such pricing is production oriented and may therefore not reflect what is happening in the market place, makes it risky. A rigid application of cost-plus pricing may lead to price increases when demand is lower and reductions when demand is strong. This is the opposite of what should normally be done.

Contribution pricing

This is a form of cost-plus pricing which involves separating the different products that make up the product portfolio and allocating to them the direct costs associated with their production. The price is determined at a level which will generate revenues in excess of these costs, thereby contributing towards meeting business overheads. Individual products can be analysed in terms of their ability to cover their direct costs and contribute to overheads.

Competitive pricing

Where there is market competition, costs cannot always be the determining factor in pricing. Here the nature and extent of competition will have a major influence on the price. If a product is faced with direct competition from similar products the price will be restrained. In contrast, when a product is faced by indirect competition from products in different sectors of the market there will be more scope to vary the price. This provides the possibility of using different strategies.



Short-term pricing techniques

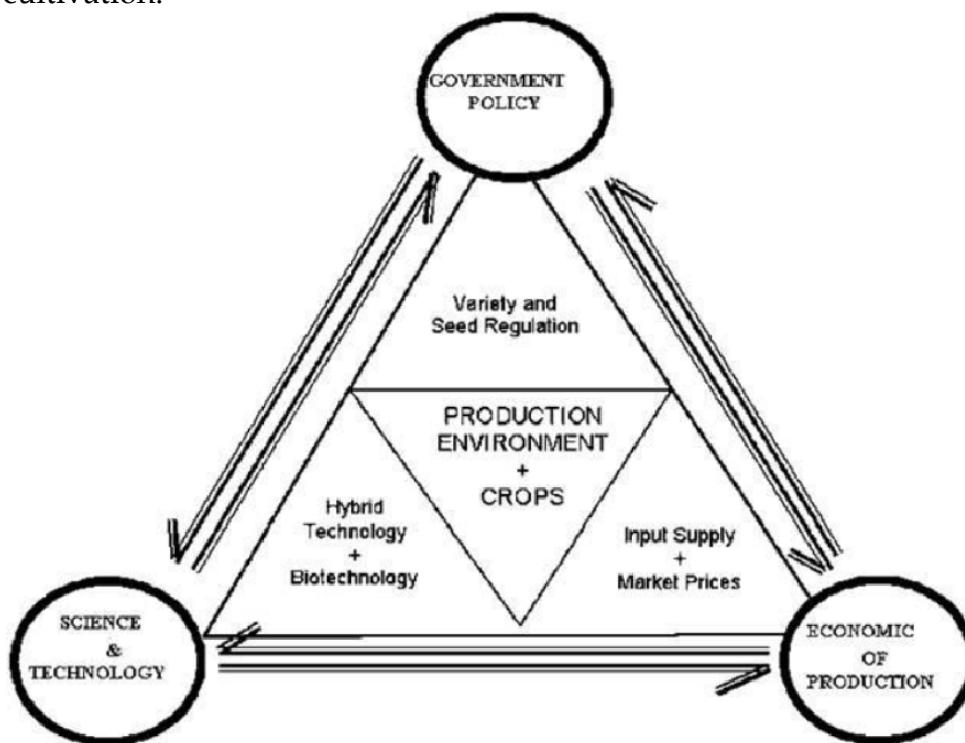
Pricing can be a useful tool for pursuing short-term marketing and sales targets. When a new variety is launched higher prices can be set, providing the opportunity of earning higher returns from those farmers willing to pay the higher prices before seed becomes more widely available. Lower prices may be linked to promotional activities such as boosting sales of established varieties, creating interest in new ones, reducing high stocks and encouraging farmers to buy early.

An overview of factors affecting the seed industry

Three broad influences determine the development and status of the seed industry, namely:

- Technology - especially the flow of new varieties from research;
- Economics - both of seed production itself and of the agricultural sector generally; and
- Policy - creates the commercial and financial environment.

All of these factors can be modified and there are many interactions between them that ultimately determine the size, viability and other characteristics of the seed industry. Figure 1 provides a diagrammatic representation of this analysis, in which various influences on the seed sector are represented within the triangle formed by these three primary elements. Policy has been placed at the top because of the major impact it can have on technology and economics. At the centre lies the production environment, which forms the basis for agriculture, and which cannot be substantially modified, except by irrigation or protected cultivation.





We should recognize seed policy as a major tool for change, but also accept that it cannot alter certain physical and environmental factors and, in a free market, it will always interact with technology and economics. In addition to the policy designed specifically for seeds, wider social and environmental policies may also have an impact on the seed sector and these may be driven by public awareness. For example, the current debate in Europe about the use of genetically-modified crops is not primarily conducted on technical issues about seeds but on wider environmental and food safety concerns. It has nonetheless had a major effect on the seed industry.