UDK 338.53:005.21:631.145

PRICING POLICY AND MARKETING STRATEGIES OF AGRARIAN ENTERPRISES

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The paper deals with price and marketing pricing strategies of agrarian enterprises in Ukraine. The aim of this paper is to determine the conditions of pricing policy of the firms within competitive markets of various types and justification of the price policy measures for agrarian producers considering patterns of supply and demand for products in different areas of competitive conditions.

Key words: *price, pricing strategies, marketing, agrarian enterprises*

Introduction. Pricing is a highly complicated area: from one side the low price is able to promote the high level of sales, but in another side it will decrease the profits' level and vice versa. The age-old says that "Poor planning leads to poor performance". It is really true in setting a pricing strategy. It is very difficult to adjust price. Price sends a lot of messages and is used by consumers and buyers to assist them in positioning a brand in their minds.

Statement of a problem. The modern theory of the price formation is developed under the influence of scientific views of different economic schools. A special role among them has such scientists as D. Galbraith, Keynes J. Karl Marx, A. Marshall, K. Menger, William Petty, David Ricardo A. Smith, E. Chamberlain, M. Schumpeter and others.

Such authors as W. Petty, D. Ricardo, A. Smith had touched the agrarian issues and pricing, but more they were deeply investigated by E. Engel, S. Maxwell, L. Mises, M. Tracy. Among local scientists some aspects of agrarian products' pricing on market there are V. Ambrosov, O. Amosov, L. Antonenko, A. Be rezin, I. Demyanenko, M. Kyrylenko, M. Koretsky, V. Latynina, B. Paskhaver, P. Sabluk, V. Shiyan, A. Shpykulyak, and others. Study of the conditions and determinants of the enterprises' pricing policy within competitive markets of various types and justification of price policy measures of agrarian producers considering patterns of supply and demand for products in different areas of competitive conditions is very important.

The main material of the research. Today, companies have to face a constant change in the prices for its competitors. Market leading companies can gain the leadership especially by providing lower prices than its competitors. The price plays an important role in trading strategy. Prices vary according to the objectives, company priorities and other situational factors such as the intensity of competition and economic conditions and therefore they can address different objectives. Legal and ethical issues, which are related to prices, play a crucial role in selecting of pricing strategies. Today, organizations form the pricing policy in various ways. The owner is pricing in small enterprises by himself. Manager of division or product lines is usually form the pricing policy in bigger enterprises. But even in these cases, top management sets out the general objectives and principles of pricing policy. Pricing is a science which includes marketing, cost accounting, business strategy and economics converge.

For selecting final price managers should have information about pricing objective, demand curve, probable quantities it will sell at each possible price and competitors' costs, prices and offers. Marketing managers have to estimate how its costs vary at different levels of output, at different levels of accumulated production experience and for differentiated marketing offers. Then they select a pricing method and final price that could be established like overprice – lose a sale that would have been profitable at a lower price, underprice – make an unprofitable sale, price appropriately – make a sale and make a profit [1].

A pricing model determines how to fix the price of a product. A good pricing model accommodates the manufacturing costs, the nature of the product, the value the product provides, market sentiments, and competitor pricing.

Agrarian products are different from other manufactured products. The technologies are advanced, but not outstanding; the production depends on the vagaries of nature and climatic conditions. Being essential items for human consumption, demand remains constant, but a supply is widely fluctuates. There are existing methods of storage, but they are added to the cost because agrarian products are perishable commodities. Such factors make agrarian products to be of low margin, high volume, and fast moving items for traders [2].

The traditional pricing model for products is based on a cost approach where the selling price is a marked-up above the product cost which depends on market conditions such as demand and supply.

The underlying challenges in adopting this pricing model for agrarian products are identifying their actual cost price. While it is easy to determine the total costs' input such as cost of seeds, cost of equipment, labor charges, and other costs. It remains difficult to appropriate such input cost, and also common costs such as land value to individual crops. Agriculture depends on nature and it is almost impossible to forecast the exact yield of salable crops and the quantum of crops' lost to inclement weather, pests, and other causes.

A limited range of agrarian products, such as organic products and niche products are not used for regular public consumption, however, they follow a cost plus mark up based pricing model.

The pricing model adopted for agrarian products depends largely on benchmark costs prevalent in the market, which is based on demand and supply, independently of the production costs. To a limited extent, the pricing model for agrarian products is also based on the value of customers [3].

For instance, a glut of highly perishable tomatoes in a market would be formed due to traders' attempts to offload their stock at whatever price they can get regardless of the cost price before the tomatoes go rotten. The traders' money disposes products in the trash. On the other hand, a shortage of onions can be formed by prices' spiraling as many buyers try to purchase the limited available stock.

In perfect market conditions with the buyers and sellers' aware of price levels, the pricing remains relatively stable, and price differentials across markets would remain the difference of transportation costs and number of levels in the supply chain. In imperfect market conditions with low awareness of the prices, they can vary significantly from markets to markets, and even among different traders in the same market [3].

At times, market sentiments or perceptions play a huge role in determining of agrarian prices. For instance, crop failure owing to winter frost might be seen by traders hoarding on to agrarian products in anticipation of a price rise owing to scarcity, exacerbating the shortage and leading to further price hikes. The same sentiment can lead to buying as much as people can store, in anticipation of further hikes or spiraling prices.

Government polices have a great influence on the pricing of agrarian products. Government subsidies reduce the input costs for agrarian producers, and support fixed prices not to fall lower. The taxation policy and the points of taxation also have an effect on prices.

Another big impact is the import-export policy related to agrarian products. Policies that curb export of agrarian products may prevent shortages or cause a glut in the local market, leading to stable prices or their fall. On the other hand, free import of agrarian products may lead to demand matching or exceeding supply, and fall of prices. The converse can also happen, with exports and free movement of agrarian products causing shortages and price hikes in certain areas.

Government policy on land usage, such as permitting biofuel crops on agrarian lands can have an impact on overall level of available food crops, influencing supply levels.

The issue of pricing models of agrarian products remains a hotly debatable issue especially in the third world countries with predominantly agrarian economies, where price fluctuations become so exaggerated at times that survival of the farmers and lower income families becomes difficult. This intensification has been driven directly by falls over time in inflation-adjusted market prices of agrarian products [4].

The conclusions of the research.

When making pricing decisions, marketers have to take into account a range of factors. Internal factors include company marketing objectives, the marketing mix strategy and cost structures. External factors include the position of market development, the pattern of supply and demand, the nature and level of competition and environmental considerations such as legal, political and economic events and social norms and trends.

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И. В. Гончаренко. ***Ценовая политика и маркетинговые стратегии аграрных предприятий***

Статья посвящена вопросам цен, маркетинговых ценовых стратегий аграрных предприятий в Украине. Целью данной работы является определение условий ценовой политики предприятий на конкурентных рынках различных типов и обоснования мер ценовой политики для аграрных производителей, рассматриваются основные модели ценообразования в аграрной сфере.

Ключевые слова: *цена, стратегии ценообразования, маркетинг, аграрные предприятия.*

І. В. Гончаренко. ***Цінова політика і маркетингові стратегії аграрних підприємств***

Стаття присвячена питанням цін і ціноутворення, маркетингових цінових стратегій аграрних підприємств в Україні. Метою даної роботи є визначення умов цінової політики фірм на конкурентних ринках різних типів і обґрунтування заходів цінової політики для аграрних виробників, розглянуто основні моделі ціноутворення на продукцію в аграрній сфері.

Ключові слова: *ціна, стратегії ціноутворення, маркетинг, аграрні підприємства.*