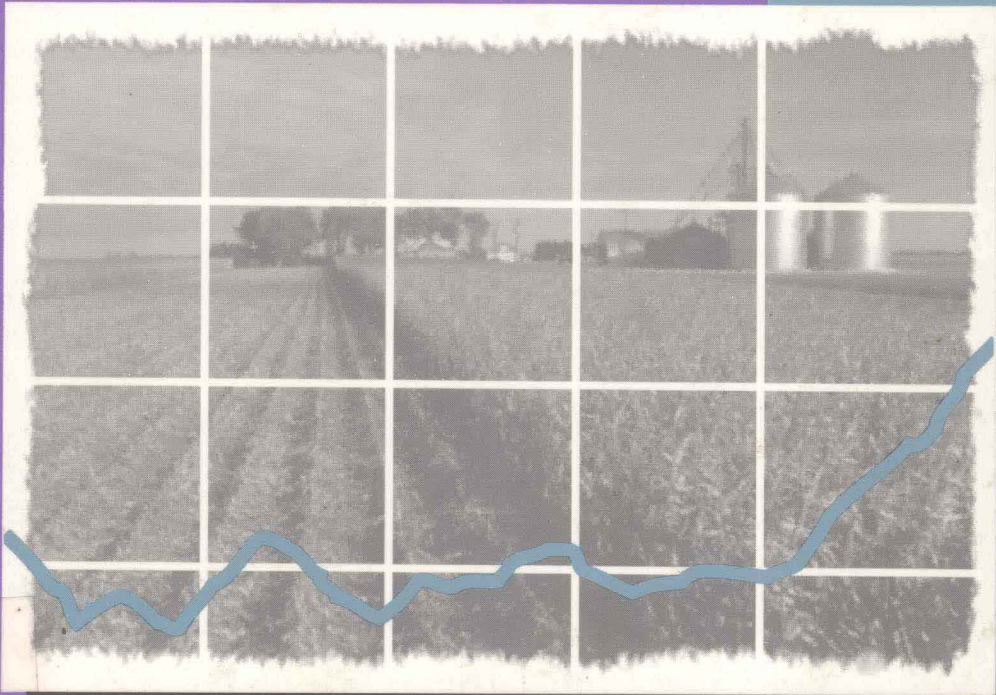


The

Agricultural Marketing System

4th Edition



V. James Rhodes

The Agricultural Marketing System

Fourth Edition

V. James Rhodes
University of Missouri-Columbia



Gorsuch Scarisbrick, Publishers
Scottsdale, Arizona

To the memory of my parents,
Delbert and Alma Loomis Rhodes,
Missouri farmers.

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Preface

In writing this fourth edition of *The Agricultural Marketing System*, I endeavored to shorten, to simplify, and to update.

As a result, this edition represents the most dramatic revision since the book's original publication in 1978. Shortening and simplifying have been accomplished by omitting less relevant topics and by paring unneeded details. At the same time, I have concentrated on explaining more carefully the crucial core information. For example, more emphasis has been given to the topic of managerial choices in marketing. To this end, Chapter 3 on the marketing choices of farmers has been completely rewritten, and Chapter 5 on the domestic market has been more closely oriented to a business management approach.

As before, this text presupposes that its readers have a basic understanding of economic principles. Demand and supply analyses are used in many chapters, and because agricultural marketing involves both commodities and differentiated products, one of the text's recurring themes involves the basic distinctions in competitive behavior between the two.

All aspects of the text have been thoroughly updated for the 1990s. Each concept, table, and figure has been evaluated for relevance to our changing times. Three chapters in this new edition emphasize policy issues of food safety, governmental influences on commodity prices and trade, and the maintenance of competition through the regulation of market structures and behavior. Chapter 18, on food safety and consumer interests, has been reorganized to accommodate changing consumer concerns.

As before, each chapter offers a list of key terms, an itemized chapter preview, a summary in list format, and study questions. To facilitate student use, in this edition the key terms have been moved to the front of the chapters, and each key term is set in boldface the first time it is used and defined. Finally, this fourth edition offers an important new feature: a glossary that includes the definitions of all key terms, for easy student reference and review.

Acknowledgments

As author of this textbook, I am indebted to hundreds of business and agricultural writers who have provided me with myriad glimpses of the world of agricultural marketing through trade magazines and business newspapers. I am also indebted to academic colleagues who have crafted the various tools of our trade, ranging from Marshall's supply and demand analytics to Jerome McCarthy's 4Ps of the product mix. It is only as a result of their work that authors such as myself are able to accomplish ours.

I wish to thank the individuals who reviewed this edition in manuscript form and offered suggestions for its improvement; they are DeVon Bailey of Utah State University, Philip G. Stiles of Arizona State University, James Eppenauer of Missouri Western

State College, and Carl W. O'Connor of Oregon State University. The final text is better as a result of their thoughtful and constructive feedback. As with the third edition, thank you to Ramona Geery, who has handled the mechanics of revision this past year along with her many other secretarial duties.

This edition is dedicated to my grandchildren, Joshua, Mallory, and Jacob Motta.

V. James Rhodes

The Agricultural Marketing System

Fourth Edition

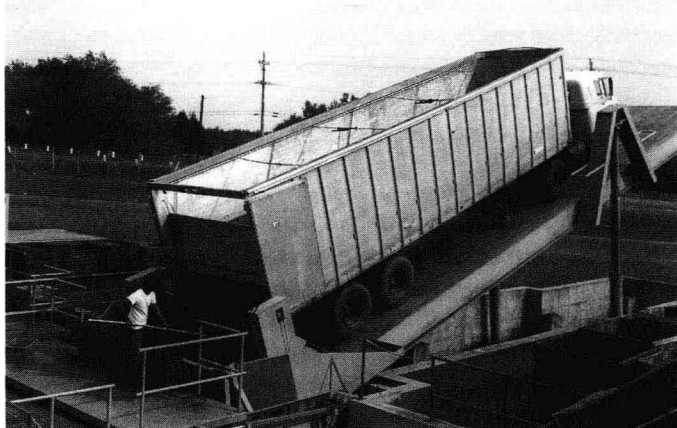
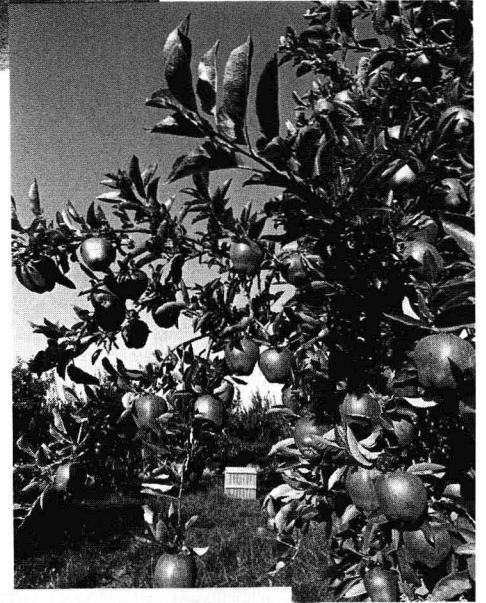
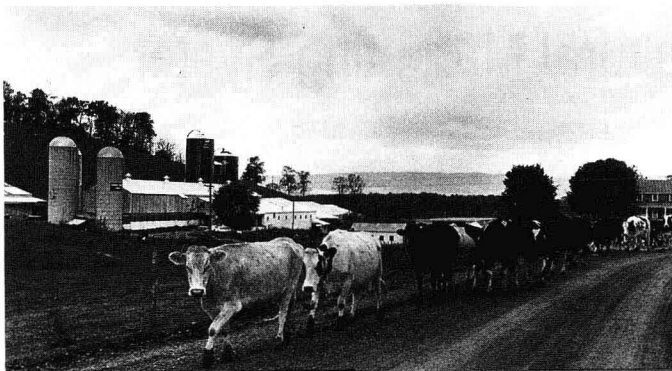


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PART

1

Marketing, Market Competition, and Consumer Markets

Marketing has many different popular meanings. It is defined in Chapter 1 along with a commentary on some of the popular notions about it. The micro or firm-oriented definition of marketing is distinguished from a macro or more global definition of marketing.

Point of view is important in marketing. In this section, the point of view is generally that of firm managers (farm or agribusiness) as they survey the general environment within which they operate.

Managers of firms involved in marketing must deal with their competitive environment. How that competitive structure shapes and limits their options as managers is shown in Chapters 2, 3, and 4.

Although there is a vast market beyond the borders of the United States for many of its farm commodities, the domestic market is larger than the foreign one, and agribusinesses are generally much more interested in the domestic market. Many firms, however, *are* deeply involved in marketing abroad. Farmers were concerned about the declines in our export markets in the early 1980s, which hurt farm incomes and contributed to numerous bankruptcies. Those agribusinesses that supply farmers with farm machinery, credit, fuel, and fertilizer, along with several marketing agencies, were also hurt by the farm crisis of the mid-1980s. The discussions in Chapters 5 and 6 indicate some of the more important characteristics of these two markets, and point out some contrasts.

CHAPTER

1

Agricultural Marketing: An Introduction

KEY TERMS

agribusiness

behavioral systems approach

consumer sovereignty

fallacy of composition

functional approach

institutional approach

macro marketing

marketing channel

micro marketing

micro procurement

PREVIEW

- Agricultural marketing can be observed from various viewpoints: farmer, processor, retailer, consumer, or detached citizen. Viewpoints make a difference in what we observe. The viewpoints of all participants in the agricultural marketing system receive consideration at various points in this book.
- The macro or “big picture” view of U.S. marketing is one of a complex, finely tuned machine that delivers daily an enormous amount of food and fiber to American and foreign consumers.
- Marketing participants, such as farmers, processors, or retailers, see marketing as a set of specific profit-seeking business activities directed to satisfy their customers. This micro view of marketing stresses the problems and opportunities facing firm managers as they implement the decisions that make marketing happen.
- The marketing system has its critics and its defenders. A thorough understanding of agricultural marketing is essential to judging its performance.

See, smell, and hear the sights and tastes and sounds of agricultural marketing. It’s you pushing a grocery cart through the checkout counter as the computerized cash register reads the Universal Product Code (UPC) on the items passing across the scanner. It’s your friend, Joey, cooking chicken at 11 A.M. for the impending lunch rush at the local Chicken Hut. It’s a commercial on your radio extolling the benefits of a new fruit drink.

Some of you may have experienced other sights and sounds of agricultural marketing. A large tanker maneuvers into a dock at New Orleans to load thousands of tons of wheat headed for Rotterdam. A packer buyer at a Texas feedlot studies the latest market prices before entering the manager’s office to bargain over the price of those 200 whiteface steers in pen 112. In St. Louis, the Milk Market Administrator is conducting a public hearing on milk prices for that marketing-order area. An economist for the dominant dairy cooperative in the St. Louis area is presenting testimony in that hearing. In Chicago, futures trading activity has been at a furious pace in the corn and wheat pits since the market opened because of unexpected news the previous evening of much reduced prospects for grain crops in Argentina. A businessman in South Dakota ponders alternatives after learning that the branch railroad serving his elevator will likely close in 90 days. The product manager of a large food processor studies the latest computer reports on the declining market share of one of her firm’s oldest brands of breakfast cereals. She wonders if she should recommend that they begin market testing of a replacement product that the research and development lab has waiting. In the Salinas Valley of California a USDA inspector is grading truckloads of fresh produce before they start east. In Mississippi, farmers are delivering seed cotton to the local gin.

All of those activities—and many others—are part of agricultural marketing (Figure 1-1). Across the country and around the world literally millions of people are involved in some