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MARKETING

ACTIVITIES

UNIVERSITY OF MISSOURI COLLEGE OF AGRICULTURE
AGRICULTURAL EXTENSION SERVICE
4-H CIRCULAR 124 COLUMBIA, MISSOURI FEBRUARY 1955

WHY A MARKETING ACTIVITY*

Purpose

This activity offers 4-H members an opportunity to observe, study and participate in marketing processes. Much 4-H project work has to do with production. We know that the success of every production enterprise is influenced, and in many enterprises, largely determined by good practices used in purchasing materials.

Procedure

Of course, every 4-H club elects a 4-H activity every year. A *standard* club *must* include an activity in its program. What a club will do and how much depends on the members. We suggest that a club selecting marketing as its activity appoint a marketing committee of three to five members and an adult adviser.

This committee will outline a plan of action which probably will include some definite goals. It will present this plan to the club for adoption. If and when adopted, the committee will suggest some subjects to the program committee for the regular monthly club meetings. These suggestions may be written into the programs to help implement the marketing work. The panel discussion suggested in this circular would be a splendid number to include the first year this activity is undertaken. Other program suggestions will depend on the plan of action adopted by the club.

Goal Suggestions

1. Tour by the club of one business place that buys farm commodities and one that sells to farmers.
2. Visit by club of one each of the four kinds of business (private, partnership, corporation and cooperative).
3. Make 15 off-farm surveys and summarize results.
4. Compile a list of all the cooperative agencies that serve the families of the members.
5. Five or more members of club cooperatively buy one or more items used in project work.
6. Five or more members cooperatively sell one or more commodities produced.
7. Five or more members cooperatively set up and operate a roadside stand.
8. Every member make an inventory of the mechanized equipment used on his or her farm and total initial cost.
9. Six members keep a record of sales from the farm for a calendar year and a record of cash purchases of feeds, seeds, fertilizer, machinery and equipment.
10. Make an exhibit on some phase of marketing at county show or fair.

*Robert S. Clough, State 4-H Club Agent.

Marketing

(A 4-H CLUB ACTIVITY)

GORDON B. NANCE*

Business transactions, concerning the farm but that take place off the farm, are many, varied and continuous. They include: buying the farm, equipment, livestock, feeds, fertilizers, seeds, and other supplies; selling livestock, livestock products, crops and unneeded equipment; arranging for financing of these; and other classifications of business transactions.

This off-farm business is important—perhaps as important as on-farm business of producing crop and livestock.

This circular suggests four activities in which 4-H Club members may study some phases of off-farm business. They are:

1. Panel discussion of the four classes of business organizations and their characteristics.
2. Survey of the businesses serving the club members' families.
3. Educational tours of the businesses: Individual, Partnership, Corporation, Cooperative.
4. Joint business transactions.

FOUR MAJOR FORMS OF BUSINESSES

(Panel Discussion by 5 club members)

Chairman—

We have noticed names of different kinds of businesses, such as P. Jones, Grain Dealer; Smith and Doe, Feeds and Grains; Union Grain Co., Inc. and Farmers Cooperative Elevator, etc. To the ordinary observer, watching purchases or sales in these different establishments, there is no difference in their business methods.

Yet there are basic differences in each business set-up. Today, we intend to bring out some of these differences.

John Jones at the right end of the table will represent the individually owned business, *P. Jones, Grain Dealer*. Robert Smith, next to him, will speak for the partnership, *Smith and Doe, Feeds and Grain*. Richard Taylor, next on my right, will talk about private corporations *Union Grain Co., Inc.*, and Pat Steele, at the left end of the table will represent the Cooperative, *Farmers Cooperative Electric Co.*

*Extension economist in collaboration with John Burkeholder, state club agent.

Compare Four Forms of Business

(Use Chart pages 10 and 11)

We will compare these four forms of business as to some 16 characteristics. First, we will ask John to tell us what an individually owned business does.

John:—The Individually owned business buys, sells or produces goods and services, as do partnerships, corporations and cooperatives. I believe my colleagues will agree with this.

Chairman:—There seems to be no difference in this respect. Now Robert, tell us who these businesses are intended to serve; who are their customers?

Robert:—The privately owned business, the partnership and the corporation mainly buy from the general public and likewise supply goods and services to the general public. Transactions with the owners are usually negligible. The cooperative is formed primarily to buy from and sell to and serve its members, who are its owners, and to perform these services to others only incidentally.*

Chairman:—(Asks for questions from audience).

Chairman:—It appears from the foregoing that there is a definite place in our economy for each of these types of business organizations and each makes a significant contribution.

For example, individual ownership suits best the person who values independence in a small business above being a part of a larger enterprise, and people like J. C. Penney or Clarence Saunders who thus started Penney and Piggly Wiggly chains. The owner and manager are the same person, and he can make decisions and act on them quickly when circumstances require or cause such action to seem advisable. Disadvantages of privately owned business arise from the facts that the amount of capital available is usually limited, and that the owner is individually liable for all obligations of the business.

Partnerships permit the different skills and preferences of the partners to make a better balanced business. One of the outstanding dairy farms in an adjoining state is (operated) by two brothers, one of whom is a highly skilled breeder and handler of dairy cattle and the other equally skilled in producing crops to feed these cattle. Disadvantages of partnerships are those of individually owned business—limited capital and unlimited liability and also the requirement that partners must jointly agree on a course of action before it can be taken.

Corporations serve best where bigness is essential to economical production, as in generating and transmitting electricity, and to combine the

*This is an example of one way the panel may be conducted. On the items of more discussion, such as (15) advantages and (16) disadvantages, it may be best to have each representative discuss these for the form of organization he represents.

individually small savings of many persons into the large aggregate funds required for large undertakings. Individual liability is limited only to the amount invested. Disadvantages of corporations are that the stockholders, who are the owners, have only an indirect if any voice in control or management of the business. The stockholders vote for the directors who direct the business, but a few major stockholders, or the management, usually control the elections by proxies or otherwise.

Cooperatives permit many persons to combine small individual production and purchases to take advantage of the economies of large scale business; to sell and buy more advantageously and to provide services either heretofore unavailable, or better suited to their needs. Examples of this are the R. E. A. in trebling the number of farm homes with electricity; and the cooperative fertilizer factories which pioneered in the production of high analysis fertilizer. Disadvantages of cooperatives are that they usually are not adequately financed and are not able to act quickly when such action requires changes in policy.

Together, these different forms of business constitute *The American Way of Life* that has given us more goods and services than any other people ever have enjoyed.

SURVEY OF OFF-FARM BUSINESS

A survey to learn the number and kind of businesses serving families of club members would be interesting. It would show members the great variety and amount of goods and services that farmers must buy to operate their farms; the many marketing services required to get food products from the farm to the consumer's kitchen and the sources of supplies and market outlets available to the farmer in that community.

The survey sheet shown may be mimeographed in the agent's office or elsewhere and supplied to club members. The sheet should have no place for a signature so individual families will not be identified. Club members making the survey may omit any questions the family may hesitate to answer, such as borrowings and interest. Only one survey sheet should be made for any one family.

It would be well to have the survey sheet and how it is to be filled out explained at a meeting, before the survey is made.

After the survey is made, some of the older club members should summarize the survey sheets and report at a club meeting.

This summary should bring out:

1. The number of businesses serving club members' families.
2. Classification of the businesses into—
 - A. Classes of organizations: (1) Individually owned; (2) Partnership; (3) Corporation; (4) Cooperative
 - B. Commodities or services dealt in (as suggested under "industries" in "Educational Tours.")

C. Size of territory served

- (1) Community—such as local store
- (2) County—or area of comparable size.
- (3) District—or several counties
- (4) State or regional—serving one or several states.

EDUCATIONAL TOURS OF BUSINESSES

Educational tours of businesses can be “interest getting” and instructive if properly planned, conducted and followed up. Without such planning, such tours are likely to be just another pleasant outing.

The leader, and perhaps a committee of 2 or 3 from the club, should confer in advance with a representative of the business to be visited, and plan the tour so that club members can learn as much as they can of the essentials of the business.

Businesses to Visit

The lists of kinds of businesses that could be visited is almost unlimited. This list may be divided into groups:

As to Form—

- | | |
|--------------------------|-----------------------------|
| 1. Individual Businesses | 3. Corporations |
| 2. Partnerships | 4. Cooperative Associations |

As to Industries—

- | | |
|--|---|
| 1. General stores | 7. Fertilizer plants |
| 2. Feed stores | 8. Hatcheries |
| 3. Grain dealers & feed mills | 9. Breeding associations |
| 4. Egg and poultry dealers and processing plants | 10. Utility systems—telephone, electric, etc. |
| 5. Livestock commission companies and packing plants | 11. Banks and credit agencies |
| 6. Milk assemblers and processing plants | 12. Insurance companies |
| | 13. Many others |

From this list, or from other businesses suggested by it, the club may select the one or more they are most interested in visiting.

What To Learn on Tour

What to observe on a tour will depend on the business visited. General suggestions are likely to be vague and only partially applicable. However, they may serve as a basis for making a list for the particular plant you visit.

General Suggestions—

- | | |
|---|--|
| 1. Services performed by the organization | 5. How its profits are distributed |
| | 6. Why this particular type of organi- |

- | | |
|------------------------------------|--------------------------------------|
| 2. How it is financed | zation (individually owned, part- |
| 3. How it is organized | ship, cooperative or corporation) is |
| 4. How its policies are determined | best fitted to serve its patrons in |
| | that community. |

For Sales and Processing Organizations—

- | | |
|--------------------------------|---|
| 1. Sources of products handled | 5. Improvements in any of the above |
| 2. How they are assembled | that have been initiated in the com- |
| 3. Processing techniques | munity by the organization. |
| 4. How products are sold | 6. If feasible, follow or trace a ship- |
| | ment of the product through the |
| | plant. |

For Banks and Credit Agencies—

- | | |
|--|---|
| 1. Sources of funds loaned | 4. Charges for loans and what they are |
| 2. Forms used | for, i.e., pure interest, risk, obtaining |
| 3. Terms of payment | funds loaned, supervising and col- |
| | lecting loans, etc. |
| | 5. Purposes for which credit may be |
| | used. |
| 6. Things considered in granting loan; (a.) Financial statement and record; | |
| (b.) Integrity of borrower; (c.) "Soundness" of the loan, (will the enterprise | |
| for which the loan is asked repay the loan and interest within the time | |
| limit.) | |

Remember, the above lists are only for suggestion, and a list of the different phases of the business to inquire about or to observe should be made to fit the plant or business to be visited.

Before beginning the tour of the plant, the points of interest, what to look for and notice closely, should be mentioned with as much explanation as necessary.

After touring the business plant, opportunity should be given for questions on any points not understood.

Review and Discussion of Tour

After the tour a panel of 4 to 5 club members who made the trip should review and discuss the significant features of the business about which they learned on the tour.

The discussion should be divided fairly equally among the members of the panel. A possible division of the discussion is:

1. The points under "General Suggestions."
2. Area served, sources of product, methods of obtaining patrons, physical assembling, etc.
3. Methods used in processing, storing, packaging, etc.
4. Distribution and sales, where sold, methods of obtaining customers, methods of sale, trade marks, etc.

The outline given is full and contains many suggestions that will not be applicable or used for any one tour. However, the outline is intended to list or suggest many things about the business that *may* be of interest, and from which the leader and committee can make up a list for use on this particular tour so the visit will be truly educational.

**SURVEY SHEET OF SALES AND PURCHASES
(SALES)**

Products Sold	Quantity	Units	Value Dollars	Agency Sold Through	Kind
Corn		Bu.			
Wheat		Bu.			
Soybeans		Bu.			
Cotton		Lbs.			
Tobacco		Lbs.			
Hogs		Number			
Cattle		Number			
Sheep					
Wool		Lbs.			
Dairy Products		Lbs.			
Chickens		Number			
Eggs		Dozen			
Turkeys		Number			
Fruits		Bu.			
Vegetables		Bu.			
Potatoes		Bu.			

(PURCHASES)

Supplies & Services Bought	Quantity	Unit	Value Dollars	From Whom Bought	Kind
Electric Power		Kwh.			
Insurance		Dol.			
Credit		Dol.			
Gasoline & Oil		Gals.			
Feeds - Dairy		Tons			
Poultry		Tons			
Hogs		Tons			
Other		Tons			
Breeding Fees		Animals			
Livestock		Animals			
Machinery		Number			
Seeds		Bu.			
Fertilizer		Tons			

JOINT BUSINESS TRANSACTIONS

Club members may learn business methods, add to market receipts and reduce costs by jointly conducting some of the business transactions incident to their projects.

Club members usually can reduce their costs and increase their receipts more by collective buying and selling than can the average farmer, because the sales and purchases of the individual club members are so much smaller.

Also, by pooling their purchases and sales, club members frequently can buy more nearly what they want, and get their products to a more satisfactory market than if each member bought and sold independently.

Some of the activities on which they could act together are in:

1. Purchasing

- | | |
|----------------------|--------------------------------|
| a. Feeds | e. Fertilizers |
| b. Livestock | f. Insecticides and fungicides |
| c. Chicks or pullets | g. Boxes, bags and containers |
| d. Seeds or plants | h. Other supplies |

2. Selling

- | | |
|------------------------------|--------------------------|
| a. Livestock | c. Field crops and seeds |
| b. Poultry, eggs and turkeys | d. Fruits and vegetables |
| | e. Other products |

3. Transporting

- a. Purchased materials from buying place to club members farms.
- b. Products for sale from farm to market.
- c. Club exhibits from farm to show place and return.

The procedure in these joint business ventures will vary in accordance with the particular business to be transacted, and only the most general recommendations would apply to all of them. Among these are:

1. Appointment of committee of one, two, or three to handle the transactions.

2. Agreement by the club members of exactly what and how much they want to buy, sell or transport; where the commodities are to be picked up and delivered; approximate costs; and on other essential points. This agreement, preferably written out, but not necessarily signed, is to avoid misunderstandings.

3. Payment in advance for goods to be bought and services to be rendered. In selling, no advance payments are necessary, since costs can be deducted from sale receipts.

4. Proration of costs and expenses equitably among the participating members, preferably on a unit of product basis.

5. Payment by participating members of all usual costs. Since this is a business venture, only those favors common in such transactions should be sought.

CHARACTERISTICS OF THE USUAL FOUR FORMS OF BUSINESS

	<u>Individually Owned</u>	<u>Partnership</u>	<u>Corporation</u>	<u>Cooperative</u>
1. What does it do?	Buys, sells or produces goods and services	Same	Same	Same
2. Who does it serve?	The general public	The general public	The general public	Chiefly its members, but often others also.
3. How is it started?	By decision of individual	Agreement between those to become partners	Usually organized by relatively few, later sale of stock to many	Organization by associates who usually become members and patrons.
4. How does firm become legal?	By attaining legal age and control of business	By agreement between two or more individuals, usually written and recorded.	By incorporation under general corporation laws	Usually by incorporation under special laws, requiring operation on cooperative principles.
5. How does one get into the firm?	By starting business himself or buying one already started	By consent of other partners and a new agreement	By buying stock in it	By meeting qualifications for membership and doing business with the association.
6. Who controls the firm and selects manager, makes policy decisions?	The individual owner	Partners, by agreement	The board of directors, selected by the stock holders	The board of directors elected by the members
7. How is voting done?	None necessary	By agreement. Usually in relation to percentage of ownership.	Usually one vote for each share of stock.	Usually one vote for each member
8. Who owns the business?	The individual	The partners - two or more individuals	The stock holders	The members who do business through the association and put in capital - in stock, certificates of indebtedness, or in retains
9. What do owners put into the business?	The individual puts in capital and personal effort	Each partner puts in capital or personal effort, or both	Investors put in capital for profit. Some investors may work for corporation, but this is separate and distinct from ownership	The members put in their patronage and also capital - both paid in and retains
10. How is proportion of ownership determined?	By ownership - all	By proportion of capital and services contributed	By proportion of shares of stock owned	By his proportional share of the capital invested in stock, certificates of indebtedness and retains. Roughly in relation to patronage.
11. What returns can be received on money invested?	Unlimited - whatever it can make	Unlimited - whatever it can make	Unlimited - whatever it can make	Usually limited to a modest rate, such as 4 to 6%.
12. How are net profits or savings used?	As desired by the owner	As agreed on by partners	Paid as dividends on stock or added to reserves.	Prorated to members on basis of patronage.
13. What is owners liability?	All property except legal exemption of individual	All property except legal exemptions of all partners	Assets of corporation	Assets of the cooperative

14. How may business be ended?	Death, disability, bankruptcy, retirement of owner or his decision to quit business	Death of any partner, bankruptcy, or decision to dissolve the partnership	Bankruptcy or legal dissolution of corporation	Bankruptcy or legal dissolution of cooperative.
15. Major advantages	<ol style="list-style-type: none"> 1. Permits operation exactly as owner desires and quick decisions and actions 2. Proprietor gets all rewards for his skill and effort 	<ol style="list-style-type: none"> 1. Provides more capital than individually owned business and economies of larger operations 2. Permits a greater diversity of skills than with only one person 3. Requirement of agreement lessens chances for hasty and injudicious action 	<ol style="list-style-type: none"> 1. Provides opportunity for almost unlimited amounts of capital Ex. General Motors Corp. 2. Volume of business permits employment of highly skilled specialists 3. Dispersion of business by lines and geographically minimizes risks of serious losses 4. Continuity of business permits long time plans 	<ol style="list-style-type: none"> 1. Usually provides a larger volume of business under similar conditions 2. Service to patrons, not profits to investor is goal, service is likely to be more satisfactory 3. Patrons get service at cost 4. Widespread ownership of stock engenders loyalty and continued patronage. 5. Continuity of business permits long time plans.
16. Major disadvantages	<ol style="list-style-type: none"> 1. Usually limited capital available - with such handicaps as this entails 2. Usually unable to employ specialized skills 3. Possibility of interruption of life of business by death of proprietor limits long term plans. 	<ol style="list-style-type: none"> 1. Possibilities for disagreement on policy 2. Unlimited liability of each partner 3. Possibility of interruption of life of business by death or withdrawal of a partner limits long time plans 	<ol style="list-style-type: none"> 1. If large usually lack of authority of resident manager to make quick decisions to meet local developments 2. Possibilities of internal factions and discord 3. If large, possibility of control by small group of shareholders or officers, in their own interest 	<ol style="list-style-type: none"> 1. Usually short of capital, especially new associations 2. Directors are rarely experienced in the business and have access to too few facts on which to base decisions. 3. Usually pay too little, either from necessity or preference, to obtain able managers
17. Taxes paid by business	<ol style="list-style-type: none"> 1. No taxes are paid by the business, as a business 2. The individual pays property, income and other taxes as an individual 	<ol style="list-style-type: none"> 1. No taxes are paid by the business as a business 2. The partners pay property, income and other taxes as individuals 	<ol style="list-style-type: none"> 1. Corporations pay property, income, and other taxes as a business 2. Stock holders individually pay income tax on dividends they receive. Thus income from corporations are taxed twice 	<ol style="list-style-type: none"> 1. Cooperatives pay no income taxes because it has no income as such. The savings accrue to the members individually. The cooperative pays property and all other taxes. 2. Income taxes are paid on individual savings by individual members 3. Only 56% of farmers cooperatives take advantage of business tax exemptions
18. What percentage of business are in each of these form classes	1. 86 $\frac{1}{2}$ % are either individually owned or partnerships. These two classes are not given separately in the data		1. 13%	1. 1 $\frac{1}{2}$ %

Program Suggestions for Meetings

(1.) Panel Discussion; (2.) Group discussion; (3.) Explanation of survey to be made; (4.) Roll call—The farm commodity that brought in the most money on our farm last year; (5.) Marketing quiz; (6.) Marketing skit; (7.) Check sheet on marketing practices; (8.) Demonstration in grading: wheat—corn; fat lambs—feeder calves; canned peaches; eggs; potatoes—apples; wool; cotton; apples; dairy products; meat cuts. (9.) Exercise in grading participated in by members. (Any commodity bought or sold on grade.)

UNIVERSITY OF MISSOURI COLLEGE OF AGRICULTURE AND THE UNITED STATES
DEPARTMENT OF AGRICULTURE COOPERATING

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