**COURSE GUIDE**

# CRD 411
# MARKETING FOR COOPERATIVES

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National Open University of Nigeria

First Printed

ISBN:



Printed by ……………..

For:
National Open University of Nigeria

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**MAIN CONTENT**

## INTRODUCTION

This course guide is designed to help you have an adequate understanding of the nature of Marketing for Cooperatives and concept of marketing for cooperatives with detail insight in totality. This is relevant in effective techniques in marketing vis-a-vis cooperative activities. The course guide should always be handy with you at all times. Your success in the course depends largely on your constant references and understanding of the guide.

The time table scheduling your activities in the course such as studying the course, writing and submission of assignments, allocation of continuous assessment scores, final examination and other relevant information are contained in this course guide. All have been carefully packaged to enable you achieve the aims and objectives of this course.

## COURSE OBJECTIVES

At the end of this course, you should be able to:

- have an in-depth knowledge of the structure and content of the course – concept of marketing and marketing functions
- explain marketing function-exchange and cooperative functions as one of the requirements leading to the award of b sc in cooperative and rural development.
- apply the knowledge of cooperative marketing in the administration and management of co-operative societies in relation to members' group decision making.

## COURSE AIMS

The course primarily aims at equipping you with an in-depth knowledge of Marketing in Cooperative society in relation to the nature of members, groups, the laws of their development and their interrelations with other groups and larger institutions.

The specific objectives of this course are to:

i. Explain the Concept of Marketing and Marketing Functions
ii. Explain Marketing Function-Exchange and Physical Functions
iii. Facilitating Functions
iv. Various Areas of Cooperative Marketing with Special Reference to Members' Products

v. Cooperative Organisation
vi. Roles and Problems of Agricultural Development
vii. Marketing of Agricultural Products
viii. Marketing Boards
ix. Marketing of Non-agricultural Goods
x. Pricing
xi. Policies Transportation
xii Method of Mode selection
xiii Calculating Members Bonus
xiii Problems of Cooperative Marketing: Transportation, Storage, finance

## COURSE MATERIALS

The course materials that will guide you to successfully complete this course are:

i. Course guide
ii. Study units
iii. Assignment file
iv. Relevant textbooks

## STUDY UNITS

The study units are fifteen in number organized in modules as follows:

**Module 1**

Unit 1 Concept of Marketing and Marketing Functions
Unit 2 Function-Exchange and Physical Functions
Unit 3 Facilitating Functions
Unit 4 Various Areas of Cooperative Marketing with Special Reference to Members' Products
Unit 5 Cooperative Organisation

**Module 2**

Unit 1 Roles and Problems of Agricultural Development
Unit 2 Marketing of Agricultural Products
Unit 3 Marketing Boards
Unit 4 Marketing of Non-agricultural Goods
Unit 5 Pricing

**Module 3**

Unit 1 Pricing Policies
Unit 2 Transportation
Unit 3 Method of Mode selection
Unit 4 Calculating Members Bonus
Unit 5 Problems of Cooperative Marketing: Transportation, Storage, Finance

You should note that each of the units under each module as shown has self-assessment exercises and assignments which will be scored by the Course Tutor. Practice the exercises seriously and assess yourself if you adequately understand the content and objectives of each unit. This will prepare you for a good performance in the Teacher Marked Assignments (TMA) and final examinations.

References of all the information provided in this course are provided for further readings if required. This will broaden your idea of the content of the course.

## TEXTBOOKS AND REFERENCES


Appraising Mangers Performance, http://www.rurdev.usda.gov/rbs/pub/rr136.pdf

Basic Training methodology-Materials for Training of Cooperative Trainers, Trainers Manual, ILO, www.coopnetaldia.org

Cooperative Management, http://www.rurdev.usda.gov/rbs/pub/cir4/cir4.htm

Cooperative Management and Administration, ILO/COOP, ISBN 92-2-106319, 1988.

Henry, Hagen (1998) Framework for Cooperative Legislation, ILO,

Kulandaiswamy, V (2002) Text Book of Cooperative Management, Arudra Academy, Coimbatore,

Lawal, K.A.A (2013) Cooperative development in Europe, America and Africa in Oluyombo O.O. Cooperative And Microfinance Revolution, Lagos, Soma Prints Limited

Lawal, K.A.A and Oludimu, O.L. (201l) *Management Principles, Practices and Focus.* Ibadan, Asogun Books.

Lawal, K.A.A. (2012): *Nigeria and International Cooperative*: Course Material on COP 216, noun course Web.

Lawal, K.A.A., (2007) *Analysis of managers' roles on performances of cooperative societies in Ojo Local Government Area of Lagos State Nigeria*. In partial fulfilment for the award of M.Sc in Co-operative Business Management

Promoting Cooperatives-A guide to ILO Recommendation 193, http://www.co-op.ac.uk/downloads/Promoting%20Co-operatives.pdf

Roy, P.E. (2001) *Cooperative: Development, Principles and Management*: 4th Edition, USA, Interstate Printers and Publishers.

Sharma,G.K (1997) Cooperative Laws in Asia and the Pacific, COOP TIMES, New Delhi, 1997.

http://ilo.law.cornell.edu/public/english/employment/ent/coop/laws/Ethiopian Commercial Code 1960.

**ASSIGNMENT AND MARKING SCHEME**

| Assignment | Marks |
|---|---|
| Assignment 1-5 | Five assignments. Select the best four and around 12.52 each, 12.5x4 = 50% |
| Final examination | 50% of the overall course marks |
| Total | 100% of course marks |

**COURSE OVERVIEW**

| Unit | Title of work | Weeks activity | Assessment |
|---|---|---|---|
| | Course guide | 1 | |
| | **MODULE 1** | | |
| 1 | Concept of Marketing and Marketing Functions | 2 | |
| 2 | Function-Exchange and Physical Functions | 2 | Assignment 1 |
| 3 | Facilitating Functions | 2 | |
| 4 | Various Areas of Cooperative Marketing with Special Reference to Members' Products | 2 | |
| 5 | Cooperative Organisation | 2 | Assignment 2 |
| | **MODULE 2** | | |
| 1 | Roles and Problems of Agricultural Development | 2 | |
| 2 | Marketing of Agricultural Products | 2 | Assignment 1 |
| 3 | Marketing Boards | 2 | |
| 4 | Marketing of Non-agricultural Goods | 2 | |
| 5 | Pricing | 2 | Assignment 2 |

**MODULE 3**

| | | | |
|---|---|---|---|
| 1. | Pricing Policies | 2 | |
| 2. | Transportation | 2 | |
| 3. | Method of Mode selection | 2 | Assignment 3 |
| 4. | Calculating Members Bonus | 2 | |
| 5. | Problems of Cooperative Marketing: Transportation, storage, finance | 2 | |

The above table gives an overview of the course Cooperative for Marketing– the units, the numbers of weeks devoted to each unit and the assignments to be written by you.

## HOW TO GET THE MOST FROM THIS COURSE

In the National Open University of Nigeria (NOUN), there is no lecturer physically present unlike the Conventional University. It counts on your maturity and initiatives. Your drive is the force that propels you and you are the major determinant on when and how to complete the B.Sc Programme in Co-operative Studies successfully.

You should regard the reading of the study materials as if you are listening to lectures. Indeed you are listening to the lecturer indirectly.

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**MODULE 1**

**MODULE 2**



**MODULE 3**



## MODULE 1

## UNIT 1 CONCEPT OF MARKETING AND MARKETING FUNCTIONS

**CONTENTS**

## 1.0 INTRODUCTION

Marketing is a business strategy that deals essentially with communication with the public. Businesses are set up to make profit and add values; this cannot be done in isolation of the consuming public. Marketing principles, philosophies, and strategies are used by virtually all organisations that have products and services and the publics to deal with. That is by implication marketing is used by profit and non-profit organisations. .Marketing practices had evolved over time and its development and practices could be linked directly to the level of economic development. However, the first step to the successful practice of marketing is the identification of needs of the consumers.

Cooperative societies developed out of the effects of industrial revolution of the $18^{th}$ and $19^{th}$ centuries. One of the basic features of the industrial revolution era was poor wages to the workers. Without access to capital and poor salary structures workers were forced to come together to find common grounds to solve their financial problems. One such effort is the establishment of cooperative societies. Cooperatives societies are formed by people of similar background who come together to solve common problems and protect common interest. Cooperative societies deal with members and public as such make use of marketing strategies to meet needs of members and enhance the growth of the organization.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- define marketing
- explain the basic concepts of marketing
- discuss the importance of marketing

## 3.0 MAIN CONTENT

## 3.1 Definitions of Marketing

Marketing is as old as man in its crude concept and in its modern practice and application. In error of understanding of what marketing is, on daily basis is confused with advertising or selling. These are all aspects of marketing practice; they are not the same thing as marketing.The everyday understanding of marketing attempts to limit or reduce the scope and application of marketing principles and strategies. Marketing activities and functions are based on two fundamental pillars: satisfaction of consumers' needs and building enduring long-lasting relationship with the customers. Marketing usually attract negative reactions from the public, this is due largely to perception. A number of people view marketing as a profession that persuade others to buy what they don't want or like or about cheating people. A marketer must think of himself as both a frontline staff and customer relation manager. This is necessary because customers must think of getting value for money.Without a satisfied customer there is no business.

In general term, marketing is both social and managerial process by which the needs of individuals and organizations are met through an organization creation and exchanging of value/offering with the customers. In other words, marketing involves meeting the specific needs of the customers with want satisfying attributes that will allow the organization to make profit. Armstrong and Kotler (2008) defined marketingas management process by whichcompanies create value for customers and build strong customer relationships in order to capture value from customers in return. The aim of marketing as adiscipline and profession is to ensure that customers will conduct exchanges with the marketer's organization. Therefore, marketing is defined by UK Chartered Institute of Marketing as *the management process which identifies, anticipates, andsupplies customer requirements efficiently and profitably.*This definition is criticized for three reasons (a) because it identifies profit as the outcome and reward for marketing efforts. Marketing approaches and strategies are used by nonprofit organization without profit motive. However, the nonprofit organizations have rewards for the use of marketing strategies that are not expressed in terms of profit; (b) it ignores the social context role of marketing and (c) refused to recognized the role of consumers in the total marketing efforts. American Marketing Association defined *Marketing is the process of planning and executing the conception, pricing,promotion and distribution of ideas, goods and services to create exchangeand satisfy individual and organizational objectives.* This definition also suffered similar criticism as those of UK Institute of Marketing. Despite the criticism, there are salient points that can be drawn from the two definitions. These are that marketing:

a. Is a management process that requires adequate planning and commitment of resources;
b. Involves identification and satisfaction of consumers' wants effectively;

c. Requires development of appropriate marketing strategies to deliver want satisfying attributes;
d. Involves creation of exchange between customers and the organization; and

## 3.2 Basic Concepts Relating to Marketing

**Needs:** Parties to an exchange must have needs or wants that must be met in the exchange process. Need is a state of deprivation or lack. For example, man that is hungry will have a need for food. He is in a state of deprivation. Human needs come in different forms: physiological needs (food, shelter); security\safety needs; social needs (belongingness, acceptance) and ego needs. Consumers that are in need will search for goods and services that satisfy or fill their needs. Marketers in turn through their organizations produce goods and services that will meet these needs and making such available. Exchange process actually starts from existence of needs and ability of the organization to meet those needs.

**Wants:** Needs usually give rise to wants. Wants are the forms a need will take for it to be satisfied. The man who is hungry (that is have a need) will need food (want) as specific item that will satisfy his need. A homeless man is in a state of deprivation of accommodation. To satisfy his state of lack he will need of accommodation. His want will be the form of accommodation he desires to meet his specific need. The forms of accommodation could be a hut, a room accommodation, 'self-contained' a flat etc. Whatever type of accommodation that he takes to satisfy his need becomes his want. Wants-satisfying products will be bought only by consumers who are willing and have the ability to pay. A core variable in the exchange function is demand.

**Demand:** This is the willing and ability of a consumer to purchase a given product at a particular prevailing price and time. When a consumer seeks to buy a product that will satisfy his want he creates demand. There are different states of demand that marketers must be conversant with in order to maximize opportunity of the market. These are:

**a.** **Negative Demand:** A market situation in which the customers dislike the product, and actively avoided it.
**b.** **No Demand:**A market situation in which the consumers either are aware of the existence of the product, particularly new product, or when the demand for the product is extremely low.
**c.** **Latent Demand**: A demand situation the existing products fail to completely satisfy current needs. Or a situation where no product current satisfies existing needs.
**d.** **Declining Demand:** A demand situation where the demand for a product is declining partly because of change in attitude, tastes, fashion or culture. This can also be as result of existence of superior substitutes in the market.
**e.** **Irregular Demand**: This is a demand situation in which the demand fluctuates between high sales and low sales. This is common with seasonal products.

f. **Full Demand:** This is a period of maximum possible sales, when sales is at its peak

g. **Overfull Demand:** This is when demand is greater than supply. This demand situation attracts a lot of competitors and forces the consumers to seek for alternative products.

h. **Unwholesome demand**: A market situation in which the products available or produced for consumption are regarded as harmful. Notwithstanding, consumers are still buying or willing to buy those harmful products.

**Exchange**: It is giving something of value in return for other things of value. Marketing will not be complete until consumers are willing to pay for goods that will satisfy their wants. Exchange must satisfy certain conditions for it to be complete. These are:

a. There must be at least of two parties to the exchange.
b. Both parties to the exchange must transact voluntarily and willingly without anyone being coarse into the exchange
c. Each party must bring something of value to the exchange
d. Objects of exchange may or may not be commensurate.

**Goods and Services:** The objects of value which is at the center of the exchange process could be money, goods, services, organization, people or ideas. Needs are satisfied with goods and services with money as the means of exchange. A good or product is anything that satisfies wants. Goods are tangible physical objects or items that can be held, felt, seen e.g. food, car, house e.t.c. services are intangible wants satisfying attributes which cannot be held, felt or seen. Purchase of services does not confer ownership of anything on the buyer; it only provides access to the enjoyment or benefit of the service for example, transportation, banking, and holidaying. It is impossible to offer products for sale without accompanying services and vice versa. The sale of car is accompanied by maintenance and guarantee which are services. Restaurant business is essential service but cannot be offered without accompanying physical goods the food, tables and chairs. The idea of a product therefore could be goods, services, ideas, persons or places, experiences, events, properties, organizational and information.

**Market:** Market is related to demand. Market consists of all current and potential buyers of a product or service. Buyers could be individuals or group (consumer market) or organizations (industrial market) who have needs to be met and are willing and able to pay for the satisfaction of their needs. Market in this context should not be confused with other meanings of the word. In other contexts, market could be a geographical location where buyers and sellers transact trading activities. It could also be said to be buyers and sellers of a particular product operating in a particular industry e.g. foreign exchange market or produce market or labor market. To a marketer, market is interaction that exists between buyers and sellers.

## 3.3 Importance of Marketing

The importance of marketing can be felt in all areas of individual and national lives. Some of these benefits are taken for granted because they are part of our daily life. Let us examine some of this importance:

### 1. To the Consumers

a. Marketing helps consumers to meet their needs. Remember we define marketing as a process of identification and anticipating consumers' needs. The marketer must be able to meet the expressed and latent needs of the consumers.
b. Marketing makes goods makes goods and services that satisfy such needs. Goods and services are not only made available to satisfy consumers' needs, they are priced, distributed and promoted in such a way as to ensure efficient satisfaction of needs.
c. Marketing makes consumers better informed. Marketing activities especially promotion are designed to inform and persuade consumers. Marketing interaction with consumers at times places at the disposal of consumers' information that may help them appreciate the product and make informed decisions. Consumers are informed on the distribution channels and processes on where the products are available and in what firms.
d. Marketing helps the consumers to be aware of their rights.
e. Improves level of standard of living of the consumers. Marketing efforts make available to the consumer variety of goods that are priced competitively.
f. Marketing makes consumers to be conscious of what to buy, where to buy and how to buy and make available goods and services that consumers could not have had access to without marketing efforts.
g. Consumers' interest can also be aroused in terms of career development in marketing. Marketing offers a large number of career opportunities for individuals. A marketer's knowledge is broadened because of the multi-disciplinary approach to marketing activities. A career in marketing exposes the consumer or a number of interesting areas, places, people and events. It also provides a career development path that can cumulate at the apex office in any organization.

### 2. To the Organization

Marketing activities are at the core of all organizational efforts. This is so because the social and economic reason for the existence of the organization is the satisfaction of the consumers. This is the center of marketing activities which must be embraced by all other functional areas.

a. Every other units and departments in the organizations are important but it is marketing activities that generate revenue and profit directly.

b. Marketing activities help the organization to identify its competitive advantages. In a dynamic, complex and highly competitive environment the importance of marketing cannot be overemphasized.

c. This is because marketing helps the organization to identify consumers' needs, produce the product, price, distribute and promote in such a way to enhance consumers' satisfaction. This is done bearing in mind the actions of the competitors.

d. Available resources are scarce and have alternative uses. Marketing helps the organization to utilize available resources optimally and ensure adequate returns on investment through profitable sales.

e. Nonprofit organizations have come to realize the importance of marketing in reaching target audience. Marketing becomes readily made tool in dealing with target audience and reach donor organizations.

**3. To the National Economy**

a. The relative high standard of living experience in the late 20$^{th}$ and early 21$^{st}$ century can be attributed to aggressive marketing during those periods. This is made possible through mass marketing, efficient distribution, mass production which reduces cost and mass customization of products to the specific individual needs and tastes.

b. In developing countries like Nigeria, marketing helps to make available large variety of goods not produced in the country but high demand. Total marketing activities provide a large number of employment opportunities either directly or indirectly. Employment can be generated through retailing, wholesaling, transportation, warehousing and communication activities. There are a number of people that are employed directly in marketing departments of manufacturing, agricultural, mining and service industries and advertising agencies.

c. One important function of marketing is the creation of utility. That is creating satisfaction to the consumers of the product. There are a number of utilities that marketing helps to create:

- Form utility: The making of goods available in the form desired by the consumers. For example the breaking of 50kg bag of detergent to smaller packs that consumers can afford creates form utility. Marketers help the organization in making designs on style, size, color and packaging of the product.
- Place utility: This is the satisfaction derived by the consumers when the product is available in desired location or made easily accessible. Channel and physical distribution can help to achieve this.
- Time utility: Delivery of a product or service to the consumer at the right time the product is desired provides time utility (satisfaction). This is when weekend and night opening of shops become very helpful

- Possession utility: This is when ownership of goods is transferred or access to the equipment or the service is made possible. The satisfaction of owning an item (ownership) is performed through marketing function.

**4. To the International Market**

a. A large number of markets have been opened up and accessible through globalization. Aggressive marketing now enhances total world production not only for domestic markets but new markets abroad.
b. Aside from increased production, production efficiency has been enhanced through new technology and competition.
c. Regional agreements and trade agreements have also reduced economic barriers and liberalizing trade between members or signatories to such agreements.
d. National resources in form of finite resource (natural and mineral resources) and other resources are optimally utilized. This is because alternate uses of these resources have been found to satisfy needs. More importantly, alternate sources of resources are continually being searched for.

## 4.0 CONCLUSION

Marketing is applied by all organizations (profit and nonprofit) to identify, anticipate and satisfy consumers' wants at a profit. There are some basic concepts that underscore marketing practices. These are needs, wants, demand, exchange, goods and services and markets. Needs are state of deprivations which is identified by and organization and on which basis goods and services are developed. There are various categories of demand that must be understood if the organization wants to meet the specific needs of the consumers. The importance of marketing can be felt by individual consumers, the organization, the nation and on the international markets.

## 5.0 SUMMARY

This unit served as an introduction to understanding what marketing is and the underlining basic concepts that guide its practices. You have been introduced to what marketing is, the concepts of needs, wants, demand and goods and services.

## 6.0 TUTOR MARKED ASSIGNMENT

1. What is Marketing?.
2. Explain the basic concepts of marketing
3. Describe in details the importance of marketing,

## 7.0 REFERENCES/FURTHER READINGS

Kotler, Philip & Keller, L. Kevin (2012).Marketing Management, (14Ed.). Pearson Education Limited

Oyeniyi, O. J. (2009). Marketing: Issues and Strategies, Lagos: Pumark

## UNIT 2 MARKETING FUNCTIONS: EXCHANGE AND PHYSICAL FUNCTIONS

**CONTENTS**



### 1.0 INTRODUCTION

In the previous unit we define marketing as a management process that identifies, anticipates and satisfies consumers wants at a profit. These activities could only be achieved with the performance of some functions by the organization. Parts of the basic concepts we discuss earlier was the concepts of demand and exchange. When needs are identified and such needs had been translated to goods and services, both buyers and sellers must meet or interact to conduct the exchange function. It is the exchange function that enables the consumers' needs to be met and the company desire for profit to be achieved. In this unit, we will start our discussion of the marketing functions with the exchange and physical functions.

### 2.0 OBJECTIVES

At the end of the lesson, you should able to:

- identify the various marketing functions of an organization
- explain the buying, assembling and selling functions of the organization
- explain the storage, transportation and processing functions.

### 3.0 MAIN CONTENT

## 3.1 Marketing Functions

Marketing functions are activities within the marketing functional areas that are to be performed in order to deliver effective value offering. These functions are divided into three: The exchange functions, physical function and facilities functions.

## 3.2 Exchange Functions

The functions to be performed under the exchange functions are divided into two. These are buying and selling functions

## 3.3 Buying and Assembling

In a narrow sense, purchasing can be defined as the act of buying. Broadly, purchasing denotes the act of buying, learning the needs, identifying and selecting the suppliers, negotiating for the right price, terms and conditions, issuing order, follow up on purchasing order and ensuring proper delivery. Strictly speaking buying is used to connote purchase of items for personal and household use only, while purchasing connotes buying of items for commercial use or to further production. The two terms are sometimes used interchangeably and convey the same meaning. The marketing concept holds that the needs of the customer are of paramount importance. A producer can said to have adopted a market orientation when production is purposely planned to meet specific demands or market opportunities.  Thus a contract farmer who wishes to meet the needs of a food sorghum-based malted drinks will only purchase improved sorghum seed. He/she will avoid any inputs or purchases that likely to adversely affect the storage and/or processing properties of the sorghum. He will continually seek new and better inputs which will add further value to his/her product in the eyes of the consumer. In making his/her buying decisions his underlying consideration will be the effect upon the attractiveness of his/her output to the markets he/she is seeking to serve.

The buyer's motive is the opportunity to maintain or even increase profits and not necessarily to provide, for example, the best quality.  Improving quality inevitably increases the associated costs.  In some cases the market is insensitive to improvements in quality, beyond some threshold level, does not earn a premium price. The types of purchase (buying) depend on who is buying and for what purpose. Retailer and wholesaler purchases are based on the needs of the consumers; producers buy raw materials and other inputs in order to satisfy their production requirements.

Assembling is the marketing function that involves buying of several components or items and fit them together to satisfy a need. The complexity of assembling function is affected by who is involved and the desired end results. Assembling can be done by the retailer and wholesaler in their warehouse or store where components or various individual items are fit together or repacked to get a product. It is commonly done on the assemble line, where machines are used to fit together individual items to get a product.

### 3.3.1 Selling

Among the nine functions of marketing, this is probably the one which people find least difficult in associating with marketing. Indeed to many the terms marketing and selling are synonymous. Simply defined selling (sometimes referred to as salesmanship) is a marketing function of making a sale. This simple definition does not show the complexities involved in the act of selling. The importance of selling to an organization can be understood when it is realized that the only link some organizations has with the customers is through selling and that the sale force as an important front line staff of the organization. More importantly, is that one of the major sources of revenue for most firms is through the effectiveness of the sale force.

Kotler (1988) suggests that “most firms practice the selling concept when they have over capacity. Their immediate aim is to sell what they can make rather than to make what they can sell” there is no denying “high pressure selling” is practical, where the interest of the consumer are far from foremost in the mind of the seller. This is not marketing. Enterprises adopt the marketing philosophy as a result of becoming aware that their own long term objectives can only be realized by consistently providing customer satisfaction. Whereas selling might create a consumer, marketing is about creating a customer. The difference is that marketing is about establishing and maintaining long term relationships with customers.

Selling is part of marketing in the same way that promotion, advertising and merchandising are components, or sub-components of the marketing mix. These all directed towards persuasion and are collectively known as marketing communications; one of the four elements of the marketing mix.

### 3.3.2 Physical Functions of Marketing

Physical functions include storage, transportation and processing.

### 3.3.3 Storage

In most cases, it is always difficult to predict demand of ahead. More importantly, goods are also produced ahead of demand. The link between these seemingly contradiction is that, producers will wants consumers’ needs to be met as at when due. An inherent characteristic of agricultural production is that it is seasonal while demand is generally continuous throughout the year. This will necessitate the need for storage (or warehouse) of goods. Storage of goods in excess during the period of surplus will as far as possible, ensure uninterrupted access to goods by the consumers throughout the year. A farmer is dealing with a biological product; he does not enjoy the same flexibility as his manufacturing counterpart in being able to adjust the timing of supply to match demand. It would be an exaggeration to suggest that manufacturer can turn production on and off to meet demand –they too have their constraints-but they have more alternatives than does the agricultural producer. A manufacturer can, for example, work overtime, sub-contract work, and over a longer time horizon, the manufacturer can increase or decrease productive capacity to match the strength of demand.

In agriculture, and especially in developing countries like Nigeria, supply often exceeds demand in the immediate post-harvest period. The glut reduces producer prices and wastage rates can be extremely high. For much of the reminder of the period before the next harvest, the product can be in short supply with traders and consumers having to pay premium prices to secure whatever scarce supplies are to be had. The storage function is used to balance supply with demand.

A farmer, merchant, co-operative, marketing board or retailer who stores a product provides a marketing service. That service costs money and there are risks in the form of wastage and slumps in market demand, prices, so the provider of storage is entitled to a reward in the form of profit.

### 3.3.3 Transportation

Transportation systems involve movements of goods, liquid and gaseous substances between origins and destinations using vehicles and equipment such as trucks, tractors, trailers, crews, pallets, containers, cars, pipelines and trains. Transportation plays major role and importance in the logistics management because of its considerable cost implications. A transportation system involves designing, arrangement, setting up, and scheduling of freight-transportation orders during a given and limited time period. The role of transportation includes:

a. Affecting logistics costs and cost of goods sold.
b. Transportation is essential for moving any shipment in a logistic system such as raw materials from sources to manufacturer, semi-finished products between plants, and final goods to retailers and customers.
c. Transportation affects the quality of customer services.
d. It affects lead times, delays, and whole transportation costs.
e. Increases the level of efficiency, reliability, safety, and reactivity in their service systems
f. Adequate performance of this function requires consideration of alternative routes and types of transportation, with a view to achieving timeliness, maintaining produce quality and minimizing shipping costs.

Effective transport management is critical to efficient marketing. Whether operating a single vehicle or a fleet of vehicles, transportation has to be carefully managed, including cost monitoring-operations on different road types, fuel and lubrication consumption and scheduled and remedial maintenance and repair. Skillful management of all aspect of vehicle operations can also make a substantial contribution to efficient marketing especially with respect to optimum routing, scheduling and loading and off-loading, maximization of shift hours available, maintaining the vehicle fleet at an optimum size, taking account of time constraints on delivery, and collection times and judicious management of vehicle replacement and depreciation. Transport managers also have to weigh the advantages and disadvantages of owning, hiring or leasing transport. Depending on the nature of the products, the producers have a choice to make among several alternative means of transportation. These include road, rail, water, air, pipeline and containerization.

## 3.4 Processing

Most products are not in a form suitable for direct delivery to the consumer when they are first produced. It is not in all cases that the original forms of the products needs to be changed or its composition or components altered. In actual facts in whatever form a product is produced it has customers and perhaps intended use. However, there are several instances, where it will be necessary to change the original form of the product by size, composition, addition of other items etc. It is for this very reason that processing is regarded as a marketing function. The form changing activity is one that adds value to the product. Changing green coffee beans into roasted beans, cassava into gari or livestock feed, full fruit bunches into palm oil or sugar cane into sugar increases the value of the product because the converted product has greater utility to the buyer. How the form of produce is to be changed and the methods to be used in bringing about such changes are marketing decisions based on the needs of the consumers.

All the physical functions (storage, transportation and processing) add values to a product. Storage function provides time utility, transportation functions provides place and time utility to the product and consumers, while processing provides form utility to the product. All these functions are value added functions, which helps to increase the satisfaction of the consumers.

## 4.0 CONCLUSION

Marketing functions that help the organization to achieve set objectives must be performed efficiently and effectively. Buying, assembling and selling functions are related to the concept of exchange. These three functions constitute exchange. To enhance exchange the physical function of storage, transportation and processing must be performed. Goods are produced ahead and in anticipation of demand and should be kept (stored) for safe keeping. The distance between the points of production and consumption can only be closed by transportation that helps to convey goods from place to place.

## 5.0 SUMMARY

In this lesson we learnt about the marketing functions that relate to exchange (buying, assembling and selling) and physical functions that relate to movement of goods from point of production to points of consumption; storage of goods until there are demand for them and the marketing function of processing of stocks. In the next unit we will continue our discussion of the marketing functions relating to facilitating of exchange

## 6.0 TUTOR MARKED ASSIGNMENT

1. Explain the relationship among the following: buying, assembling and selling.
2. Describe the concept storage and transportation as a marketing function.
3. Explain the main features of PROCESSING

## 7.0 REFERENCES/FURTHER READING

Aigbiremolen, M. O. and Aigbiremolen, C. E. (2004).*Marketing Banking Services in Nigeria.* Lagos: The CIBN Press Ltd, Nigeria.

Baker M. J. (1985). *Marketing: An Introductory Text.* London: Macmillan Publishers Ltd.

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Oyeniyi, O. (2009). Marketing: Issues and Strategies, Lagos: Pumark.

# UNIT 3 FACILITATING FUNCTIONS OF MARKETING

## CONTENTS

## 1.0 INTRODUCTION

In modern economy, a lot of interwoven and interrelated activities are required to perform tasks. Marketing tasks also required interrelated activities to achieve organizational objectives. In the last unit, we discussed activities that constitute marketing functions; we will continue with our discussion by discussing the other marketing functions of financing, risk bearing and marketing intelligence. Most of the functions of marketing involve some elements of risk to be undertaking by the organization. More importantly, all the activities must be financed. It is important that the risk to be borne will be such that could be managed and which will not have life threaten effects on the business. These functions are perform with ease particularly when the organization has access to adequate information. Marketing intelligence is a systematic process of gathering of information on and about the markets in other to make informed decision.

## 2.0 OBJECTIVES

At the end of the lesson you should be able to

- define and explain the concepts of standardization and grading in marketing
- explain risk bearing as a marketing function
- explain what is marketing intelligence

## 3.0 MAIN CONTENT

### 3.1 Introduction

The facilitating functions include product standardization, financing, risk bearing and market intelligence. Note that facilitating functions are those activities which enable the exchange process to take place.

### 3.2 Standardization and Grading

Standardization means establishment of certain standards and specifications for products based on intrinsic physical attributes of a product. The process may involve quantity of the product in terms of weight or size or the quality in terms of colour, shape, appearance, material, taste, sweetness. Standards could be set by government or its agencies or by some other regulatory agencies or bodies like professional association or manufacturers' association to convey uniformity of products.

Grading involves classification of standardized products into certain well defined categories or groups or classes using specific similar attributes like size (long or short items), weight (e.g. 50kg, 75kg), or colour. Most products are manufactured in categories to meet different demands and needs, as such grading becomes an indispensable marketing function to reduce confusion, waste, safe time and enhances handling processes.

Standardization is concerned with the establishment and maintenance of uniform measurement of produce quality and/or quantity. This function simplifies buying and selling as well as reducing marketing costs by enabling buyers to specify precisely what they want and suppliers to communicate what they are able and willing to supply with respect to both quantity and quality of product. In the absence of standard weights and measure trade either becomes more expensive to conduct or impossible altogether.

Among the most notable advantages of uniform standards are:

a. Price quotations are more meaningful.
b. The sale of commodities by sample or description becomes possible
c. Small lots of commodities, produced by a large number of small producers, can be assembled into economic loads if these supplies are similar in grade or quality.
d. Faced with a range of graded produce the buyer is able to choose the quality of product he/she is able and willing to purchase.

Standardization and grading may arise as a result of quality differences in agricultural products for example. Quality differences may be due to production methods and/or because of the quality of inputs used, or as a result of technological innovation. In addition, a buyer's assessment of a product's quality is often an expression of personal preference. For example, in some markets particular specie of banana may be judged to be in some sense "better" than other without any scientific basis. White colour maybe considered "superior" to other colours. It matters not whether the criteria used in making such assessments are objective or subjective since they have the same effect in the market place. What does matters in marketing is to understand how the buyer assesses "quality".

## 3.3 Financing

The services to provide the credit and capital needed for further production or enhance marketing activities and the cost of getting merchandise to the consumers is referred to as finance function in marketing. The money or capital can be sourced from owned capital by the owners, bank loan and advances from commercial banks and trade credits provided by channel members to each other. In almost any production system there are inevitable lags between investment in production of goods and services in terms of buying necessary raw materials (e.g) machinery, seeds, fertilizers, packaging, flavourings, stocks etc.) and receiving the payment for the sale of produce. During these lag periods some individual or institution must finance the investment. The question of where the funding of the investment is to come from, at all points between production and consumption, is one that marketing must address.

### 3.4 Risk Bearing

Risk taking simply defined means possibility of incurring loss in future as a result of committing financial, capital and physical resources into an investment. Therefore, risk bearing refers to possible financial losses arising from risk associated to falling price from holding stocks in anticipation of future demand, losses associated with spoilage, depreciation, evaporation, obsolescence, fire floods and loss related to passage of time (expired products). From production points to distributions points, producers face several risks as a result of changes in natural condition in the market place, natural and human factors. Examples include changes in fashion and taste, invention and innovation, legislative changes, risks associated with transportation delay, decay, accidents, deterioration etc.). Risks can also be classified as place, time, physical, material, legislative and natural risks.
In both the production and marketing of product the possibility of incurring losses is always present. Physical risks include the distribution or deterioration of the product through fire, excessive heat or cold, pests, floods, earthquakes etc. market risks are those of adverse changes in the value of the product between the processes of production and consumption. A change in consumer tastes can reduce the attractiveness of the produce and is, therefore, also a risk. All of these risks are borne by those organizations, companies and individuals.

Risk bearing is often a little understood aspect of marketing. For example, when making judgments as to whether a particular price is a “fair price” the usual reference point is the producer or suppliers costs. However, the risks born are rarely taken into account by those passing judgment and yet, almost inevitably, there will be occasion when the risk taker will fall, cheaper imports will enter the country, consumer tastes will change, and so on. These losses can only be observed if adequate surpluses were generated in previous periods. Risk bearing must be acknowledged as a cost since what is uncertain is not whether they will occur, but when they will occur.

### 3.5 Market Intelligence

As far as is possible marketing decisions should be based on correct, timely sound market information. The right facts and information reduces market risks mentioned earlier. Modern marketing practices require a lot of information adequately, accurately and speedily in order to make informed decisions about the market situation. The process of collecting, interpreting, and disseminating information relevant to marketing decisions is known as market intelligence. The role of market intelligence is to reduce the level of risk in decision making. Through market intelligence the seller finds out what the customer needs and wants. The alternative is to find out through sales, or the lack of them. Marketing research helps establish what products are right for the market, which channels of distribution are most appropriate, how best to promote products and what prices are acceptable to the market. As with other marketing functions, intelligence gathering can be carried out by the seller or another party such as a government agency, the ministry of agriculture and food, or some other specialist organization. What is important is that it is carried out.

## 4.0 CONCLUSION

It is important to a marketing organization to be abreast with issues concerning standardization and grading, financing, risk bearing and marketing intelligence. These functions help the organization to facilitate sales and exchange with the customer at a profit. Financing of production, marketing and other activities of the organization is important for the continued survival of the organization. It may be difficult to satisfy the consumers if the organization has no adequate market information about the consumers, the market, competitors and the operating environment. All these tasks and functions involve some elements of risk bearing. It is impossible for a business not to take risk as business venture itself involve risks.

## 5.0 SUMMARY

In this unit we treated the facilitating functions of marketing: standardization and grading, financing, risk bearing and marketing intelligence. This unit and the preceding ones provide us the opportunity to appreciate the fundamentals of marketing.

## 6.0 TUTOR MARKED ASSIGNMENTS

1. List marketing functions that are regarded as facilitating functions
2. What are the main advantages of standardization and grading
3. Explain the following financing, risk bearing and marketing intelligence.

## 7.0 REFERENCES/FURTHER STUDIES


Aigbiremolen, M. O. and Aigbiremolen, C. E. (2004).*Marketing Banking Services in Nigeria.* Lagos: The CIBN Press Ltd, Nigeria.

Baker M. J. (1985). *Marketing: An Introductory Text.* London: Macmillan Publishers Ltd.

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Oyeniyi, O. (2009). Marketing: Issues and Strategies, Lagos: Pumark

## UNIT 4 VARIOUS AREAS OF COOPERATIVE MARKETING WITH SPECIAL REFERENCE TO MEMBERS' PRODUCTS

**CONTENT**



### 3.0 MAIN CONTENT

### 3.1 Introduction

Cooperative marketing occurs when people/organization or group of people/organizations with same or similar products pool resources together to encourage people or members to buy their products, without emphasizing any particular brand. The organizations involve will pull resources together to develop and design appropriate marketing strategies for their products.

Cooperative is a member-owned and controlled business that operates for the mutual benefits of its members. Members of a cooperative society are usually people of same of similar economic background with common interest to protect and common problems to solve. Therefore, because of the need for people of common problem and background to come together there are several types of cooperative societies serving different needs of members. It is estimated that about one billion people all over the world are members of one cooperative or the other. In terms of size, the economic activities if largest 300 cooperative in the world is almost equal to 10th largest national economies in the world. In Nigeria, the largest percentage of our population is in the rural areas, and it is estimated that over 50 million Nigerians are members of cooperative societies. One of the common feature of cooperative society particularly in the rural areas and those dealing with primary produce, is that majority of their members are poor. This feature necessitates searching for common platform to collectively sell their produce in order to obtain a fair price for the products. Most agricultural producers are poor with very low sales value and with relatively little power or influence with large agribusinesses or food companies that purchase their commodities. Joining with other producers in a cooperative can give them greater power in the marketplace. In addition, cooperatives platform gives producers more control over their products, they may decide to sell to market intermediaries or sell directly to the consumers. By so doing generating higher level of return on their farm produce.

Agricultural marketing cooperatives perform many functions:

(a) they may assemble the products of their members (producers) into larger lots. This will facilitate more efficient handling and more competitive sales,
(b) The produce from the members are standardized and graded, and these are then shipped to the markets,
(c) Some cooperative society may perform preliminary process of the farm produce before shipment e.g. ginning of cotton to lint before shipment.

Classifications of cooperative societies are based on a number of factors.

They may be classified based on their structure and how they are organized (this is based on membership affiliation, control and area covered). The classification may also be based on functions performed to members

## 3.2 Types of Cooperative Society Based on Organizational Structure

### a. Primary Cooperative Societies

Primary cooperative society is made up of individual producers, consumers, or retailers, who come together to form a cooperative society to protect their common interests and solve common problems. The society is controlled and managed by members who elect officers among themselves to manage the society. Produce from the farm or whatever that is to be sold flow from individual producers directly to the cooperative. Patronage dividend (refunds) flow from the cooperative back to the producer. These cooperatives usually serve a local area or community. They are the closest type of cooperative society to members. Their functions are often limited to the first few steps in marketing, such as buying, selling, assembly and grading.

### b. Secondary Cooperative Societies

These are formed by primary societies, and the membership of secondary society is limited to interested primary society with a state or some local governments. Secondary cooperative societies perform more complex function than primary society. They are larger in size and operate in larger geographical areas. A few of their functions include (a) support the primary society with loan to increase their lending capacity, (b) they help to train officials of primary societies on how to manage cooperative societies, (c) they provide cooperative record books and required documents for proper record and book keeping of the society, (d) Act as lobby group to protect the general interests of all cooperative society.

### c. Federated Cooperative Societies

This is an apex cooperative society for all primary societies operating in a state or a country. Federated societies have primary and secondary societies as members; they are larger and cover a state or a country. All states have one Federated society that caters for the joint needs of all members. It also acts as pressure group to influence government policy and legislation in favour of cooperative societies generally. The name of the Federated society in Lagos State is called Lagos State Cooperative Federation (LASCOFED) and every state has one. There is also an umbrella society that covers all societies in Nigeria.

## 3.3 Types of Cooperative Societies Based on Functions

This classification essentially makes use of the specific functions to be performed by the society. From the beginning members must have agreed on the nature of the society being formed. The type of cooperative to be formed will depend greatly on which problem it is primarily trying to solve or what interest is the cooperative trying to protect. The major types in this classification are as follows:

### a. Producer Cooperatives

This type comprises of farmers of same or similar farm produce or groups of people engaged in the various aspect agricultural production for example: farming, fishing, and forestry. It is important that the groups of producers coming together are involved related or similar activities so that common problems can be identified and solved. The members may be farmers, landowners or owners of fishing operations. The functions that the cooperative can perform to members may include: procurement of farm inputs, equipment, and insurance, hire managers and sales people, market and advertise together, or operate storage or processing facilities or a distribution network.

**b. Worker Cooperatives**

Modernization and the low level of income that forced most workers to have a poor living standard encourage the formation and proliferation of workers' cooperative. Workers cooperatives are formed by workers of same organization or similar organization. This can make them an ideal structure for people of modest or low incomes. Workers Cooperative society is also common among professionals: attorneys, designers and engineers, fundraisers, and other professionals. Depending on the size of the organization and the number of professionals that come together, workers cooperative societies are always small. Basically, they encourage members to save into a common pool of capital and may eventually extend credit facilities to members, or establish retail outlets where quality consumer products are sold to members at reduced rate.

**c. Consumer cooperatives**

These types of cooperatives are owned and manage by consumers who lives within same or identifiable geographical areas. The main aim of consumer cooperative is to pool resources together in order to buy consumer products directly from source (producers), to make same products available to members at reduced prices. Usually, consumer bye-pass marketing intermediaries by buying directly from consumers, this reduces the price at which these products are purchased. Product items to be bought and sold to members depend entirely on the needs of members. These may include groceries, electricity or telephone service, housing, healthcare, electronics etc.

**d. Credit and Thrift Societies**

This is a specialized society in the nature regular financial institutions. Credit unions are actually consumer-owned financial services cooperatives in which every depositor becomes a member-owner. This type of society encourages members to contribute to a common pool regular sum of money. Each member is entitled to twice or thrice the sum so contributed as credit facilities to be repaid back over a specified period of time. This type of society is very common in urban areas and in most large organisations. The reasons for this popularity can be traced to high level of poverty and low wages among workers. It is also common among small and medium sized business owners who desired credit facilities to expand their businesses.

**e. Retail or Purchasing Cooperative**

Retailing is defined as a business activity that involves buying in small quantity from the wholesalers and selling in pieces to the final consumer. The main disadvantage of this type of business is the inability to buy in large quantity because of lack of capital. As a result small business owners particularly retailers can come together to establish retail cooperative society. The main objectives include to pool resources (capital) together to buy in large quantity from the wholesaler or directly from the producers, and (b) to enjoin rebate or discount because of the level of purchase. This will benefit the members in two ways: (a) to buy the goods at a reduced rate because the large purchase. What unites all of these co-ops is that they seek to improve their efficiencies and/or market competitiveness by "bulk buying" a broad range of goods and services.

**f. Housing Cooperatives**

Housing cooperatives is another type of cooperative society, though not very common in Nigeria. This type of cooperative is owned by residents. They are a number of variants to their structure. This will involve ownership of a single or complex apartment with hundreds of units. The housing complex may be jointly owned by a cooperative or are owned by the residents, which makes them a type of consumer cooperative. This can range from a single house to apartment complexes with thousands of units. It may also be a housing project in which each member owns their own unit while the estate occupied by non-members is owned by the society. The cooperative society may also owned the land and run the pack and the estate while members own shares in the cooperative. Whatever, the variation, housing cooperative is designed to help members to build and own their own houses or be part owners of a housing estate.

**g. Multi-Stakeholder/Purpose Cooperatives**

In the course of performing its function other responsibility may be added to the original reason of establishing the society, or there may be a need from the onset to establish a society that will have multiple responsibilities. This is type of cooperative society is called multipurpose or multi-stakeholder cooperative society. This form of hybrid society is expected to combine several features and functions of two or more types of cooperative society together. It may be consumer/worker society, worker/credit and thrift, producer/consumer society. Because of the expected multiple functions this type of society are relatively bigger or larger than some type, in terms of membership or in terms of capital assets.

**h. Agricultural Marketing Cooperatives**

In most countries, the development of agriculture can be linked to cooperative societies. The role of cooperative in the development of agriculture is more pronounced in developing countries, where International Labour Organisation (ILO), noted that more than 50% agricultural output is marketed through cooperatives. In developing countries cooperatives play a significant role in the rural areas with Agricultural Marketing and Supply Cooperatives (AMS) being the most important and popular type Africa. AMS provides farmers with agricultural inputs (like seedling, equipment, fertilizers, insecticides etc.) and help farmers to sell their output and produce to retailers, wholesalers; marketing boards; inter-cooperative partnerships, Fair Trade organizations or other interested buyers.In addition, many agricultural marketing cooperatives contribute funds to a common fund or pool help improve a variety of rural social services and life style such as education, primary health, water and electricity supplies, care facilities and other community needs. Agricultural cooperatives are also the only providers of off-farm waged employment in rural areas. It is also possible for marketing cooperatives to limit their activity to negotiation of prices and terms of sale with buyers.

## 4.0 CONCLUSION

Cooperative societies can be found in many areas or sectors of business and there are many classifications of cooperative societies. The most important thing is that cooperatives are formed by members with economic need to come together. Therefore, cooperatives could be one formed by individual members (primary society) or it can also be formed by primary societies as a association of cooperatives called secondary society. By law every state of the federation should have an umbrella union that comprises of all primary society in a state. It is also important to note that cooperatives can also be classified based on the functions to be performed.

## 5.0 SUMMARY

In this unit we went through the various areas of cooperative marketing either by structure or functions. We discovered when going through the classification of cooperatives by functions that cooperative activities cover all aspects of business or all sectors.

## 6.0 TUTOR MARKED ASSIGNMENT

1. What do you understand by the term cooperative society?
2. Explain the various classification of cooperatives based on organizational structure.
3. Identify and explain the various types of cooperative based on functions.

## 7.0 REFERENCES/FURTHER READING

Adeoye, F. R. (1998). *The principles and Economics of Cooperative,* Ile-Ife: Wabal Nigeria Publishers.

Alasiri, W. A. (2001). *Cooperative Marketing: Principles, Practice and Management*, Lagos: Laspotech.

Oyeniyi, O. (2005). *Principles and Economics of Cooperatives*, Lagos: Standard Publications.

## UNIT 5 COOPERATIVE ORGANIZATIONS

## CONTENT

## 1.0 INTRODUCTION

In the previous unit, you have learnt about marketing functions of exchange, physical, and facilitating function. In this unit, you will be introduced to cooperative societies as veritable organizations that help farmers and primary product producers to market their products.

## 2.0 OBJECTIVES

At the end of this unit, you will be able to explain

- Meaning and origin of cooperative society
- Characteristics and principles of cooperative movement
- Organization cooperative societies
- Financing of cooperative societies
- Management of cooperative societies.

## 3.0 MAIN CONTENT

### 3.1 Cooperatives Defined

Various authors have defined cooperatives differently according to their background. Some view cooperative business voluntarily owned and controlled by member patrons and operated by them on non-profit basis. Cooperative business usually evolves out of the felt needs of members who want to solve their common problems with their limited resources together for example in marketing their farm produce or getting supplies of farm. Cooperative, to some other authors is a legal and practical group of self-selected, selfish capitalists seek to improve their individual economic position society. Cooperatives are patterned along the features of business organisations which can complete a limited sense with business organisations. Cooperation is as old as man. Some forms of cooperation can be found in all areas of human endeavous and activities. Cohesion in a family is based on cooperation; religious, social, political and traditional groups also strive on cooperation among individual members. In the traditional African societies, cooperation took the form of self-help and undertaken to solve common problems. These self-help associations or groups are in form of indigenous savings and credit associations referred to variously as Isusu, Esusu, Ajo and Adashi.

The history of modern cooperative societies can be traced to the 18$^{th}$ and 19$^{th}$ centuries' industrial revolution. Industrial revolution brought with it modern techniques of mass production, increased use of machines, increased level of production and prosperity to the owners. However, workers are exposed to harsh form of manual labour, deprivation of a means of livelihood from the farm and from his skills in craft, poor wages, unconducive working conditions, long hours of work and very low wages. This led to locked out protest and strikes, pilferage and intentional destruction of machines, locked out, sack and general maltreatment of workers. These harsh conditions led to the formation of several individual groups and religious associations which launched various schemes to find possible solutions to the socio-economic problems of the workers. Attempts were equally made to organize, educate and mobilize workers into cooperative groups and associations by early exponents of such groups. Early exponents of cooperative movement include Robert Owen (1771-1858) and Dr. William King (1786-1865). However, all early attempts at forming of cooperatives and early cooperative formed before 1844 failed.

In 1844, learning from earlier cooperatives that failed a group of weavers from a small town called Rochdale, came together to form the first successful cooperative society. There are a number of reasons that led to the failure of early society. Rochdale cooperative was successful because it was started based on certain principles which shall be discussed shortly.

## 3.2 Cooperative Movement In Nigeria

Cooperative is not strange to Nigerian society; it was used as a vehicle for self-help. It should be noted that traditional forms of cooperatives is different from the classical Rochdale cooperative.

In 1934, Mr. C. F. Strickland was commission to undertake a feasibility studies on the viability of cooperative societies in Nigeria. His report led to the enactment of Cooperative ordinance in 1935. The ordinance gave legal backing to cooperative, it recognized cooperative as a form of business and prohibited the indiscriminate use of the word cooperatives. The first registered cooperative society was Gbedun Producers Marketing Society in 1937. The first cooperative training school was established in Ibadan in 1943 which later became Cooperative College. The first cooperative Bank in Nigeria was founded in Ibadan in 1953. Before 1974, each state enacted its own cooperative law based on 1935 ordinance. In 1974, the Cooperative Development Decree No.5 was enacted which established Federal Cooperative Division in the Federal Ministry of Labour, to coordinate all cooperative activities in Nigeria.

## 3.3 Principles of Cooperative Movement

At inception Rochdale, identified seven principles to guide their operations, these principles had been accepted and modified over times. The original seven principles are as follows:

1. **Open Membership:** Membership of cooperative society is free, voluntary and without any form of threat and coercion, provided the intended member qualifies to be a member. It does not discriminate against sex, religion, and social

background, racial and political beliefs. Membership should be open to all who are willing to take up rights and responsibilities of being a member. Exit should also be liberal provided the provision for exit are followed and cooperative should reserve the right to expel members.

2. **Principle of Democratic Rule:** This principle indicates that the society is a democratic organization, where every member will be given fair hearing and participation in decision making process, irrespective of share capital in the society. It indicates that every member has one vote in any occasion that calls for vote; every member is free to aspire to the highest office in the society and to vote freely for someone of his choice; the highest decision making organ is the general assembly that consists of all members and the elected members form the management committee to run the society.
3. **Principle of Limited Interest on Capital:** Cooperative society do not regards share capital as investment for profit, but an advance payment for future services. As such share capital in the society attracts very limited interest if any. It means that cooperative society is owned by members who are more interested in the services of the society.
4. **Principle of Dividend Based on Patronage:** Cooperative societies encourage members to participate in cooperative business and services. In fact, cooperative abhors absentee membership. Such participation and patronage are rewarded in profit sharing. Profit sharing is based essentially on patronage of cooperative services.
5. **Principle of Continuous Education of Members:** Continuous education of members is very important, if the society hopes to forge cooperative spirit and ensure equipping of members for business skills and exposure. Education covers every members, officers, employees and the general public. Cooperative education is important for members to fully participate in the cooperative activities and for non-members to appreciate the importance of cooperative societies
6. **Principle of Cash Trading only at Market Prices:** One of the main reasons for the failure of the early cooperatives is the sale of goods on credit to members who refused to redeem such credit sales. Therefore, the sale of goods to members should be based strictly on cash basis and at a price that is close to market prices.
7. **Principles of Political and Religious Neutrality:** Cooperative society is not a religious, traditional or political society and should not be used for such. A major principle therefore, is that cooperative should be neutral; and should not discriminate against political or religious believes of members.

## 3.4 Financing of Cooperative Society

Like other forms of businesses and organisations cooperative society needs capital to survive and to finance its various activities. The cooperative sources of capital are divided into two main categories: internal and external sources.

**Internal Sources of Capital**

Internal sources involve money generated from sources within the society. They are generated from members and from returns on activities the society engages in. The internal sources include:

1. Share Capital
2. Entrance Fee
3. Thrift Saving
4. Deposits
5. Fines
6. Reserves
7. Dues/Levis

**External Sources of Capital**

1. Loan from commercial banks, cooperative financial institutions, government agencies
2. Overdraft
3. Deposits from non-members
4. Grants and aids
5. Donations
6. Foreign assistance
7. Interest on investment

## 4.0 CONCLUSION

In this unit we dealt with the process of forming cooperative societies in Nigeria. This unit provides us a background to cooperative movement in Nigeria.

## 5.0 SUMMARY

In this unit we discussed the meaning and origin of cooperative society, Characteristics and principles of cooperative movement. Organization cooperative societies, Financing of cooperative societies and Management of cooperative societies

## 6.0 TUTOR-MARKED ASSIGMENT

1. Explain the history of cooperative society in Nigeria
2. Explain the principles of cooperative society

3. Identify and explain the main sources of cooperative finance

## 7.0 REFERENCES/FURTHER READINGS

Adeoye, F. R. (1998). *The principles and Economics of Cooperative*, Ile-Ife: Wabal Nigeria Publishers.

Alasiri, W. A. (2001). *Cooperative Marketing: Principles, Practice and Management*, Lagos: Laspotech.

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# MODULE 2

## UNIT 1 ROLES AND PROBLEMS OF AGRICULTURE

**CONTENTS**

6.0 Tutor Marked Assignments
7.0 References/Further Readings

## 3.0 MAIN CONTENT

## 1.0 INTRODUCTION

It is estimated that agriculture provides job for over 50 million Nigerians, majority of who are in subsistence farming with small farmland holding and very low yield. Farming in Nigeria is bedeviled by a number of problems: poor storage facilities, poor transport system, lack of access to modern equipment and farm inputs etc. These problems affect the performance of the farmer in terms of output. Marketing principles can be applied in agriculture in order to improve the performance of the farmer. Marketing involves identification and satisfaction of consumers wants at a profit. Therefore, the gap between the farmers in terms of what to produce, how to produce and when to produce and the consumers can be bridged. This is important, when we note that farming is affected by seasonal nature of weather and climatic conditions. One major factor affecting agriculture is the storage problem. Marketing principles can be used to reduce the effect of these by finding alternative uses either through processing or by other method of the farm produce. This can also be affected by the type and nature of channels that is available and made use of by the farmers.

## 2.0 OBJECTIVES

At the end of this unit, you must be able to:

- Explain the meaning of agriculture and its relationship to marketing
- Explain the roles of agriculture in the national development
- Identify and explain the problems of agriculture.

## 3.0 MAIN CONTENT

### 3.1 Meaning of Agriculture

On the surface agriculture refers to the cultivation of the soil. Broadly speaking and in practice, however, it means more than soil cultivation. It involves the production, processing and distribution of products from crops, livestock, fishery, wildlife and forestry.

Agriculture is as old as man; the concept of crop cultivation started from the time the early man discovered that the seeds he disposed of unconsciously later germinated and grew to maturity. It is from this stage that agriculture moved to the commercialization state through the subsistence level. This goes along the same line of the transformation from barter economy into the monetized economy. Subsistence agriculture is practice largely to feed self and family only, without the intention of selling to others. The increasing level of development and innovation and specialization lead to increased yield from the farm and the need to sell the surplus from the farm. Agriculture provides employment opportunities either directly or indirectly to a large percentage of Nigerians. However, because of the crude methods and lack of application of modern techniques and facilities the sector is experiencing a high level of wastages.

## 3.2 Roles of Agricultural Production in Nigeria

Prior to the discovery of oil in Nigeria, agriculture had been the back-bone of the nation's economy. In 1964, for instance, agriculture accounted for 70.8% of the nation's total export value and 60.96% of the gross national product. Since the discovery of oil, in less than a decade, however, the situation had changed dramatically. Agriculture accounted for only 5.6% of the gross national product in 1970. The role and contribution since the early 1970, has continually declined in terms of its contribution to national economy, provision of employment, available of stable food items locally etc.

## 3.3 Roles of Agriculture in Economic Development?

a. Agriculture produces the basic raw materials for industries such raw materials include cotton, cassava, maize, sorghum, Soya beans, bean seeds, cocoa, palm kernel, palm oil, kola nut Rubber etc.
b. Agriculture releases manpower during peak periods.
c. It stimulates import-export replacement.
d. It also accumulates foreign earnings through commodity export.
e. It also provides the required manpower in technical and managerial sectors.
f. It also provides food for the citizenry who would not be healthy and productive unless such foods in balanced contents are eaten.

These foods are made up of Beverages, starches, protein, mineral fruit, vegetables, oils, seeds etc.

Agriculture also provides employment opportunities to the government through the extension agents, to the farmer himself, the produce processor, the distributor, Research centers, the hunter, fishermen etc.

Income is also enhanced by the involvement in Agriculture. This income is either to the individuals or to government. Agriculture before the oil boom was the main stay of the Nation's income earning.

## 3.4 Problems of Agricultural Development

There are a number of problems facing agricultural practices in Nigeria. Some of these problems could be traced civilization, discovery of petroleum, neglect of agricultural sector by government. These include among others.

a. Inadequate land and the land tenure system handicap
b. Lack of basic infrastructure like good roads, electricity etc.
c. Poor financial status of the farmer and lack of access to credit facilities
d. Lack of storage facilities
e. Inadequate agricultural, education and extension services
f. Low literacy level
g. Inadequate government policy/programmes resulting mainly from poor implementation.
h. High incidence of pest
i. High incidence of diseases
j. Lack of mechanization
k. Administrative constraints resulting from federal character.

## 3.5 Government Efforts in Solving Agricultural Problems

The various governments and all concerned have tried in different ways to overcome the above mentioned problems. The limited success recorded in solving these problems was largely because of large of commitment on the part of government.

These efforts include:

a. provision of health care centers and schools
b. provision of electricity in rural places
c. provision of information/media center
d. provision of portable and drinkable water
e. banning of export of some commodities
f. subsidized rates of input
g. provision of all season roads
h. provision of extension services

There is also the need for more emphasis to be laid on the provision of:

i. Adequate research
ii. Timely supply of input
iii. Subsidy for farm inputs
iv. Adequate training in processing and storage
v. Government to buy excess produce for future sales

Along the line of overcoming this agricultural development programmes, government has from period to period brought into operation certain programmes. These programmes, though laudable, have not been able to achieve much success because of the problems of implementation. The situation has affected the growth rate of our country. It is in realization of this that successive governments took several steps to boost agricultural production. The neglect of this sector began in the seventies, during the period of oil boom, when all government emphases were shifted to this sector.

## 4.0 CONCLUSION

Agriculture has a great potential to contribute to national development, it is the home of more than half of the population, with tremendous contribution to the Gross Domestic Product of the country. The potentials of agriculture have led successive government to develop programmes specifically to improve output of agriculture and make it attractive to the youths. However one major discipline that can help to improve agricultural practices is marketing. This is the subject of our discussion in the next unit.

## 5.0 SUMMARY

In this unit we discussed the meaning, roles and problems of agriculture as well as the efforts of government in solving the problems facing farmers and agriculture. In the next unit we will discuss how marketing channels can improve agriculture.

## 6.0 TUTOR MARKED ASSIGNMENT

1. What do you understand by agriculture?
2. Explain the roles play by agriculture in national development
3. What are the problems of agriculture in Nigeria?

## 7.0 REFERENCES/FURTHER READINGS


Adeoye, F. R. (1998). *The principles and Economics of Cooperative,* Ile-Ife: Wabal Nigeria Publishers.

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## UNIT 3 MARKETING OF AGRICULTURAL PRODUCTS

**CONTENTS**



## 1.0 INTRODUCTION

Agriculture is the main stain of the Nigerian economy, it is important therefore, for the output of the sector to be managed properly. It is equally important to understand how agriculture is practiced in this part of the world, the basic features of agricultural produce as well as the various channels of distributing agricultural products. The meaning and the features of agricultural produce will provide a veritable foundation for us to develop appropriate marketing strategies in order to maximize yield and profit from agriculture. Unlike other products agricultural products have specific unique features that dictate how the products can be treated and handled and the appropriate marketing strategies that is suitable. On the surface, the application of marketing strategies and principles to agriculture is superficial, however a close look will indicate that agriculture cannot be practiced successfully with the application of marketing principles.

## 2.0 OBJECTIVES

At the end of the unit, you should be able to:

- explain what agricultural marketing
- explain the basic features of agricultural products
- explain the various channels of distribution for agricultural products

## 3.0 MAIN CONTENT

### 3.1 Meaning of Agricultural Marketing

Agricultural marketing may be defined in terms of a chain of business activities performed to bring farm products to their ultimate consumers. Included are such functions as processing and distribution whereby raw product is transformed into one desired by consumers and then moved to the point of consumer purchase. The responsibilities for deciding how these are to be performed and for carrying out the tasks involved are divided among many different firms. Farmers producing agricultural produce are scattered in remote villages while consumers are in semi-urban and urban areas. This produce has to reach consumers for its final use and consumption. The locational distance between the farmers and the consumers must be closed. Marketing activities are used to close this gap. There are different agencies and functionaries through which this produce passes and reaches the consumer. The routes through which possession and title (ownership) of these produce pass between the farmers and the ultimate consumers are called channels of distribution. A market channel or channel of distribution is therefore defined as a path traced in the direct or indirect transfer of title of a product as it moves from a producer to an ultimate consumer or industrial user. Thus, a channel of distribution of a product is the route taken by the ownership of goods as they move from the producer to the consumer or industrial user.

Agricultural products are called produces. Farm produce are different from regular products. They have some features, which make marketing them much different from marketing other products. The marketer of produces needs to have a good knowledge of these features before he can design effective plans and programmes for marketing them.

Increased demand for goods and services produced out of the farm made specialization necessary. As the individual farmer specialized, it gave rise to the production of marketable surpluses which could not be exchanged easily for goods and services produced out of the farm.

Trade by batter was popular in the early days but due to its obvious disadvantages such as the necessity for double coincidence of wants, lack of unit of measure, difficulty of holding large stocks of commodities in storage for future exchange e.t.c, the use of money as a medium of exchange evolved. This marked the beginning of the development of an efficient marketing system. Thus with the development of an efficient marketing system, it becomes possible for consumers to enjoy what they cannot produce irrespective of the distance between them and the producers.

### 3.2 Basic Features of Agricultural Produce

1. **Agricultural products are primary products:** Agricultural produce are directly from nature, this means that they have generally not undergone any processing which can help to enhance their basic features and value. This explains why they are grouped with natural resources and referred to as commodities.
2. **The production of agricultural products is affected by weather or nature:** A large number of climatic and weather conditions affect the production of farm produce. This makes production level not entirely dependent on the decision of farmers. While a bad weather can greatly dash the hope of farmers by reducing production level, a clement weather can greatly help to raise their production level. Drought, desertification, floods, and pests are some of the forces of nature that have reduced farm output in Nigeria in recent times.
3. **Agricultural products are mostly seasonal in production**: This is as a result of their being dependent on the forces of weather. But the demand and consumption or usage of the products are spread throughout the year. This underscores the need for good storage facilities. It also explains the reasons for price fluctuations in the prices of agricultural products between the different seasons.
4. **Most agricultural products are highly perishable:** Some even lose their freshness and begin to spoil within hours after they are harvested. This necessitates finding buyers quickly or processing them when sales are delayed
5. **It is very difficult to brand agricultural products:** Before branding can be done they would have to be processed into something else. Branding enables a producer to differentiate his product from other producers, advertise it, and have control over its price.
6. **There is usually much geographic distance between the producers and consumers or buyers of agriculture products:** While the producers are usually

found in the rural areas, the consumers or buyers of agricultural products are found in the urban areas. This necessitates transporting the products over long distances. The bad nature of our roads and the consequent high cost of transportation make the prices of agricultural products to be much higher in urban areas than in the rural areas where they are produced.

The features of agricultural products discussed above make their marketing much more difficult than that of manufactured or processed products. Notwithstanding this, with the careful planning and implementation of marketing programmes, marketers can achieve good patronage for their produces. This involves taking the right decisions with respect to the specific products to market, their prices, promotion, and distribution.

## 3.3 Channels of Distribution

Production is not complete until the goods (products, services or ideas) reach the final consumers. Marketing activities are only successful when the buyers are reached. Marketing was preciously defined as system of business activities that begins and ends with the consumers wants. The products or services must be delivered and made available to the consumer at the time he needs the products, in the right place and in the right form and condition that customers want them. Ownership and possession of product must be transferred from the owner (producer) to the consumer. This can be done directly or through middlemen. The transfer process involves transportation, stores and logistics management (physical distribution) or through agents of distribution (channels of distribution).

**Physical distribution** is sometimes used interchangeably with logistics, and it consists of all activities designed to move the product, from the point of production or distribution activities include:

- Inventory storage and warehousing
- Inventory investment and management
- Transportation
- Material handling
- Processing of order
- Packaging and despatch

It is important for an organization to manage its channels very well, as this have serious implications for the organization and its success. This is partly because the organization does not have direct control on the channels as it has over its own internal operations making direct and frequent changes are not easy. Distribution channels can be used to gain competitive advantages in the market and it involves long-term commitment to other organizations.

**Channels of distribution** involves all business organizations and individuals through which possess and titles of goods pass between the point of production to the producer and the consumers are independent and interdependent organizations involved in making a product available for consumption and are referred to as distribution channel. A channel remains valid only to the last person that consumes the product without altering its form. The alteration of the form of the product, necessitate the start of new channel.

## 3.4 Functions of Marketing Channels

Marketing channels play an important role in helping to activate key marketing activities and objectives. These functions are important if the consumers must get access to the product at the right time and place and to obtain utilities. According to Oyeniyi (2009) some of these functions include:

**Marketing Communication Functions** Channel members are at times involved in the collection, and dissemination of market information on virtually all stakeholders in the market: current and potential buyers, competitors, current operations, suppliers, and other external environmental variables that can affect their operations. More importantly, the channels members also get involved in importantly communication activities such as advertising, public relations, sales promotion, personal selling and direct marketing communication.

**Inventory Management** Channel members as part of their functions order for and keep stock of appropriate assortment of merchandise. Depending of the strengths (financial and managerial) of the channel member, a few parts, or stock or a virtually every available parts or stock of a particular product are stored. Part of the inventory management function of the channel is to breakdown large quantity into smaller ones, grading, assembling and product packaging.

**Physical Distribution** A major function of the marketing channel is to ensure movement of goods from the point of production to the point of consumption. This function will include efficient distribution and delivery system, coordination of all delivery schedules to meet the needs and expectations of the consumers and to ensure arrangement for the return of damaged or defective items.

**Market Information** The buying process is enhanced when necessary information to facilitate the process is available. Market information should be packaged to ensure efficiency of operations of the channel member and improving customer services. Market information may form product literature, assistance with desktop publishing, merchandizing plans, market research, product catalogue, in-store training and trade-show assistance.

**Financial Risk** Channel members are expected to carry or hold stock in inventory. The ownership and title of this stock before they are sold involved some levels of risk. Stock held in inventory may deteriorate, affected by evaporation, pilferage, fire, flood and any other disaster. Other financial risk function is related to account receivable, bad debt and return-inwards. Risk can also arise as a result of product safety and liability arising thereafter.

**Negotiation and Matching Contribution** Price and terms of exchange must be reached and agreed with the customers. Without such agreement transfer of title and possession may be hindered. Channels members must also find, communicate and persuade the function.

**Financing Contribution** Production and distribution of goods must be facilitated through the sourcing and disbursement of funds to undertake distribution functions. Financial capital must be sourced to keep operation running, to finance inventories and to ensure that the manufacturer's credits are settled on time. More importantly is the recovery of credit facilities extended to customers, and payment of outstanding bills through financial institutions to sellers, wholesalers or the retailers.

**Other Contribution** Marketing channels perform some other numerous functions to either the producers or the buyers. It is the duty of the channel members to interpret consumers' wants and ensure that such wants are met with appropriate products. The needs of the consumers should also be anticipated, this can be done through market research functions. Products are produced ahead of demand, as such channel members store these product, provide warehousing function and ensure place and possession utilities by eventually making the goods available where the consumers require them. The storage function is performed in relation to the transportation function i.e. conveying the goods from the point of manufacturing or warehouse to the point of consumption.

These functions are shared among channel members. This indicates that any channel member can perform any or some of these functions. However, the performance of these functions increases costs and hence price.

## 3.5 Channels of Distribution

### Factors Affecting Choice of Channel of Distribution of Agricultural Produce:

There are several channels of distribution depending upon type of produce or commodity. Each commodity group has slightly different channel. The factors are:

a. Perishable nature of produce .e.g. fruits, vegetables, flowers, milk, meat, etc.
b. Bulk and weight–cotton, fodders are bulky but light in weight.
c. Storage facilities.
d. Weak or strong marketing agency.
e. Distance between producer and consumer. Whether local market or distant market.
f. Weather Conditions
g. State of Infrastructural facilities like roads

## 3.6 Types of Market Channels

The choice of any of these channels have great implication on marketing costs such as transport, commission charges, etc. and market margins received by the intermediaries such as trader, commission agent, wholesaler and retailer. Some of the typical marketing channels for different product groups are given below:

### Channels of Grains

a. Producer–miller-consumer (village sale)
b. Producer–miller-retailer–consumer (local sale)
c. Producer–wholesaler-miller–retailer–consumer
d. Producer–miller–cum-wholesaler-retailer-consumer
e. Producer–village merchant–miller–retailer–consumer
f. Producer–government procurement–miller–retailer–consumer

### Channel of other food grains (Corn/yam)

a. Producer – consumer (village sale)
b. Producer–village merchant–consumer (local sale)
c. Producer–wholesaler-cum-commission agent retailer–consumer
d. Producer–primary wholesaler–secondary wholesaler– retailer– Consumer
e. Producer–Primary wholesaler–miller–consumer (Bakers).
f. Producer-government procurement–retailer–consumer.
g. Producer–government–miller–retailer–consumer.

### Channels of cotton

a. Producer–village merchant–wholesaler or ginning factory– wholesaler in lint–textile mill (consumer)
b. Producer–Primary wholesaler–ginning factory–secondary wholesaler–consumer (Textile mill)
c. Producer– Trader– ginning factory– wholesaler in lint– consumer (Textile mill)
d. Producer–govt. agency–ginning factory–consumer (Textile mill).

e. Producer–Trader–ginning factory–wholesaler–retailer– consumer (non-textile use).

**Channels of Vegetables**

a. Producers–consumer (village sale)
b. Producer–retailer–consumer (local sale)
c. Producer–Trader–commission agent–retailer–consumer.
d. Producer–commission agent–retailer–consumer
e. Producer–primary wholesaler–secondary wholesaler– retailer– consumer (distant market).

**Channels of Fruits**

a. Producer–consumer (village sale)
b. Producer–Trader–consumer (local sale)
c. Producer–pre-harvest contractor–retailer–consumer
d. Producer–commission agent–retailer–consumer.
e. Producer–pre-harvest contractor–commission agent–retailer–consumer
f. Producer–commission agent–secondary wholesaler– retailer–consumer (distant market).

The length and number of channel member for each channel depends on the nature of the product, the distance between the producer and consumers, the farmer sector practice, as well as the cultural dictates of the farming environment. The various channels described above can also group according to agents depending on the choice of the producer and industry practice of each country. Finally this decides the price to be paid by the consumer and share of it received by the farmer producer. That channel is considered as good or efficient which makes the produce available to the consumer at the cheapest price also ensures the highest share to the producer.

## 4.0 CONCLUSION

It is important that marketing practices and strategies be aligned with agricultural practices to be able to get maximum benefits from the farms. A number of agricultural problems and issues will resolve with application of marketing to agriculture.

## 5.0 SUMMARY

In this unit we learnt about agricultural marketing, basic features of agricultural products and the various channels of distribution for agricultural products.

## 6.0 TUTOR MARKED ASSIGNMENT

1. What is agricultural marketing?
2. What are the peculiar features of agricultural products?
3. Identify and explain the various channels of distribution for any four types of agricultural products that you are familiar with?

## 7.0 REFERENCES/FURTHER READINGS

Kotler, Philip & Keller, L. Kevin (2012). Marketing Management, (14Ed.). Pearson Education Limited .

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## UNIT 3 MARKETING BOARD AND PRODUCT DISTRIBUTION

**CONTENT**



## 1.0 INTRODUCTION

In the previous unit we learnt about marketing of agricultural products and their various channels. In this unit we will be treating marketing boards as an extension of the previous unit. Our discussion in this unit will include meaning of marketing boards, objectives, importance and challenges.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain what marketing board is
- explain the objectives of marketing boards
- explain the importance of marketing boards
- explain the challenges of marketing boards

## 3.0 MAIN CONTENT

### 3.1 Introduction

The history of Marketing Board can be traced to the colonial masters, which established the first the first Marketing Board in the 1940s. The first Marketing Board to be established was the Cocoa Marketing Board in 1947.Ground nut, cotton, and palm produce Marketing Boards were established in 1949. Before independence and now agriculture has remain the main stay of the Nigerian economy providing jobs for more than 50% of the population. Marketing Boards are formed when groups of producers of same or similar products comes together in order to market their farm produce, increase consumption, increase or stabilize price etc. However, in developing countries the commonest way of forming a Marketing Board is through government. The responsibility of such board is to provide structure to regular the purchase and sale of the produce. As such we have examples of Marketing Boards in Nigeria, Ghana and other countries, either established by individual producers or by governments.

The primary reason for the establishment of the Marketing Boards is to stabilize prices of agricultural products in order to eliminate seasonal fluctuation of price of export produce. Other reasons include providing funds for regional governments; contribute to the economic development of the production areas; support scientific research in agriculture; improve the quality of the crops through the grading system; and putting to an end a series of producer protests. By classification Marketing Boards are nonprofit organisations and are regarded as trade groups and business association. Marketing Boards consists of representatives of the producers, middlemen and government.

## 3.2 Objectives of the Marketing Boards

The main objectives of the Marketing Boards include the following:

a. To secure the most favorable arrangement for the purchase of farm produce and arrange for the export of
b. To promote the development and rehabilitation of producing areas,
c. To help maintain legally prescribed grades and standards of quality of export produce,
d. To allocate funds to the appropriate authorities by means of grants, loans, investments and endowments purpose of economic development and research.
e. To supply produce to local processors for processing in their plants, and
f. To stabilize producer prices by fixing legal minimum buying prices for a whole season at a time minimize price fluctuations within and between seasons.

## 3.3 Operations of the Board

The prices of the scheduled commodities were fixed by the Federal Government on the advice Committee on Producer Prices. The fixed prices were announced in advance of the farming season. The price will hold throughout the season irrespective of the level of the world market price. The various commodities Boards bought farm produce through the Licensed Buying Agents (LBAs) who could be individuals, firms, or cooperative the boards paid commission to the LBAs as well as fixed transport differentials.

## 3.4 Importance of Marketing Board

a. Pooling of Resources: Marketing Boards comprises of representatives of farmers, and represents farmers who are by their financial strengths may not be able to provide certain services individually. Marketing Boards provide opportunity for members and representatives to pool their resources together for commonly benefiting activities. Such activities will include adverts on radio, television, newspapers and magazine on the activities and scope of the board. Each producer will benefit from this type of well-coordinated media campaign.

b. Demand: Most agricultural producers sell their produce to directly to consumers before the advent of Marketing Board, such demand cannot bet guaranteed. However, Marketing Boards are expected to buy these produce during on and off seasons from the farmers to stabilize demand and indirectly price.

c. Mobilization of Money: Marketing Boards help government to mobilize money for the purchase of farm produce from the farmers. Such funds are sourced from financial institutions that are mandated by government to do so. The money sourced from the financial institutions is used to buy produce which may be sold at a profit.

d. Buying and Selling: An important function of the Marketing Board is buying and selling of produce. This is done partly to stabiles price and in part to reduce fluctuations in demand and supply of the products. Marketing Boards buy produce from both members and non-members, and it is resold either locally or prepare for exports.

e. Grading of Produce: Primary products are usually in different grades and categories. It is the duty of Marketing Boards to grade these produce in categories or standards that it may be easy to sell them according to their grades and standards. For example, raw harvested cocoa produce are in different grades and standards, and they have to be so categorized to facilitate sales and attract different prices.

f. Conduct of Research: There are needs for improvement in the methods and operations of the farms. The best way to get improved methods and operations is through research, which can be undertaken by the Marketing Boards or that Marketing Boards will commission others to conduct the research on its behalf. Such research can cover improved seedling and past resisting seedling, improved methods of planting, harvesting, storage, equipment and others

g. Stabilization of Prices: Part of the functions of Marketing Boards is to negotiate a fair price for the farm produce and to avoid farmers being taken advantage of by powerful middlemen. To do this successfully, Marketing Boards buy at a uniform price through the season, during the off and on season of the product (glut and scarcity). More importantly is that excess production that may cause glut in the market are bought and held till appropriate future time.

h. Provision of Farm Inputs: Inputs such as fertilizers, pesticides, spraying can, seedling, farm equipment etc. are to be sourced for and provided to the farmers by the Marketing Boards. The farm inputs must be available and should be at reasonable price affordable by the farmer. This is to boast production and improve the quality and quantity of the farm produce.

i. Funds Infrastructural Projects: One auxiliary function of the Marketing Boards is to undertake financing of projects in the production areas of the farmers. Examples of such include the financing of road construction or upgrade of existing road networks in the production areas. This will facilitate access between the production areas and the market (for movement of perishable farm produce on time) and to enhance the standard of living of the farmers.

## 3.5 The Challenges of Marketing Boards

a. **Adjusting to Changes:** Marketing Boards mostly deals with seasonal products that needs constant adjustment of the nature of the products. The requirement is at times difficult for Marketing Boards or they are reluctant to adjust prevailing situation. In a way Marketing Boards are monopoly organizations in all the markets where they operate or they control the substantial parts of the market. As such the pace adjustments to situations in the markets are generally low and most times there are no alternatives and competition to Marketing Boards, novel ideas or innovation to improve their operations is not taken serious.

b. **Government Intervention:** Marketing Boards in developing countries are established and controlled by government. The board members comprising of elected members/producers and government representatives. The elected producers most times may not have adequate skills (management and marketing) of managing large organization like the Marketing Board. As such they are either dominated by government representative or the management of the boards is technically hijacked by government representative. Government representatives are public servants that may not understand the issues and challenges of the producers.

c. **Bureaucracy:** The numbers of primary producers to be dealt with, the geographical areas to be covered, aggregate volume and value of the produce are indication of how large the Marketing Board is likely to be. The size and government involvement may lead to bureaucracy. Bureaucracy by its various operational characteristics is slow in operations and response rate, inflexibility and rigid operational method. This may have negative implications on the operations and success of the Marketing Boards.

d. **Caliber of Staff:** The quality of staff of the Marketing Boards and the comparable salaries paid to them are issues and challenges to the successful operations of the Marketing Boards. Staff may not have the required skills or the salary paid to them is relatively low. This twin issues can cause low morale for staff.

e. **Corruption:** Marketing Boards members are generally accused of corruption. Audited reports have uncovered some levels of malfeasance in marketing boards. The problem of corruption can definitely affect the success of the boards.

f. **Excessive operational expenses:** The Marketing Boards incurred a lot of expenses in the performance of their functions. Their LBAs and transport allowances Other expenses included shipping and handling charges paid to the Nigerian agency charged for overseas marketing, and paid to the Nigerian Produce Marketing Company operating including insurance and administrative expenses. The operational expenses were usually toe large Usually this code provided an avenue for trading surpluses to disappear into wrong hands. The excessive expenses vividly attested to the inefficiency of government operated marketing agencies.

## 4.0 CONCLUSION

Marketing boards were veritable means of promoting agricultural products before they were disbanded. They performed a number of functions to both the farmers and the government. However, in the course of time they were beset by a lot of problems which led to their total failure and eventual disbandment.

## 5.0 SUMMARY

In this lesson we learnt about marketing boards, their objectives, importance and problems.

## 6.0 TUTOR MARKERD ASSIGNMENTS

1. What is a marketing board?
2. Highlight five of the challenges that confronted marketing boards in the country.
3. Explain the roles of marketing boards

## 7.0 REFERENCES/FURTHER READINGS


Adeoye, F. R. (1998). *The principles and Economics of Cooperative,* Ile-Ife: Wabal Nigeria Publishers.

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## UNIT 4 MARKETING OF NON-AGRICULTURAL PRODUCTS

**CONTENTS**

## 1.0 INTRODUCTION

In the last two units, we discuss marketing of agricultural products and marketing boards. In this unit, we will be discussing marketing applications to non-agricultural products.

## 2.0 OBJECTIVES

At end of this unit, you will be able to:

a. Identify generic marketing strategies for non-agricultural products
b. Explain the Specific marketing strategies for non-agricultural products
c. Explain the basis of segmentation for non-agricultural products

## 3.0 MAIN CONTENT

### 3.1 Introduction

Product can be defined as anything that is offered for sale which consumers are willing to pay for to satisfy a want. Broadly speaking commodities can be divided into two categories, these are 'soft' and 'hard' commodities. Soft commodities are grown including corn, wheat, soya-beans, sugar cane, vegetables, fruits etc. One basic feature of all grown commodities is that they are subject to spoilage. They are generally affected by weather conditions, which account high level precariousness and unpredictability of supply. 'Hard' commodities are typically mined from the ground or obtained from other natural resources like gold, oil and aluminum. Traditionally, soft commodities are generally referred to as agricultural products, while hard commodities are generally referred to as non-agricultural products. Non-agricultural includes both food items other than fresh produce grown. Broad category of nonagricultural products include Automotive and related parts; Bicycles and related parts; Chemicals; Electronics/Electrical products; Fish and Fish products; Forestry products; Gems and Jewelry products; Raw materials; Sports equipment; Healthcare, pharmaceutical and medical devices; Hand tools; Toys; Textiles, clothing and footwear; Industrial machinery and chemicals. It is estimated that non-agricultural products represent almost 90% of the world merchandise exports.

### 3.2 Marketing Strategies for Non-agricultural Products

Marketing principles and strategies have universal applications, and it can be applied to all kinds of products and markets. The type of marketing strategy and programme develop depend on the products, markets and operational environment of the firm.

### 3.3 Generic Marketing Strategy for Non-agricultural Products

a. Non-agricultural products can be sold directly to the consumers by the producers and can be sold through intermediaries. However, in whatever ways it is to be sold the following factors should be considered:
b. Identification of a niche market where the producer can satisfy the direct needs of the consumers
c. Develop appropriate sustainable competitive advantages or strategies that are rare, unique and difficult to imitate
d. Analyze the market to be served in terms of size, features, and specific needs
e. Creating distinguishing features for the product.
f. Provision of high quality products accompanying by excellent services

### 3.3.1 Specific Marketing Strategies for Non-Agricultural Products

The consumers of a product may be purchasing the same product, but their specific needs are different. It is impossible for all buyers of cars to buy the same brand, size or color; consumers are usually looking for different benefits from the goods and service they purchase. The total market of a product consists of submarkets (segments) that satisfy the needs of distinct customers. Consumers have different wants, preferences and product-use behaviors. These differences may be minor in some markets, in which case, the customers in those markets can be served with the same marketing mix. In some other markets the differences are so glaring that consumers in those markets may not be served by the same marketing mix.

Marketing organizations are aware that it is impossible to appeal to all customers at the same time, with the same marketing mix. Customers are widely different, widely dispersed and too many to be served in the same way. This makes some forms of market segmentation possible. That is, marketing organization should identify segments that they can serve best within the limits that they can serve best within the limits of available marketing mix.

A number of marketing organization practice **target marketing**. A target market is a chosen segment of the market that the organization is willing to serve. The target markets have similar characteristics and the company uses a single marketing mix to meet the needs of the customers in the chosen target market. That is design specific product, develop appropriate price strategy, use ideal distribution channels and design appropriate promotional tools, to meet the needs of the target market. **Market segmentation** is the identification of group of individuals or organizations with distinct and similar characteristics that have significant marketing implications. It involves dividing the market to distinct segments (groups of buyers) with similar needs and similar product use behavior that may be served with a separate marketing mix. **Marketing targeting** involves assessing the attractiveness and opportunities presented by each segment and selecting the most attractive segment to enter and serve. Market positioning is the process of arranging the product of a company to occupy competitive advantage position in the market relative to competitive products. It deals with how a product is viewed by customers. It involves creating a particular image of the product in the minds of the target market.

### 3.3.2 Levels of Market Segmentation

Market segmentation varies among various organization depending on the nature of the customers and the product. In actual fact, each consumer is different from another and constitutes a market on his own. Some marketing organizations attempt to serve consumers individually while other finds this segmentation unprofitable as such different level of segmentations is possible.

**Mass marketing** (undifferentiated)

It is the first type of market segmentation that involves using the same marketing mix (product, price, distribution and promotion) to serve all consumers. It was common during the early industrial revolution. The basic reasons for mass marketing is that it creates potentially the largest single market possible with increasing economics of scale and low costs. The practice of mass marketing in modern society is difficult partly because there are different ways of discharging the marketing mix functions.

**Segmenting** (differentiated markets)

A general markets can be divided into small distinct submarkets. Each submarket will have distinguishing features that makes it different from other submarkets. This will allow the company to adopt its marketing mix to suit the needs of the segmented market. For example, a airline can segment its market into various segments, business class, economy. Etc.

Segmenting market allows the company to be efficient in its marketing efforts to reach its target audience. The product can be designed specifically, priced appropriately, while promotional efforts directed to only the intended customers. Few competitions may also exist in the segment targeted.

**Niche concentrated marketing**

Within a relatively large segment these are subgroups that can be identified and served differently. Niche marketing involves specializing on serving the specific needs of subgroups within a segment. For example, shoe market can be divided into designers' shoes, men shoes, ladies shoes, children shoes, dinner shoes, sport shoes; boot etc. within the boot segment, a company may further identify factory boot, long distance trekking boot or mountain climbing boot. Niche markets are relatively smaller and attract few competitors, the company serving in niche market is expected to have a good knowledge of the customers in the market. The customers are willing in most cases to pay a higher price and it is easy to build customer loyalty. Niche market is ideal for small companies with limited resources and few competitions.

**Micromarketing (local or industrial)**

Micromarketing involves an attempt to meet the specific needs of individual customers or the needs of a specific location. It is of two types.

**Local marketing**: a product or service may be designed and marketed towards the specific needs of local customer groups e.g. cities (urban) rural or stores. Major disadvantages of local marketing includes:

- Manufacturing and marketing costs may increase,
- It creates logistic difficulties in meeting the diverse needs of each group and
- It may affect the brand image of the product as messages may vary from one location to another.

However, local marketing is ideal to meet the needs of varying locality in terms of their characteristics.

**Individual marketing:** it is possible to design production and marketing programmers' to meet the needs and preferences, clothes and shoes are design to fit individuals and to match their needs. New technology is helping companies to mass-customize their offerings. Mass customization is the process of preparing in large or mass basis individually design products, services and marketing programmers' in order to meet the needs of the customers.

## 3.4 Requirements for Effective Segmentation

The benefit of market segmentation notwithstanding it is not all segmentations that are effective or useful. For a segment to be useful, it must meet the following conditions:

**Measurable**: The basic characteristic used in segmenting a market is that it is measurable. Such characteristics will be measurable easily if the data describing the characteristics are attainable. Characteristics such as age, size, and purchasing power and others must be measurable.
**Accessible**: the segmented or target market must be reached and served effectively with existing marketing institutions: middlemen, advertising media, company's sales force and with minimum cost and wasted efforts.
**Substantial**: a segment should be large enough to be served with existing marketing programmers' profitably. The segment should be a large homogenous group that will justify the investments on marketing programmers' on it.

**Actionable**: the company should be able to develop effective marketing to attract and serve the segments. For example, adequate resources must be available to adequately serve the market effectively.

**Differentiable**: the segments must be conceptually different and must respond to marketing programs differently. For example, male and female students respond to the sale of school sandals in similar manner they do not constitute separate markets.

### 3.5 Basis of Segmenting Non-Agricultural Products

#### 1. Customer location

Location of business customers may be used to segment non-agricultural product. Some locations have large number of non-agricultural products and business concentrated in them. This may be as a result of climatic or natural deposits or historical antecedents of such locations e.g. .south western Nigeria noted for cocoa, East noted for coal etc. or the availability facilities to enhance business operations e.g. ports or availability of source materials. The basis for the use of geographical variables may also be as a result of the fact that the business customers are multi-location customers or large customers in a given location. Segmenting international markets may also be based on geographical factors. For examples, regions can be identified with potentially high demand. Regions or countries may also be classified based on availability of public utilities, or the quality of its physical distribution facilities e.g. transportation etc.

#### 2. Customer type

**Company size:** a number of variables may be used to measure the size of a company: sales volume, number of employees, number of production facilities, sales volume, and number of sales force and whether it is a multi-location or single location customer. These factors will be used to divide the companies to either small or large firms/customers. On their concentration a sales man may be attached or large customer, while chaser of small customers can be served by a salesman or through middlemen.

**Industry:** Non-agricultural products and Business markets can be segmented based on the type of industry to be served. The needs of customers even within the same industry are not the same. For example, business customers buying tyres are not the same in terms of requirements and needs. A heavy- truck manufacturer need of tyres is quite different from the tire needs of luxurious buses and aircraft manufacturers.

**Organizational structure:** organizational structure of the business customer will determine their buying operations and processes especially where the business customer has a functional purchasing department. The selling efforts of the supplier are directed at the purchasing department usually with technical supporting services. It is also possible, especially for smaller organization without dedicated purchasing department, to have large number of people involved in purchasing decisions. The operations and requirement of government agencies are different. This in partly because of the statutory requirement that must be fulfilled before purchasing needs can be met. Government business are conducted under strict regulation and monitored budgetary allocation, this takes time and required contacts with large number of people.

More importantly, the organizational structure will determine whether purchasing decision are centralized or decentralized.

**Purchase criteria**: detailed purchase criteria of the business customer are another basis for segment the market. The demand and requirements of the business customer can be classified. For example, is the customer price and service sensitive? Is the item of purchase of very important to the operations of the business customers? What level of services is required by the business customers? What is the market knowledge of the business customers of the competitors offering?

## 2. Transaction Conditions

Peculiarity of business customers' transaction can be used as the basis of segmenting the market. These peculiarities include buying situations, order size and service requirements.

**Buying situations**: the conditions and situation of purchase of the business customer are enough bases for segmenting the market. Business customers can be categorized into those who are interested in straight rebury (new order with modified product features, prices and term of sales); new tasks (new orders without previous experience). These buying situations are different enough to warrant segmentation especially with business customers.

**Usage Rate**: rate of usage: light, heavy and prospects are enough ground of classification. Heavy users are most times loyal customers and the segments seem attractive in terms of volume of sales. However, the segment also attracts high level of competition and expected auxiliary services are also high, which make it expensive to serve. Firms interested in increasing market share or diversify market base may decide to focus its marketing programs on prospects.

**Purchase procedure**: the intended purchase procedure between buyer and seller may offer sufficient distinctions to justify segmentation. The transaction may be purely on cash basis or credit basis. The terms of sales may state, negotiated or submitted in a bidding process. The item may also be sold out rightly or leased.

## 4.0 CONCLUSION

**In this unit, we discuss, marketing strategies for non-agricultural** products. The strategies for agricultural and non-agricultural products are similar except the nature of the products that make application different.

## 5.0 SUMMARY

In this unit, we discuss the meaning of non-agricultural products and tried to differentiate if from agricultural products. We also discussed segmentation as it is peculiar to non-agricultural products.

## 6.0 TUTOR MARKED ASSIGNMENT

Differentiate between agricultural and non-agricultural products
What do you understand by segmentation? Explain the basis for segmentation of non-agricultural products

## 7.0 REFERENCES/FURTHER READINGS


Adeoye, F. R. (1998). *The principles and Economics of Cooperative,* Ile-Ife: Wabal Nigeria Publishers.

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## UNIT 5 PRICING OF AGRICULTURAL COOPERATIVE PRODUCTS

### CONTENT



### 1.0 INTRODUCTION

In the previous units, we discussed marketing strategies for non-agricultural products. In this unit, we will go through pricing decisions, importance and objectives of pricing as well as factors affecting pricing decisions.

### 2.0 OBJECTIVES

At the end of the unit, you will be able to:

- explain the meaning and importance of pricing
- explain objectives of pricing
- factors affecting pricing decisions

### 3.0 MAIN CONTENT

### 3.1 Introduction

Price is the heart of exchange function in marketing. Exchange cannot take place without some form of pricing. Exchange means giving something of value for other things of value enjoyed or received. In modern economy, price makes that exchange easy, convenient and less cumbersome. At the center of that exchange is price. Price means different things to different people and is given different names under diverse exchange process. For example, price is called tuition in education, rent in renting of apartment/accommodation, interest in banking, premium in insurance, fees in professional charges, dues in social clubs, fare in transportation, commission in agency and salaries or wages in employment. Irrespective of the name given to it, it means that whoever is willing to enjoy a benefit or service or product must give something of value (money) in return for the enjoyment of that benefit. Therefore, price is the amount of money and/or other considerations required to exchange for a product or service or to enjoy specified benefits. Exchange of goods for goods is called barter. There are a number of other auxiliary things attached to the monetary value of a product. These are the specific physical goods and services to be bought or enjoyed; supplementary or auxiliary services provided with the goods e.g. warranty and the benefits to be derived from the consumption of the product or service. The amount paid in exchange for goods is not always the same as the amount indicated in the price list or catalogue because of allowances and discounts. In essence, price is what we pay(money or sacrifice) for what we get. Price of a product or service may either be fixed or negotiated.

## 3.2 Importance of Price

The importance of pricing cannot be ignored; this is because without pricing principles, the modern or monetary economy as we have it today may be impossible to practice. Price is used as the benchmark of determining the value of a product as well as the commensurate value of the product. The importance of price therefore includes the following:

### 1. To the National Economy

a. Price helps to allocate national resources and attracts capital.

b. In a free market economy, the price of a product indicates the expected returns of an entrepreneur on the capital invested. The higher the expected rate of the return on investment (ROI), the higher is the expected capital to be attracted to such industry and vice-versa.

c. The price of a product directly and indirectly affects the level of wages, rent, interest and profit. In essence, the allocation of such factors as labour, land, capital and entrepreneurship are affected by the price they attract.

d. The questions as what to produce (supply)? In what quantity must it be produced? And who will consume the products produced (demand) are answered by price. In a free market economy, price acts as a regulator of the economic system which influences privatization.

### 2. To the Consumer

a. The easiest parameter to measure the quality of the product by the consumers is the price element. A gold wristwatch that is priced lower than the expected likely price is assumed to be either of inferior quality, an imitated copy of the original or a stolen item. Aside from the price, other consideration of the quality of a product will include the store and brand reputation and advertising. A newly wedded couple desirous of a leisure outing may consider a restaurant with fairly high price than a low priced restaurant.

b. Price is also used to determine the value of a product. Value is the ratio of perceived value to price. Where the price is perceived to be higher than the value, the product is regarded as expensive. If the perceived value is greater, the price of the product is regarded as cheap.

### 3. To the Individual Firm

a. Price is the only marketing mix variable to yield revenue to the firm. It translates all other variables to monetary reward or return to the firm.
b. Price helps to determine the level of demand for a product, the market share of a company, the firm's competitive position and strategy as well as the revenue and net profit of the firm.
c. Price can be used by a firm to express an image of superior quality. Especially where the firm serves a premium segment of the market that are concerned about product quality and are less sensitive to price levels or high prices.
d. Price can be used by an organization as a way of communicating to consumers, distributors and competitors.
e. Price may affect the profit of an organization. The pricing strategies adopted by a firm in relation to the market sensitivity to price changes will affect the level of demand and in the long run, the firm's profit level.
f. Price is one of the major determinants of the level of demand.

## 1. PRICING OBJECTIVES

It is important for a firm as well as cooperative organizations to determine what objectives; they want to use their pricing strategies to achieve. All organizations have specific objectives they wish to achieve and the tools to be used. There are a number of factors that can affect pricing objectives of an organization. These include: prevailing market forces or situation, organizational objectives, the nature of competition in market, the product life cycle, legal requirements and considerations, possible responses of the consumers and consideration for cost inputs. Despite these factors the pricing objectives can be achieved with the combination of other marketing activities including, but not limited to product development and design, promotional activities and distribution channels and strategies. It is also possible that a company may strive to combine two or three objectives together at a given time. These objectives include:

## 2. PROFIT ORIENTED

As the name indicates, the main aim of this objective is to maximize profit. The objective is affected majorly by the cost component of the product and level of demand. Appropriate pricing objective can affect the profit maximization objective of the firm.

This is because setting wrong price will either reduce profit or lead to losses. Examples of profit oriented objectives include the following:

**a.** **Price skimming:** Involves setting initial high prices, especially for new products and customers that are not price sensitive. The initial price is to capture the high income segment of the market that can afford the high price of the goods. The price is lowered later to other segments of the market with lower income. Price skimming as a marketing strategy may be adopted to enhance the company's profit maximization strategy. Price skimming has a number of advantages like improving profit level in the short-run, reduces the pressure on production capacity for new firm with low production capacity, allows the company to recover parts of the cost of research and development and make profit and increase customer base before competitors enter into the market.

**b.** **Target on investment** (ROI): ROI is adopted by adding a percentage or amount on the cost, which will cover operating costs (expenses) and also makes provision for profit. This objective is common middlemen on stores sales and with market leaders who can set price without much influence or without expecting reactions from competitors.

## 3. SALES ORIENTED

Another pricing objective is for the organization is to focus on increase in sales volume and market share. Sales oriented pricing objective is done by fixing percentage increase in sales volume over a period of time. This is done with an assumption of an inverse relationship between sales volume and low prices. This objective works only if there is possibility of low cost, which will increase total revenue and hence profit.

**a.** **Price Penetration:** A good sales oriented price strategy for increase in sales volume is price penetration. The initial prices of a product are set very low to attract large number of customers. This strategy is based on the assumption of customer sensitivity to prices and that prices will attract high level of demand. The policy also works very well when competitors cannot or did not respond with low prices. However, the benefits of penetration pricing include discouraging competitors and reduction in production costs through increased sales volume.

**b.** **Maintain or increase market share**: Another sales oriented pricing objective is one that helps the organization to maintain or increase market share. Market share is the ratio of a company's total sales to the total market sales or total industry sales. Most industries are not growing, and the only way to ensure optimum or increased utilization of installed production capacity is through increase in sales volume and market share. Increase in market share provides the benefit of gaining extra energy with the vendors (through price and distribution advantages with vendors), with this production costs and an image of giant player in the market.

The objective cannot be adopted when competitors are lowering prices or have lower unit costs and when average consumers are not price sensitive.

## 4. MARKET SURVIVAL

There are times when economic indices may pose serious challenges to the survival of the organization. Examples of such economic challenges will include: economic recession with high unsold stock, This may force firms to provide discount, to reduce inventory investment and recoup cash for investment and inflation, that will affect cost of inputs. A firm may reduce price of an old product with the introduction of new models, price may also be reduced to check decreasing sales or market share. One major variable of the pricing objective as it affect market survival is the increasing awareness of the consumers and their demands for lower prices, with increasing value added benefits.

## 5. OTHER PRICING OBJECTIVES

Other pricing objectives that can be pursued by an organization include **price stabilization, competitive pricing** and **quality and image enhancement**.

a. **Price Stabilization:** In the industry with highly standardized product and where there is a market leader, the common pricing objective is price stabilization. This is so, particularly in industries with a market leader, the market leader. The market leader price is used as reference price for other players in the industry. The "followers" usually use the market leader price in setting their own prices, more so, when market share of the "followers" is insignificant. In industry with standardized products such as fuel, or steel, price differentiation may be of disadvantage to firms engaging in it.

b. **Competitive Pricing:** The intending competitor's reactions to a firm changing prices also influence the price objective of a firm. This is common when the brands sold by the competing firms are similar or in cases where it is difficult to differentiate a brand from another. One major implication of price competition is that it may degenerate the price wars in which all competing firms are forced to lower prices and in some cases incurred losses.

c. **Quality and Image Enhancement:** Non-price competition may be adopted, which emphasizes product features. These features must be desirable by consumers. A firm can also focus on unserved target market with low competition in which the firm can charge higher prices. The pricing objective of a company may be designed to maintain or enhance product quality leadership where buyer's associate high prices with quality product **prestige pricing** objective can be pursued. This sort of objective and practice is common with luxurious and products with high aesthetic values. For example, S- and E-class Mercedes are in this category. The same objective is also very common among professionals e.g. lawyers and doctors, who charge high fees to portray high quality service. In situations of high level of malfunction products or imitations, most buyers will want to purchase high quality product irrespective of price to enjoy quality services.

## FACTORS AFFECTING PRICING DECISIONS

The determination of price of a product is influenced by a number of factors including pricing objectives. These determinants are sometimes called the 6Cs of pricing and others. These are customers (demand), cost, competition, channels, compatibility, and consumer's perception.

### a. CUSTOMERS (DEMAND)

The higher the price of a product, the lower the quantity demanded. This may not be true for all types of products. In ostentations products, the price of the product is directly related to the demand of the product. The level of consumer sensitivity to price will also influence the level of price to be charged. Most consumers are rational consumers, wanting to maximize consumption with the least possible amount or price. Therefore, the understanding of the reaction of the consumer to price adjustment is very important. In recent years, a number of companies are using the customer's perception of value to price their products. In this case, many offer lower prices and high quality. Some companies are equally making use of **target costing** concept to determine price. That is producing variant of product with different prices to suit the economy of the consumers. This concept enables a company to develop products that meets the needs of the consumers and at a price the consumer is willing to pay. Other important variables affecting the demand of a product will include: (a) the level of disposable income of the consumers, (b) the extra attributes of the product relative to competing products, (c) tastes or preferences of the consumers, (d) price of the competing/ substitute products, (d) the time of purchase and (e) the degree of elasticity of demand of the product.

### b. COST

Cost is an important component of price. Costs are incurred in production, distribution and promotion of a product. Cost determines the minimum price to be charged without incurring losses and in making reasonable returns on investment. Relevant cost information must be available for realistic price decisions to be made. The organization should be able to distinguish between fixed and variable costs and to appreciate the relationship that exists between these costs. The various cost components react in different ways to the quantity produced by the organization. The various cost components of a product includes:

i. **Fixed costs** are costs that does not vary with levels of production. The costs remain the same whether production increases or not. Examples include cost of land and machineries.

ii. **Variable costs** are costs that changes with levels of production. Variable costs increase as production increases or decrease as production decreases. For example, the cost of engine oil increases the more the machine is made use of.

iii. **Total cost** represents the total amount of money expended in producing a particular product. In practical terms it represents the addition of fixed and variable costs.

iv. **Marginal cost** represents the cost of the last unit. It is defined as the extra cost of producing additional unit

## c. COMPETITION

Pricing strategies are developed in line with the nature and extent of competition within the industry. An analysis of the various economics competitive markets will help in appreciating the relationship between price and competition. A **pure competitive** market is one in which all buyers and sellers are price takers. No single buyer or seller can influence market price. That means that, sellers cannot increase price of their products without losing customers.

a. **Monopoly** market exists where there is only one seller and many buyers. Major features of monopoly market are that the product has no close substitutes and that entry into the market is difficult or impossible. As a result of the seller's control the supply side of the market he is at liberty to set price without bothering about the reaction of competitors.

b. **Monopolistic Competition Market** is markets in which there are differentiated products but which few competing firms that have monopoly in the market. The buyers are price sensitive and the competing firms can use price advantage to increase market share.

c. **Oligopolistic Competition** market consists of few large sellers with substantial proportion of the supply side of the market. The few sellers are almost equal in terms of all measuring variables with strong products in the market. The sellers are conscious of the possible reactions of the competitors in respect of price changes. Other marketing strategies are adopted aside from price in competition. From the above, therefore, four main competitors' issues can be identified: (a) the number of competitors in the market, (b) the degree of product differentiation between competitors, (c) the freedom of entry, and (d) the available substitute products.

These four issues in turn depend on:

1. The price charged by the competitors including discount given, trade terms and credits.

2. The financial resources of the company relative to the financial strengths of the competitors
3. Cost inputs of competitors production revenue profile and possible profit margin.
4. The response of the competitors to price strategies of the company.
5. Barriers to entry and potential competitors and available and potential substitutes.

## d. COMPATIBILITY

The pricing strategy of a company must be compatible with the overall objectives of the firm. The pricing decision must indicate clearly which corporate objective it is set out to address. In addition, the pricing decisions must reflect and support marketing strategies. This indicates that there may be trade-offs between different price levels and objectives to be met. Corporate objectives in relation to price include long or short term profits, market share leadership, discourage possible new entrants, survival, discourage price wars and government regulations, maintain and improve corporate image, product quality leadership and improve sales of weaker products. Each of these objectives will require different pricing strategy.

## e. CONSUMERS PERCEPTION

Price to the consumers is more than money, included in his perception of the price of the product includes value, quality, reliability, availability of the product and other aesthetic attributes of the product. The consumer's sensitivity to price changes and the level of the price must be considered. His sensitivity and perception of the price depends on the product, his income, socio-economic class, market segments and the relative price of other products. The price of the product must be set with the expected price the consumer is willing to buy the product.

## 4.0 CONCLUSION

In this unit we discussed pricing as a marketing strategy. Pricing is at the heart of exchange process, it is the only means by which items of exchange is evaluated and commands a market value.

## 5.0 SUMMARY

In this unit, we defined what price is, the importance of price to the national economy, individuals and firms, pricing objectives and factors affecting pricing decisions.

## 6.0 TUTOR MARKED ASSIGNMENT

1. Explain the importance of price to individuals, firm and national economy
2. Explain the main objectives of pricing
3. What are the factors affecting pricing decision?

## 7.0 REFERENCES/FURTHER READINGS

Adeoye, F. R. (1998). *The principles and Economics of Cooperative*, Ile-Ife: Wabal Nigeria Publishers

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# MODULE 3

## UNIT 1 PRICING POLICIES

### CONTENT



## 1.0 INTRODUCTION

In the previous unit, we discussed importance of pricing and factors affecting pricing. In this unit, we will be discussing pricing policies (strategies) snd cooperative societies pricing policies.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain what pricing policies are
- various types of pricing policies
- cooperative societies pricing policies.

## 3.0 MAIN CONTENT

### 3.1 Pricing Policies

There are a number of pricing strategies that can be adopted by a company to meet its objectives. The choice of any pricing strategy is affected by a number of factors discussed in the earlier unit of this module. A number of assumptions are equally made about the consumer when pricing strategies are decided upon. These policies include:

### 3.2 Demand-Oriented Policies

**Skimming Pricing**: This pricing strategy is common with new, unique and innovative products. The seller sets high price initially, for customers who are willing to pay, who are not price sensitive and assume that the price charged is commensurate with the satisfaction to be derived. The consumers will be willing to pay based on his perception of quality, reliability and ability to satisfy his wants. As the initial set of consumers are satisfied and there is a need to expand the customer base, the company reduces price to attract new set of customers.

**Penetration Pricing:** The objective of penetration pricing is directly opposite skimming pricing. Penetration pricing strategy involves setting initially low price to attract or appeal to mass market. The reason is to penetrate the market and generate high volume of sales. It is a useful strategy in markets that are price sensitive and also to discourage new entrants because of its low profit margin called **limit pricing**. Penetration pricing also allows cost of production to fall as production and sales increases. The price of the product may be lower further to increase market share and increase profit level. It is difficult to use skimming strategy after the use of penetration pricing, but penetration usually follows skimming strategy. Other variations of penetration pricing include: (a) **Price Signaling:** Price signaling indicates unethical behavior on the part of the seller. It is a process by which low quality products are sold at high prices. It is not beneficial to the buyer. The approach is possible if Information on the level of quality of the product is not available to the customer; and when the customer trusts the market and believes there is a positive relationship between quality and price. (b) The last variation of the penetration pricing strategy is **going-rate pricing**. This is a practice in which a firm attempts to price its products at a near industry average. This approach has the advantage of avoiding price wars that may not be profitable for all the firms. It is used when products have comparable features or attributes with existing similar brands in the market.

**Prestige pricing**: prestige pricing strategy is used when prices are set very high to connote high quality, class and prestige. This motive is to attract quality and class conscious customers. Lowering prices of goods already price under this strategy attract low sales. Low prices will be associated with lower quality. It is possible that the products or services so priced may not be different in terms of quality and attributes from other products/services that are low priced, but the customers had attributed high price of such product to high quality. Examples are cars (BMW, Mercedes, Rolls-Royce e.t.c.); watches (Swiss Watches); jewelries (Cartier) e.t.c. location of services or places where the goods are offered for sale may encourage prestige pricing strategy, if the place can be associated with class. Prestige pricing strategy is a psychological pricing strategy.

**Odd-even pricing**: It is a pricing strategy that offers a product at a value just below an even amount. It is a psychological pricing strategy that attempts to convey to the consumer that the price of a product is actually cheap or less than the actual amount it was intended meant to be sold. A product may be priced N499.99, N299.95 or N999.99 instead of N500, N300 and N1000 respectively. The presumption is that the consumer will price the product around N400 or something above N400 instead of N500. This type of pricing is sometimes referred to as 99-ending price or 9-ending price. 9-ending prices are usually avoided in prestige stores or on high-priced items. The reason is that 9-ending price suggests low prices and perhaps low quality. Its main benefit is that it attracts the attention of the consumers.

**Target Pricing:** At times, the manufacturer works back through retailers or wholesalers mark-up to determine the price the consumers are willing to pay. This strategy will involve adjusting product features and composition so that the price the consumer is willing to pay can be achieved. The price the consumer is willing to pay is determined first, and then the product is produced to match the price.

**Price lining:** the product line can be used to determine the prices of products. The product line may be used to set prices at different points. For example, a retail shop may price a line of men shirts at N80, N120 and N150. This method is based on the assumption that is inelastic between these price points but elastic in each price point. Price lining helps the decision making process of the consumers. Though the product may attract different prices, the cost may be the same. The differences in price may be as a result of colour, style or expected demand. Increase in price may however put pressure on price lines, as the seller may not be too willing to change price anytime cost increases.

**Bundle Pricing**: It is possible for a seller to offer two or more products or services as a single "package". It is based on the assumption that the consumers value the purchase of package rather than purchasing of individual items. The benefits emerged from not searching for and purchasing the bundled items separately. This will enhance the satisfaction of the consumer and reduce the total cost of purchases and cost of marketing. It is a common practice in airline, hotel services, restaurants and computer systems industries. For example, single vacation package can include airfare, car rental and accommodation. There are a number of related bundle terms according to Stemech and Tellis (2002), these are: (a) Bundling: The sale of two or more products and/or service in one package, (b) Price Bundling: The products (two or more) are sold together as a package at a discount, however, the products are not integrated, and they are individual products, (c) Product Bundling: The sale of two or more separate products as integrated products for any given price, (d) Pure Bundling: The products are sold as a bundle and not as separate products, (e) Mixed Bundling: The products are sold separately and as a bundle.

**Second Market Discount**: This pricing strategy is possible where different market segment exists and where the company has excess capacity. A good example is offered by foreign markets where a company can sell its products at cost effective rate. The company may decide to export its products at a price lower than the local price. Price discrimination among markets is possible where specific conditions are met: (a) the market must respond differently to differences in price, (b) markets where the price is low should not be able to sell to other markets that buy in high prices, (c) competitors must not react by undercutting prices to the market that are charged higher prices, (d) cost of segmenting the market should not be more than the anticipated revenue, (e) price discrimination should not be illegal.

**Partitioned Pricing:** A firm at times divides the price of a product into "parts". Each part is meant for specific product feature or service feature which the consumer is expected to pay for. The parts rest on the base price and other sub charges. It is a common pricing practice in catalogue or internet prices. The products are priced base price plus cost of shipping and handling charges associated with delivery. As suggested by Morwitz, V.Greenleaf, E.A and Johnson, E.J (1998) in their research, that consumers do not process or integrate the base price and surcharge prices accurately. This suggests that the total cost is less as such sales increases. For example, suits order through catalogue may cost N2000 while the surcharges; shipping and handling charges may cost N3000. The effect of the shipping or handling charges is not considered seriously as part of the cost of the suit.

## 3.3 Cost-Oriented Policies

Cost-oriented policies are pricing policies that are largely influenced by the cost associated with production, distribution and promotion of the product. They include:

**Mark-up pricing:** Channel members are expected to make profit from services render to other channel members or to the customer. The allowance or provision made for them to add a little percentage to the producer's price to make their own profit is called mark-up. Adequate returns must be built-in in the price structure to allow channel members make a return on their investment. Other reasons for this include that the channel members are expected to perform functions or provide services that would have been performed or provided by the producer e.g. provision of warehouse, credit to the retailer and transportation. In addition, to encourage channel members to retain and continue to push the product into the market, they are offered discounts for large purchases and prompt payment and support services. Support services have cost implications which must be considered in setting price.

**Break-even analysis:** A price strategy that allows the producer to at least break-even, to cover the variable cost of production, even when profit is not made.

E**xperience curve pricing**. This strategy is based on the economic principle of learning effect. That as production doubles cost reduces by about 10% to 30 %. This cost is regular and predictable and can be mathematically calculated. For example, if the cost of production will reduce by 20% anytime production is doubled, then if the cost of 100$^{th}$ unit is N200 that of 200$^{th}$ unit will be N160 and that of 300$^{th}$ unit will be N128 and so on. This method allows price to be determined appropriately and adjusted as production increases.

## 3.4 Profit-Oriented Policies

Various profit-oriented strategies can be adopted in determining price of a product. Chiefs among these are target profit, target return on sales and target return on investment.

**Target Profit**: it is possible to match revenue with cost in setting price, where profit making is the main target. The profit target may be expressed in specific monetary value or commonly expressed as a percentage of sales volume. For example, a shoe seller who wishes to use target profit pricing to set price given say about 20% or 30% of the cost.

**Target Return –on- Sales Pricing**: One major drawback of target profit pricing is that no bench mark of sale or investment is used. To avoid this drawback, target return-on-sales pricing is used, which will specify minimum percentage added to sales to earn a profit as price.

## 3.5 Competition Oriented Policies

**Customary Pricing**: this is a pricing strategy in which the customer’s expectation of price is upheld. A basic model of a product may attract a given price for considerable length period of time without changing. A substantial increase in such price may lead to loss of sale. However, modern marketing practices to maintain customary price include modification of quality, feature or service of the product without increase or adjustment to the price. “Package shrink”-indicates reduction in content at the same price and designing of new packaging with considerable less content at a higher price. Customary pricing is an example of psychological pricing.

**Above-At-, or Below-Market Pricing**: this is a subjective method of price determination. A company may use a specific price as benchmark to fix price at above or below market price. A number of companies offer products that are priced above average market price. Such producers attempt to convey the impression of quality and prestigious product or service. Others offer to establish market price either through the company's image or through creating in the minds of consumers and competitors. As such the price of their products is used as industry average. A number of other companies deliberately set the price of their product below the price of generally accepted brands. Below-market pricing can be likened to penetrating market strategy but is different because while penetrating attempts entry into a new market, below market pricing is a deliberate policy of pricing.

**Loss-Leader Pricing**: A firm may cut prices on certain items to attract customers. The items on which prices are cut are called **leaders,** when the leader is priced below the cost it is called loss leader. The reason for loss-leader pricing is primarily to attract customers' not immediate sales. It is hoped that the customers will buy other products having been attracted in the sales as well. Leaders are well-known, heavily advertised products that are purchased frequently.

## 3.6 Cooperative Societies' Pricing Policies

### Price of product or service to members

The primary objective of joining cooperative societies by members in most cases is to improve their economic well-being, which may include savings, access to credit, benefit from pulling of resources to protect members among others. However, cooperative members are equally desirous of receiving reasonable amount as dividend on surplus. Therefore, the cooperative society is a cross-road whether to charge members market price for their products to increase dividend or to charge reduced price improve their well-being. In terms of achieving individual objectives of joining the society, large surplus as a result of market price may not be too favorable to individual members for a number of reasons. Surpluses are shared at the end of a financial year, which means individual members have to wait till the end of the year. More importantly, is that, dividend is shared based on certain criteria including level of saving, level of patronage of cooperative business, amount set aside for other purposes etc. Therefore, price of product to members is arrived at by making provision for cost of service, cost of operations and margin for surplus. Given as Price to Member = Cost of services + Operating Cost + Margin for Surplus.

The cost of service cannot be reduced or negotiated so as not to make a loss. There is also little room for manipulation of operating cost. This is most of the operating costs are variable cost of running the societies, e.g. salaries paid to cooperative staff. However, the margin on surplus can be manipulated either increased to increase surplus at the end of financial year or reduced to increase members' well-being direct and immediately.

### 3.6.1 Cooperative Cost Price Principle

It is possible for cooperatives to sell goods or services at a cost price. Cost price does not mean price at which the goods or service is bought or produced. It only means the cost price plus mark-up to cover cooperative operating costs and net surplus to be shared by members. The net surplus is meant to cover expenses, operating costs, risks, build up financial reserves of the society, pay bonuses to members as dividend and set aside apart for members' education. In the strict sense of it, surplus is not profit. The part of surplus that is left as profit are meant to be kept for future investment or as reserve.

### 3.6.2 Implications of Concepts of Cost to Cooperative Pricing

Cooperative societies incur costs in production, distribution and promotion of goods and services to members. Traditionally, cost run could be short or long run.

**(a)** **The short-run:** Short-run cost period is that time period where it is impossible for a firm to vary at one its factor of production. That is a least cost of one factor is fixed. So in the short –run the firm has both fixed and variable cost. Firm costs (FC) of production are all those costs (it could be one or more) that cannot be change as production increases or decreases. Variable costs (VC) are those costs that vary with levels of production. The addition of the two cost Fixed Cost (FC) and Variable Cost (VC) is equal to Total Cost (TC). TC = FC + VC.

**(b)** **The long-run:** The long-run cost curve is that period of time in which a firm can vary all its cost of production. In the long run all costs are variable cost and there is no fixed cost.

**(c)** **Marginal Cost (MC):** Marginal cost of production is the cost of producing an extra unit of a product. It is an incremental cost of producing an extra unit of goods. To get the MC we must subtract the preceding TC from current TC after Producing an Extra Unit

**(d)** **Average Total Cost (AVC):** This is the unit cost of production. It is the cost per one. It is obtained by dividing the total cost with the total unit per period of time. ATC = TC/Q

**(e)** **Marginal Revenue (MR)**: Has the same meaning as AVC from the revenue perspective. That is it is the addition to total revenue from the production of an extra unit. At 500 units if the total revenue is N1000, and at 501 if the total revenue is N1002, then MR N2.

### 3.6.3 Price Determination

Price is determined by relating cost with revenue of the society. The cost concept helps the society to determine base or minimum price level. Price is determined based on the objective of the cooperative, either as a percentage of the cost or just a mark-up on the cost. It can also be in relation to market price of similar products. It is important thatthe variable costs of production are covered in whatever way price being fixed. Price determination is also a function of the nature of market where the cooperative society operates.

In a perfect competitive market, which is not a common market for cooperative, price is determined by the relationship between average cost, marginal cost, average and marginal revenue. That is MR=MC=AR=AC=D.

Monopoly market in the strict sense of it does not apply to cooperative societies. However, there are some elements of its operations that can be likened to monopoly activities. Members of a cooperative society are expected to buy or patronize or the activities or services rendered by the society or force to buy cooperative services. Cooperative abhors absentees' members. In this sense, cooperative societies exhibited some elements of monopoly.

## 4.0 CONCLUSION

In this unit we went through pricing objectives, these are strategies that can be adopted to fix price based on specific objectives that the organization want to achieve.

## 5.0 SUMMARY

In this unit, we discussed the pricing policies, some of them are based on demand, cost, profit and competition. We also went through cooperative societies' price of the products, cooperative cost principles and their implications.

## 6.0 TUTOR MARKED ASSIGNMENT

1. Explain the main policies relating to pricing
2. Hoes cooperative societies determine prices?

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## UNIT 2 TRANSPORTATION

**CONTENTS**

## 1.0 INTRODUCTION

In the last units we discussed the some marketing strategies used by cooperative societies. These strategies include channels of distribution and pricing strategies. In this unit we will be considering transportation. Transportation is important to the survival of most cooperative societies, this is because most of them are agricultural cooperatives or involved in one form of production or the other. As such the produce from their farms must be conveyed by a mean of transportation to the market or the consumers.

## 2.0 OBJECTIVES

At the end of this unit, you must have be able to:

- explain what transportation is?
- explain the importance of transportation
- factors affecting transportation cost and pricing

## 3.0 MAIN CONTENT

### 3.1 Introduction and Definition

Transportation is the conveyance of goods and persons from the points of production to points of consumption. The movement across space and distance provide utility: place, time, possession utility. Place utility is created by making the goods available at the place it is needed. Time utility is when the goods are available at the appropriate time it is required. Possession utility is created by ensuring the consumers or those needing the products have access to it at the required time. A lack of fulfilment of any of these could lead to expensive repercussion: like loss of customers, increase in price and consumers trying available alternatives. Transportation moves goods to customers that are geographically separated and provides added value to customers when the goods arrived on time, undamaged or spoilt and in the quantity demanded. In this way transportation contributes to customer services, satisfaction and provides utility. In essence, transportation contributes greatly to marketing efforts of the firm. The connection between transportation and marketing is through availability of products, adequacy, utility, consumer satisfaction and cost implication of products. Transportation also helps the producer to answer the question of what to produce, where would it be sold, where the facilities will be located and where to source for material inputs. In some industry and products, transportation constitutes a substantial percentage of the transportation cost, and this may affect essentially, the selling price of the products.

## 3.2 Importance of Transportation

Transportation is the conveyance of goods and persons from one place to another. In modern economy, transportation has become an integral part of business transaction and activity. Indeed, transportation is a business on its own. However, transportation aid trade and business activities. The importance of transportation can be seen in all aspects of life from economy, social, political and industrial development. The interactions between the producers and consumers including the intermediaries are enhanced by transportation.

## 3.3 Role and Importance of Transportation

Mass Production: Most times productions are done ahead of demand and usually in large quantity to benefit from economic of scale. Transportation facilitates mass production of goods first with conveyance of large raw inputs and distribution of finished goods to the markets. This function helps to expand markets, increase demand and production.

1. Development of Industries: A large number of industries depend on the efficiency of transportation system to survive and grow. This is particularly true of industries with perishable inputs or output as well as industries dealing in bulky goods. In actual fact, all industries depend on efficient transport for growth.
2. Physical Supply of Products: Transportation helps in physical carriage and supply of inputs (supplies, raw materials, machines, equipment, spare parts etc.) and distribution of final output to the markets. As such, transportation create time and place utility to both the producers and consumers.
3. Specialization: Modern economy rests entirely on division of labour and specialization. Transportation allows individual o specialize and get what they lack from others. Transportation affects location and localization of industries.
4. Mobility of Labour and Goods: On of the primary and most important role of transportation is the conveyance of labour and goods from place to place. This helps to satisfy consumers and reduce idle labour.
5. Stabilization of Price: By moving goods from place of surplus to places of scarcity and helping to distribute goods, transportation helps to stabilize prices of goods. Transportation helps to balance demand with supply, allow easy access to goods on time and allows competing products at the market to reduce undue advantage by one product over another.
6. Establishment of Relationships: Transportation enhances social and political relationship among different groups of people and nations. This helps to strengthen relationship and cultural integration. Therefore, transportation narrow down geographical distance and consolidate social utility.

### 3.3.1 Factors Affecting Transportation Cost and Pricing

These factors can be grouped into two: product related and market-related factors:

1. **Product-Related Factors**: These are factors that are specifically related to and are based on the features or nature of the product. These factors include density, stowability, difficulty of handling and liability.
2. **Density:** This refers to the ratio of the product's weight to volume. That is the weight of the products per kilogram. Some products have very high density, that is, have high weight to volume (very heavy goods), such as steel, cement, canned food and paper. However, some other products have low weight to volume (light weight goods) like electronics, clothing, toys etc. In reality, low density products are more expensive to transport than high density products.
3. **Stowability:** This is the ability of a product to fill up all available space in the transportation vehicles. Liquid products, clothing and grain have excellent stowability because they can easily fill up all available space in the means of transportation conveying them. This is not so for products like automobile, machines, equipment and people. These products cannot fully occupy all available space. The degree of stowability of a product is a function of the product features such as shape, size, fragility and other features.
4. **Difficulty of Handling:** The relative ease or difficulty in handling a product account for how expensive or cheap it is to transport. Products with uniform features or packed in cartons or can or drums or are easy to manipulate with handling and loading equipment are less expensive to transport than otherwise.
5. **Liability:** Liability covers products that are easily damaged, or prone to theft, pilferage or expensive. Generally, it covers value to volume products (i.e. products that have very high value relative to volume) like jewelry and computer. These products cost more to transport. Other features that constitute liability is the nature of the product weather it is a hazardous products or products that require special packaging or means of transportation.
6. **Market-related Factors:** These are factors that connected to the nature of the market or industry where the goods are meant to be transported. These factors include:
7. **Degree of Intramodes and Intermode Competition:** Intramode transportation may be impossible or difficult which can increase cost. More importantly, the level of completion among the various means of transportation may make the price to be low.
8. **Location of the Markets:** Distance between points of transportation as well as the level of infrastructural facilities that may make transportation efficient and easy are parts of market factors that can affect cost of transportation
9. **Nature and Extent of Government Regulation of Transportation Carrier:** Government regulation in terms of specification for the minimum standards for

vehicles, specific means to be used for products, levies or fees to be paid to government, restriction of movement are all consideration for cost.

10. **Balance or Imbalance of Freight Traffic Into and Out of a Market:** This will involve accessibility to the markets, availability of vehicles to and out of the market, restrictions of specific vehicles or mode to and from the market, frequency of trips allowed per period of time
11. **Seasonality of the Products:** On season products place a lot of pressure on transportation to get the goods to the market within the shortest possible period of time. At such time cost may be high as against off season products.
12. **Whether the Product is Transported Domestically or Internationally:** Transportation across international boundary are more expensive partly because of regulations required for crossing the borders and partly because of perception of international trade.

## 4.0 CONCLUSION

Transportation is almost indispensable in the production, distribution and development of a country. It accelerate development by helping to increase supply and distribute goods, it reduces the geographical distance between the point of production and markets, and between and among groups of people and nations.

## 5.0 SUMMARY

In this unit we discussed the meaning of transportation, the importance of transportation and the factors that influence choice of mode of transportation.

## 6.0 TUTOR MARKED ASSIGNMENT

Explain the factors that affect transportation cost and price of the products.

## 7.0 REFERENCES/FURTHER READINGS

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## UNIT 3 METHOD OF MODE SELECTION

### CONTENTS



### 1.0 INTRODUCTION

In the last unit we discussed the meaning of transportation, the importance of transportation and the factors affecting cost of transportation and price. In this unit we will consider the various modes of transportation and their features.

### 2.0 OBJECTIVES

At the end of the lesson, you should be able to:

- identify the various modes of transportation
- explain the features of each mode
- explain the factors that affect the choice of a mode.

### 3.0 MAIN CONTENT

## 3.1 Factors Affecting Selection of Transportation Modes

Selection of a mean of transportation on the surface looks simple, a deeper reflection shows that there are under current variables that could be defining if ignored that affect choice of mode of transportation. These factors are categorized into four: operational, characteristics of the mode, consignment and cost and service requirements.

## 3.2 Operational Factors

A number of operational factors to be considered as factors affecting choice of mode are regarded as external factors largely because they are not directly related transportation itself. Encompassing the many operational factors that may need to be considered are those that are not directly related to distribution. They include:

a. The Basic Infrastructure in the Country: Transportation facilities are important variable of consideration with significant impact factor on choice of means. For example, good motor able and network of roads, good and well maintained vehicles, adequate rail network and rail tracks and railheads are facilities that must be present and available for efficient transport system.
b. Trade barriers: These include duties, taxes levies such as customs duty, import tariff s or quota payments that are required to be paid. These can have a big impact on the overall cost of a product, and this may affect the decision concerning the most appropriate mode of transport for cost reasons.
c. Export controls and licenses: This relates to permit to ply specific routes, license to export or regulations relating how the product is to be sold or exported. There may be implications for the quantity of product that can be shipped in given periods of time.
d. Law and taxation: General and specific rules regarding routes, the use of vehicles, size restrictions, load restrictions and time restrictions are factors that affect choice as well as cost.
e. Financial institutions and services, and economic conditions: Financial issues like exchange rate stability, evaluation and inflation can influence modal choice. Where financial changes occur at a dramatic rate in a country then speed of delivery may be important.
f. Communications systems: In terms of tracking of movement of vehicles and goods, supporting processes and paperwork of freight movements to avoid costly delays.
g. Climate: Extreme weather, temperature and humidity and other climatic elements can have a major impact on some products. Thus, modes of transport must be selected carefully to ensure that prevailing climatic conditions do not badly affect freight whilst it is in transit.

### 3.3 Customer Characteristics

Particular customer characteristics may also have a significant effect on the choice of transport mode. The main characteristics to take into account are:

a. **Service level requirements:** Some products require to be accompanying by specific minimum service level including delivery time constraint, this can have a significant impact on choice of transport mode.
b. **Delivery point constraints:** Delivery point or place is an important consideration. This covers physical aspects of delivery, location of the delivery point, any access constraints concerning the size of vehicle that can make the delivery and any equipment requirements for unloading.
c. **Credit rating:** New companies and existing with low or poor credit rating may be forced to make payment or have confirmed payment schedule before goods are moved. This may impose a limit on the mode to be used.
d. **Terms of sale preference:** Terms of sales and conditions put a lot of constraint, even legal constraint on the mode of transportation. The terms of sales usually specify the mode of transportation, for example, free on board, free alongside ship.
e. **Order size preference:** The physical size of an order clearly has an impact on modal choice, as some modes are more suitable for small orders and others for large ones. There may be significant cost implications here.
f. **Customer importance:** The importance of the buyer to the supplier in terms of antecedent: volume of purchase, frequency and value of order can make the supplier chose a reliable mode.
g. **Volume to weight ratio:** The volume to weight ratio deals with relative weight of the goods and the capacity of the goods to occupy all available space in the mode. This requires different mode and different charges.
h. **Value to weight ratio*:*** This deals with the value of the product relative to the volume. The high value but low weight goods have insignificant cost to price, so cost is not a consideration when choice of mode for this type of product.
i. Special characteristics and considerations such as hazard, fragility, perishability, time constraints, and security can affect both mode and cost of transportation. Other logistics components

#### 3.3.1 Transport Mode Characteristics

Unlike the other characteristics considered thus far which deals with operational requirements and consideration. Transport mode characteristics deal with the features of the mode itself.

#### 3.3.2 Sea Freight

In sea freight, both the conventional load and the unit load are important. The unit load i.e. containers have a number of benefits: it enables a number of small packages to be consolidated into large single unit loads; there is a reduction in the handling of goods, as they are distributed from their point of origin to their point of destination; there is a reduction in individual packaging requirements, depending on the load within the container; there is a reduction in damage to products caused by other cargo etc. Conventional sea freight has the following features:

a. Cost economies: For some products, the most economic means of carriage remains that the sea. This particularly true of bulk goods and to large packaged consignments that are going long distances.
b. Availability: Sea services are widely available, and most types of cargo can be and are accommodated.
c. Speed: Sea freight is very slow for several reasons. Turnaround time in port is still quite slow, as is the actual voyage time.
d. Delay problems. Delay can be as a result of pre-shipment delay, delays at the discharge port and unexpected delay due to bad weather, bureaucracy process of documentation and clearing. These delays can lead to bad and irregular services.

### 3.3.3 Road freight

In terms of availability, flexibility, cost consideration and accessibility road transport is the most important mode for national movements within most countries and across several countries. The main features of road transport include:

a. Road transport provides very quick service and it is flexible when used with other means of transportation.
b. It is a very competitive means of transportation particularly with complete unit loads with single origin and destination points.
c. Complete elimination of double-handle, trans-ship goods and packages, for direct, full-load deliveries. This saves time and minimizes the likelihood of damage.
d. Road transport provides regular, scheduled services due to the flexible nature of road vehicle scheduling.

### 3.3.4 Rail Freight

Generally rail transport is relatively cheaper particularly, this is true for bulky and heavy consignments that require movement over medium to long distances and where speed is not vital. Rail transport has undergone a number of changes in the recent past. For example, International Standard Organization (ISO) specified containers as basic unit load, and the introduction of the swap-body concept of transferable road–rail units has transformed rail transport greatly. The principal features of rail transport include:

a. Rail shunted shock can damage products.

b. Costly packaging and special packing are required to reduce damages as a result of shunted shock.
c. There is increasing cost of loading and offloading as rail transport must be combined with road transport.
d. Limited numbers of rail head are available which reduces origin-to-destination journeys difficult and rare.
e. Rail transport involves high cost of operation, maintenance and large starting capital.
f. Generally a very slow means of transportation.
g. Rail freight transport can be very unreliable particularly when batches of wagons arrive at irregular intervals.
h. Rail transport across several countries may experience problem of compatibility of track gauge sizes, bridge heights and (lack of) electrification.

### 3.3.5 Air freight

Air transport has experienced tremendous growth in the last decades. This is as a result major development in the sector including integrated unit loads, improved handling systems and additional cargo space, and proliferation of scheduled cargo flights.

The major attributes of air freight include:

a. In terms of speed air transportation has a competitive advantage over other means of transportation particularly over long distance.
b. Air transport is at times affected by airport congestion and handling, paperwork and customs delays.
c. Air transport has the ability to move goods and passengers over long distance quickly which convers on it lead-time economy advantage.
d. It is a highly flexible means as it can easily be combined with other means of transport and can reach different markets and countries quickly and easily.
e. Air transport does not suffer from severe physical conditions; as such it does not require special packages.
f. Consignments are not prone to damage and breakages.
g. Air freight transport is ideal for certain ranges of goods, particularly commodities with high value to weight ratios (a lot of money is tied up, therefore an expensive freight on-cost is not significant), perishables, fashion goods, emergency supplies and finally spare parts.
h. It is an expensive form of transport.
**i.** There is a high level of security concern with air freight, particularly in recent years. has suffered to a certain extent due to security concerns.

### 3.4 Container Systems

In recent decades container systems has enjoyed tremendous growth and usage as a specialized mode of freight transport. Containerization is a feature of all other means of transportation. It encourages intermodal system of transportation. This is due partly as a result of uniformity in standardization which encourages the uncomplicated movement of goods in bulk from one transport mode to another. The main attributes of containers and containerization are as follows:

a. Containers allow a number of small packages to be consolidated into large single unit loads.
b. It reduces the cost and frequency of handling of goods, as they are distributed from their point of origin to their point of destination.
c. Damages to the goods are reduced that can be caused by other cargoes.
d. It enjoys low level of insurance charges because of reduced possibility of damages to goods.
e. It improves port utilization and simplified documentation process.
f. Service level is raised substantially as all-round delivery is faster.
g. It requires special facilities and handling equipment which are very costly.
h. The initial cost of the containers themselves is very high.

## 4.0 CONCLUSION

In this unit, we discussed and identified the various modes of transportation as well as factors affecting our choice of a means of transport, It is important to understand the features of these modes so as to appreciate their peculiarity and strengths.

## 5.0 SUMMARY

In this unit we discussed the features of each mode, the appropriate factors for their choice as well as factors affecting their choice.

## 6.0 TUTOR MARKED ASSIGNMENT

1. Identify all the means of transportation that you are familiar with.
2. Explain the features of each mode of transportation.
3. What are the factors to be considered in our choice of any particular mode of transportation.

## 7.0 REFERENCES/FURTHER READINGS

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## UNIT 4 CALCULATING MEMBERS' BONUS

**CONTENTS**



## 1.0 INTRODUCTION

Cooperative society has been described as a self-help vehicle for member-owners that is involved in some economic activities to help members. In the course of such activities (trading, production, merchandising etc.) the cooperative society could make a profit. The profit that is usually referred to as surplus, is the subject of our discussion in this unit.

## 2.0 Objectives

At the end of this unit, you should be able to:

a. Explain what is cooperative surplus
b. Understand the law and regulation guiding the distribution of cooperative surplus
c. Explain how cooperative surplus are distributed

## 3.0 MAIN CONTENT

### 3.1 Introduction

Cooperative societies unlike regular business are established by members that have common interest to protect and similar economic background. Cooperative society abhors absentees' members, i.e. members that just contribute money or buy shares in the society without taking part or patronize the services of the society. Members are customers and part owners of the society. In the course of performing its functions cooperative societies make profit, such profits are called surplus. Surplus in the sense that cooperative society is strictly no regarded as business organizations and they don't pay taxes. Cooperative societies are regarded as self-help organizations for the members.

The sharing or calculation of the bonus by the cooperative society is based on the concept of "Patronage Dividend". Patronage dividends are paid based on the proportion of the profit made by the business from members' patronage of the services rendered by the society. In other words, the amount of dividend paid to members is based on how much the services of the cooperative is used or bought by the members. The bonus is indirectly returned back to the members for contributing to the bonus. This means the members are benefiting from two ends. First, goods are sold at a relatively cheaper rate to them or the obtained credit facilities at a rate lower than market rate, or get uncommon inputs are subsidized rate. Second, their share of the surplus is a function of how often or how large they have patronized the services of the society.

### 3.2 Ways of Making Profit

Depending on the nature of business, there are several ways a cooperative society can make surplus (profit):

a. In retail and wholesale cooperative society, goods are bought in large quantity usually from the source or producer. This way the cooperative will benefit from quantity or trade discount. The goods are sold to members either at market rate or with a mark-up to cover cost and expect a return on the investment. After sales, allowances are given to cost of goods sold, operating expenses and a mark-up. The positive difference becomes the surplus of the society.
b. Producers' cooperative society gets inputs of their operations directly from government or manufacturer. This is either at a reduced rate or it is accompany by discount or rebate. The inputs (machinery, fertilizer, seedling etc. or the outputs are made available after making allowance for cost and operating expenses to get a surplus.
c. Credit and Thrift society encourages members to safe into a common pool, from where credit facilities are given to members at rates lower than commercial rates. From this surplus are made. In Credit and Thrift society the surplus is divided into a percentage to savings, a percentage to credit facilities taken by members, percentage to share capital (where applicable) and a percentage to level of patronage for other services offered to members by the society.
d. Whatever services the cooperative society is involved; it is expected to realize a return on investment as surplus to be shared in prescribed manner.

### 3.3 Regulations Regarding Distribution of Surplus

In Nigeria, the cooperative activities are regulated by law (called the Nigerian Cooperative Societies Law, 1993 No 90) and the society is also expected to make its own internal rules (called the Bye-law) to regulates its internal operations. The Nigerian Cooperative Societies Law, 1993 has 10 sections covering various aspects of the cooperative operations. Section four of the act specifically deals with Property and Fund registered Society (how to disburse the fund of the society).

The law provides specifically as follows:

A registered society can only pay bonus or dividend after the management committee had made proposal to that effect to the general assembly of the society. Of the net surplus ascertained by the audit report, one fourth (1/4). i. e. a quarter shall be paid into a fund called ‘reserve fund’. The amount can be reduced only by the permission of Director of cooperative society in the ministry.

After deduction of one fourth into a reserve fund, an amount not exceeding 10 percent must also be paid to an education fund.If the cooperative society is an unlimited liability, distribution of the net surplus cannot be made without approval of the Minister or Commissioner in charge of Ministry of Agriculture and Cooperative. A neglect or refusal to implement the provision of this section attracts specific fine or six month imprisonment term or both.

## 3.4 Distribution of Surplus

After abiding by the provision of cooperative law in respect of disbursement of surplus, the cooperative society can also make specific law in its bye-law as to how to disburse the net surplus. This can take the form of the following or a combination of the following:

a. Members receiving bonus or dividend based on share capital in the cooperative society
b. A percentage or rate based on patronage of the various services offered by the society
c. A percentage or rate based on credit facility taken from the society.
d. A percentage or rate based on the level of savings in the members account with the cooperative.
e. A dividend is a distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders. Dividends can be issued as cash payments, as shares of stock, or other property.

## 4.0 CONCLUSION

Cooperative activities and surplus are regulated by cooperative ordinance (law) and bye-law (internal rules governing the operations of the society). Depending on the nature of the society there are a number of ways by which the cooperative society can make profit. The profit is called surplus partly because cooperative societies are not regarded strictly as a business venture but self-help vehicle to help members.

## 5.0 SUMMARY

In this unit, we discussed the meaning of surplus, the various ways by which cooperative society makes profit, the regulation guiding the distribution of the surplus and the various ways of distributing the surplus.

## 6.0 TUTOR MARKED ASSIGNMENT

1. Explain what is called surplus and how is it different from profit?
2. Explain the regulations guiding distribution of surplus
3. How does cooperative societies make money?
4. Explain the various by which cooperative surplus are distributed

## 7.0 REFERENCES/FURTHER READINGS


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# UNIT 5 PROBLEMS OF CO-OPERATIVE MARKETING

## CONTENT

## 1.0 INTRODUCTION

In the previous units we discussed the various aspects of cooperative societies including formations, cooperative activities how to make and share surplus. In this unit, we will be discussing the problems of cooperative marketing in Nigeria.

## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- the needs for cooperative marketing
- benefits of cooperative societies
- problems of cooperative societies

## 3.0 MAIN CONTENT

### 3.1 Introduction

Cooperative societies had been recognized as a veritable vehicle of help to poor and sometime illiterate farmers and other primary producers to solve their economic problems. Since industrial revolution of the $18^{th}$ and $19^{th}$ centuries in Britain, it has been noted that one of the prominent feature of an industrial nation is the serious level of poverty that workers are subjected to. Since Rochdale revolution of 1844 as the first successful cooperative in the world, cooperative society of whatever forms had been acknowledged by members and government as a way of self-help, alleviation of poverty among members, providing services through common pool to members that would have been difficult to access otherwise. It is estimated that over 20 million Nigerians belong to one cooperative society or the other, most of who are in the rural areas. Some of the specific benefits of cooperative society include:

### 3.2 Benefits of Cooperative Societies

1. Provision of Credit Facilities: A credit and thrift society by design is expected to encourage members to save into a common pool of fund, from there interested members are offered credit assistance or facilities are a rate usually less than the market rate. Added benefit to this is that regular financial institutions like banks that could otherwise offer credit assistance are usually not available in the rural areas.
2. Fulfills Various Needs of Members: Multi-purpose cooperative society provides several functions to members and helps to meet their various needs. For example, a multi-purpose society may supply inputs (farm equipment, fertilizer, improved

seedling etc.), encourage members to save and provide credit facilities and consumer products to members at reduced rates.

3. Increase Saving Habit: In all types of cooperative societies one feature that is common to all of them is encouragement of members to save with it. This can be done inform of buying of share capital or regular saving to the cooperative common pool of fund. Such savings attract interest and also forced members to avoid unproductive expenditure.
4. Provision of Employment Opportunities: Cooperative provides credit facilities to members, which can be used by individual members to establish any productive activity of their choice. This generates employment opportunity to members and indirectly to non-members.
5. Improves the Level of Standard of Living: In most cases members of cooperative society are poor and sometimes illiterate. Cooperative society helps members to source and sell to them at reduced quality and sometimes scarce products. Some of these products sold by the society are otherwise not available in rural areas.
6. Social Role: Cooperative societies provide common platform for members to socialize as well as foster the spirit of mutual help among them. Cooperative education and provision of vital information to members are also part of this function.
7. Political Role: Cooperative has some political relevance to members. Cooperatives are based on the principle of equality of one man one vote irrespective of the amount contributed. This is similar to the principle of universal sovereignty of voter in general election. Cooperative is based on the principle of democratic norms and value and they encourage freedom expression among members. This is a form of training for larger community.
8. Marketing of Agricultural Products: In rural areas and in most developing economy where primary products are the stay of the economy, cooperative society has play tremendous role to help farmers to market their produce. This is done in several ways: by helping farmers to procure farm inputs, providing of necessary information to farmers, buying the produce from the farmers and dealing with the marketing boards on behave of individual farmers.
9. Poverty Reduction: The vehicle of Cooperative society has been used effectively to reduce poverty among its members. This is done directly by providing credit facilities, improved seedling for productive activities and providing quality consumers’ products to members. These provisions are done at a price that is lesser than the prevailing market rate or price.

## 3.3 Problems of Cooperative Societies

Despite all these lofty benefits and functions of the cooperative societies, these are still bedeviled by several challenges that partly hamper their growth of reduced the benefits accruing to members. Some of these challenges are as result of internal structure or composition of the society others are caused by forces outside the control of the society. Some of these problems include:

a. Poor Management: In most cases, members of the society that are elected as managers lack the necessary skill, experience, training and knowledge to run the society successfully. A number of them have never undertaken any managerial responsibility, or expose challenges of experience or may essential lack the competence and skills for such duties. This can lead to unsound decision making and delay in decision making.

1. Insufficient Capital: Cooperative societies have access to limited capital either as investable fund or operating capital. This is partly as a result of the fact that members are generally poor, so amount subscribe to as share capital of contributed as savings are always low; and partly because return on capital is also limited members are not encouraged to contribute much. As such cooperative societies do not have enough capital for its operations.
2. Lack of Total Commitment or Apathy among members: Most members are not interested in the day to day running of the business or how the business is managed by the management committee. The moment the able to access the services of the society is always assumed that the society is financially health.
3. Dishonesty of Cooperative Leaders and Committee Members: Arising from members' apathy towards the society, a large number of the management committee members take advantage of the situation and become dishonest, selfish and gets involve in unethical business practices with the fund of the society.
4. Illiteracy: There is poor member education and high level of illiteracy among members. Members lack experience. Most do not know the principles and rules of the cooperative, as such find it difficult to participate actively in the operations of the society.
5. Unplanned and Highly Unprofitable Investment: At times management members may commit the capital of the society into nosiness ventures or investment on which the society and its managers lack capacity to handle. In some other instance, the investment is not properly thought of or it's a bad investment from the beginning.
6. Absence of Cooperation: In most cases, the cooperative society lacks internal coercion and harmony among members due to rivalry, quarrels, disagreements, and possibly personality clash. These internal issues if not well managed or settled managed on time could lead to the failure of the society.
7. Wrong Conception of What Cooperatives Are: Politics or political activities may be mixed with the cooperative activity. This is so particularly when the society is seem among few that are politicians or are eyeing political office, as a veritable platform of practicing politics or to gather votes.
8. Inadequate External and Internal Funding: Cooperative statute and law specify stringent conditions and procedures by which the society can raise loan from outside the society. The financial strength of most business organization rests on

its ability to raise and borrow capital from outside source. This is lacking in cooperative society. This limitation reduces cooperative capacity to engage in large production or large scale business.

9. Overdue Loans: One of the benefits of the society to members is granting of loan facilities. Some members may take loan are unable or unwilling to pay back the loan as at when due. Some members particularly, the management committee members may have taken loan above their official limits and their inability to pay restricts other members from having access to the same facility.
10. Personality and Community Clashes: Internal quarrels and rivalries among members is serious problem of cooperatives. As a result of these internal quarrels, personality clashes and tensions, where it is not checked, members cease to have interest in the society and could lead to the decline of the society.
11. Dishonesty of Employees: Employees employed by the society as support staff may be dishonest or fraudulent. This is common among cooperative with large illiterate members, which now employ someone to help them keep records. Or when members of management committee that fraudulent use them as allay in their bid to defraud the society.
12. Dilapidated Infrastructure: One of the major problems for cooperative societies in developing countries like Nigeria is the state of available infrastructure. Lack of or inadequate infrastructural facilities affect most the agricultural cooperative. Most farm lands are not accessible by road or the roads are in the most terrible state ever imagined.
13. Government Intervention: Despite its seemingly lack of interest in the existence of cooperative society, government actions have great impact on cooperative society. By law cooperative actions and operations are under government ministry supervision. Cooperative account must be scrutinized by the ministry.
14. Absence of Qualified/Trained Cooperative Officer and Inspector: Generally, cooperatives lack qualified and trained officers. This tends to be a setback to them as even the available ones do not have in-depth knowledge of the operations of cooperative society.
15. Cash Trading: One of the oldest principles of cooperative society is cash sales. However, most businesses strife on credit sales, more importantly, is the fact that majority of cooperative members are poor.
16. Limited Scope and Lack of Large Economics of Scale: Cooperative activities are not suitable for types of economics activities. The principles governing cooperative cannot be applied to large industrial set-up and it is not suitable for business speculation is as important variable to contend with. The scale of operation of most cooperative is small, usually limited to specific sector of the economy.
17. Lack of Motivation Denial of Individual Interest: Cooperatives are formed to render services to members to make profit; this policy may not attract best of intention and commitment from members. Cooperative operations also deny individual entrepreneurship intention and development.

18. Inadequate Storage and Warehouse Facilities: For agricultural cooperative societies and others producing primary products storage and warehouse facilities are indispensable. N developing countries these facilities are not available or inadequate. As a result the produce from the farm are lost to deterioration and spoilage.
19. Lack of Information and Knowledge about Production and Marketing: Production and marketing functions are technical functions that require special skills. This is lacking in most cooperative and this is affecting both the quality of production and product and the methods of marketing of the final products.
20. Lack of public Confidence: The antecedents of most cooperative societies in the past, in terms of high mortality rate and mind bogging level of internal abuse perpetrated by the cooperative officers, has led to very high level of apathy and indifference on the part of the general public. This lack of confidence did not allow cooperative to attract quality members.

## 4.0 CONCLUSION

Cooperative societies offer members several benefits despite its many challenges. In the rural areas cooperative societies performed economic, social and political roles as a good means of mobilizing capital, goods and people in the rural areas.

## 5.0 SUMMARY

In this unit, we discussed the needs, problems and benefits of cooperative societies, particularly in the rural areas.

## 6.0 TUTOR MARKED ASSIGNMENT

1. What the benefits of a cooperative society to members?
2. Explain the main problems of cooperative societies.

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