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# Obstacles to Development of Marketing Channels of Agricultural Products in China and Countermeasures

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**Abstract** This paper introduces the connotation of marketing channels of agricultural products, and gives an overall of current modes of marketing channels of agricultural products in China, including the marketing channel of transportation and sale of agricultural products, the marketing channel of intermediary sales agent, and the marketing channel of mutual cooperation. The problems existing in the marketing channel of agricultural products in China as follows: first, the cost is high; second, the technological content is low; third, the upstream main body lacks competitiveness; fourth, the structure of investment is irrational. Corresponding countermeasures are put forward to develop marketing channels of agricultural products as follows: perfect the service function of wholesale market of agricultural products; propel the construction of integration and expansion of wholesale market; develop the circulation cooperatives of agricultural products; develop the integrated organization of production and sales of agricultural products.

**Key words** Agricultural products, Marketing channel, Innovation of channel, Agricultural industrialization, China

With the continuous improvement of living standards, people begin to pay attention to the quality of agricultural products increasingly. The problems of quality and safety of agricultural products have occurred continuously in recent years, which affects the sale of agricultural products, so we need to establish a set of agricultural marketing channels which are suitable for the social development so that we can promote the marketing of agricultural products effectively and ensure the health of people. On the basis of relevant theoretical analysis and from the concept of agricultural marketing channels, we analyze the current marketing model of agricultural products in China and point out the problems and shortcomings of the marketing channels of agricultural products. Meanwhile, we formulate development proposals for the agricultural marketing channel according to the practical development of China.

## 1 The connotation of marketing channels of agricultural products

The development of agricultural marketing channels plays a very important role and has a significant meaning in the perfection of the Chinese socialist market economy. AMA regards marketing channel as a process that relevant departments organize internal unit or external agents and distributors through certain product distribution, and transfer the ownership of the product from producers to final consumers either directly or indirectly. Marketing scientist Philip Kotler considers marketing channel as all the enterprises and individuals that obtain the ownership of goods or service or help to transfer its ownership during the process of transferring a certain product or service from producers to consumers<sup>[1]</sup>. According to the practical development of agricultural products in China, I can define the

concept of marketing channel of agricultural products, that is, by depending on specific organizations that are interdependent and interrelated, agricultural products and their relevant services can be transferred from producers to consumers or sellers. It focuses on the process and contact during the process of transferring agricultural products. The perfection of agricultural products marketing channels has played an important role in meeting the consumer demand of agricultural products of residents both in urban and rural areas. It can promote the farmer's income effectively, strengthen the farmer's enthusiasm and strengthen the ability of sustainable production of agricultural products, thus playing a very important role and having a great significance in prospering rural economy and narrowing the urban-rural gap.

## 2 The current modes of marketing channels of agricultural products in China

The development of agricultural marketing channels has a great impact on the sales of agricultural products. The current marketing channel of agricultural products in China has gradually come into being during the process of social development and it is the production which was formed during the process from planned economy to market economy. In this important process of market-oriented reform, the marketing channels of agricultural products have presented diversified forms of development due to the uneven regional development and the wide gap of the economic development. According to the current status of marketing channels of agricultural products, we mainly have three marketing channels.

**2.1 The marketing channel of transportation and sale of agricultural products** There are several main features of this marketing channel. The form of transportation and marketing of agricultural products is simple. By using relatively simple means of transport and through markets and other forms of

simple transactions, agricultural producers transfer their products directly to consumers. The process of transaction is relatively simple and there is certain information symmetry between agricultural producers and consumers. However, the channel members can not grasp the whole transaction information on the market accurately, can not achieve the regulation of supply and demand, thus can not overcome the contradiction between the socialization of universality demand and meet the demand of consumption. This marketing channel does not exist in intermediate link, thus it can reduce the market transaction costs effectively, but it reduces the efficiency of transaction and makes the cost of time-consuming and energy higher than before. Now this marketing channel of agricultural product is common in undeveloped districts with low-speed commodity circulation and in the local trade of agricultural products. (Fig. 1)

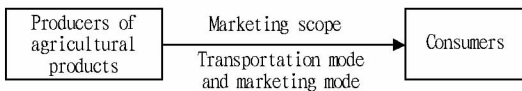


Fig. 1 The marketing channel of transportation and sale of agricultural products

**2.2 The marketing channel of intermediary sales agent** In terms of the transport structure and sales mode, this marketing channel mainly promotes the agricultural products to consumers according to the marketing ability of intermediary, thus completing the transfer of the ownership of agricultural products during the process of circulation. The members of this agricultural marketing channel are small in scale and their social organizational level is very low, so they don't form professional cluster. Most of the products are homogeneous and they lack technical content, so the products can not be diversified. Without forming complete marketing channels and system, agricultural producers struggle for survival in a fully competitive market and they can just be the recipients of the market price. In addition, more and more agricultural participants have emerged in the market, which leads to the result of marketing disorder and the quality problem, such as the frequent counterfeiting phenomena. These affect the interests and health of consumers seriously. This marketing channel of agricultural product is one of the main forms of circulation of agricultural products in China that exists in many big cities. (Fig. 2)

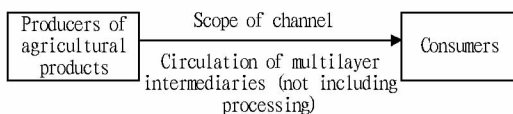


Fig. 2 The marketing channel of intermediary sales agent

**2.3 The marketing channel of mutual cooperation** This marketing channel mainly depends on the mutual cooperation of the main participants during the process of agricultural product marketing. By further processing and packaging, we promote the agricultural products to the market. The main feature of this marketing channel is that most members of this channel are processing and market-oriented companies. Agricultural producers and processing enterprises cooperate and keep in contact with each other, so that all the stakeholders can get the

best benefit by improving the added value of agricultural products and the industrial chain of agricultural products can be effectively extended by promoting the industrialized management of agriculture. This mode of marketing channel allows agricultural producers to pay attention to targeted production according to the demand of market economic development, thus avoiding the uncertainties and risks caused by blind production<sup>[2]</sup>. This marketing channel develops slowly in China and can't form the mode of agricultural industrialization which integrates production, processing and sales into one due to the uneven level of economic development across the country and the huge diversities among regions, between urban and rural areas. (Fig. 3)

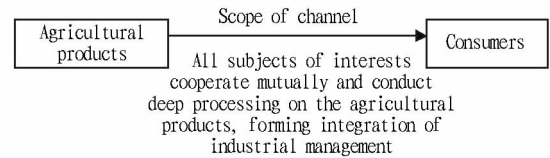


Fig. 3 The marketing channel of mutual cooperation

### 3 The problems existing in the marketing channel of agricultural products in China

In recent years, China strengthens the support for farmers, countryside and agriculture constantly and promotes the new rural construction actively by taking all kinds of effective policies, thus the agricultural production and marketing system of agricultural products have been obviously perfected. Three marketing channels have been established, which favorably promotes the social production development. However, because of the inefficiency of the current marketing channel and the serious phenomenon of structural, seasonal and regional surplus of agricultural products, the current marketing channel system is not consistent with marketing demand, which affects the development of the marketing channel of agricultural products in China.

**3.1 The cost of marketing channels is high** There exists an issue during the current marketing process of the agricultural products in China, that is, the distribution costs are excessively high, with great fluctuation. Especially when a large number of agricultural products pour into the market at the same time, the phenomenon that the circulation of goods is not smooth and the ability of processing is insufficient have emerged. In addition, natural disasters and impact of other time costs also increase the risk of logistics links of management of agricultural products. During this stage, the current production techniques lag behind in the countryside and the preservation of agricultural products is difficult while most agricultural products are sold without direct processing, thus the current inefficiency of distribution channel has brought a certain loss to the subjects. During the process of current marketing of agricultural products, the production processes fall behind, techniques can't meet the demands of social development, logistics information develops slowly and other elements make the cost of agricultural marketing channel increase, thus affecting the pace of the sustainable

development of agricultural products.

**3.2 The technological content of channels is low** Ensuring the freshness is a significant feature of agricultural products. We can ensure the freshness of agricultural product effectively by adopting certain preserving technology and add its added value. Meanwhile, the moisture content of agricultural product is relatively high, its guarantee period is short and it is extremely apt to rot. All these have put forward higher requirements on the marketing of agricultural products. For a long time, China only focuses on pre-harvest cultivation and prepares inadequately for the ability of post-preservation during the process of agricultural product development. These lead to serious waste of agricultural product and increase the difficulty of managing the agricultural marketing channel, which makes the cost of marketing channel higher and the efficiency of marketing lower. In addition, the irrational techniques of preservation and storage in China also make the cost of marketing channel higher and a large number of fresh agricultural products can not be stored timely. The scarcity of agricultural infrastructure in producing and processing has made the sorting, grading and cleaning of agricultural products difficult. The backward level of modern science and technology processing and the improper timing of applying preserving technology have become the obstacles which limit the development of marketing channel of agricultural product.

**3.3 The upstream main body lacks competitiveness** At present, the producers of agricultural product in China constitute the upstream main body. They play an important role in the process of developing the marketing channel of agricultural product. But they have a lot of problems in the process of development, which makes the competitive power of the main body of production not strong enough, thus losing its own significance. The overall cultural quality of agricultural producers is relatively low and they distinguish things mainly relying on their experience in the process of production and management, thus lacking efficient concept of scientific cultivation. In the process of production, they can't keep abreast of the marketing information and lack the ability of grasping the marketing information accurately, so it is difficult for them to make a scientific forecast and analysis of the market, thus the phenomenon of following suit is very serious. Most producers can't apply the techniques of packaging and storage in the links of circulation and process. This phenomenon of poorly-organized behavior and low overall quality makes the upstream main body lack effective competitive strength in the process of marketing.

**3.4 The structure of investment is irrational** The financial inputs from the government for the development of agricultural product marketing channel has extremely vital significance. All along, the Chinese government focuses on the support for agricultural production, but is relatively insufficient in support of deep agricultural processing. From the point of view of the entire agricultural industrial chain, however, the government does not pay enough attention to the management of industry unification on production, storage, transportation, processing and other sectors of industry, thus the deep added value of agricul-

tural product can't be promoted effectively. Affected by the planned economy thought, agricultural producers produce their products without considering the demand of the market. The irrational investment policy has brought unrecoverable losses to both producers and consumers, thus makes the current marketing channel fail to be improved effectively and makes it hard for forming a multi-level input mechanism for the processing of agricultural product, which seriously hinders the large-scale development of agricultural marketing channel process.

## 4 Countermeasures of developing marketing channels of agricultural products

The market development of agricultural product has great significance for the economic development of the rural market, the increase of peasant income and the sustainable development of agriculture. In light of the current problems and deficiencies that are shown in the marketing process of agricultural product in China, we must conduct careful analysis and formulate marketing channel system of agricultural product which corresponds to the actual social situation, in order to meet the demand of social development.

**4.1 Strengthen the infrastructure construction of wholesale market of agricultural products** Strengthening the infrastructure construction of the agricultural wholesale market and perfecting the function of market service can effectively achieve the expansion and upgrade of the wholesale market and these have great significance for expanding the radiation scope in the wholesale market and achieving scale operation. At present, as the social development in China is still uneven and great regional disparity still exists, we must intensify the construction force of the wholesale market. To create a good social order, we have to improve the internal order of the market continuously and regulate trade activities. We should analyze the current wholesale market, perfect relevant legislation, standardize access system and trade activities in all kinds of wholesale market. Relevant departments should increase punishment on all kinds of illegal activities to ensure the fairness and impartiality of the market trade and maintain the interest of the subjects. We have to speed up the construction of the networking on the agricultural wholesale market and strengthen the development of applied software system to form the mechanism of sharing the agricultural product information<sup>[3]</sup>. We should encourage all kinds of agricultural wholesale markets to set the link of pesticide residue test and formulate the standardization and regulation of quality grading, thus effectively safeguarding people's health.

**4.2 Propel the construction of integration and expansion of wholesale market** The experience of the market development shows that the small-scale marketing transaction is the direct reason for the small-scale wholesale market. It is difficult to form an effective market scale, thus can not play a leading role of radiation. At present, there exists a blind construction and disordered planning in the agricultural wholesale market in China. Therefore, local government at all levels should give full play to the main role, re-planning and centralize approval to the

current wholesale market. They should increase the integration efforts, thoroughly changing the situation that each does things in his own way and overlapping management. By integrating the agricultural wholesale market, the government can develop scale economy and improve production efficiency effectively<sup>[4]</sup>. In the process of development, the wholesale market should give full play to the main role and drive the development of related industry smoothly, thus promoting the scale expansion effectively. We should develop "wholesale market + rural households" in the form of industrial management of agriculture and connect agricultural production with the market. By adopting this from of industrial management of agriculture, we can effectively join storage, transportation and other links as an organic whole, thus achieving the integration of industry channel and driving the development of related industry before and after effectively. This is an inevitable path by which wholesale markets survive and develop in the management of commercialization.

**4.3 Develop the circulation cooperatives of agricultural products** The emergence of various types of cooperative organizations of farmers has played a positive role in guiding the main body of the agricultural production to better blend into the market. In the process of development of agricultural marketing channels, we should promote the pace of the regional and specialized agricultural production continuously and give full play to the industrial advantages of each region, thus providing a good environment for the development of all types of farmer cooperative organizations<sup>[5]</sup>. Meanwhile, with the increase of people's income in China, people's consumption needs for the market structure has undergone some changes, and the further processing of agricultural products has become an important source for adding the value of agricultural products. We need to develop the processing, storage and other business of agricultural products, extend the development of agricultural industrialization effectively, improve the comparative advantage of agriculture, return the profits of the processing and sale to the farmers, thus effectively promoting the balanced development of the market. The government should guide cooperative organizations, which has a certain management ability, to develop toward an integrated direction and to develop from a single sales function to pre-production information service and other diversified functions. According to the changes of the market demands, agricultural producers should take the mode of diversified operation and develop the processing industry of agricultural products vigorously. This is an inevitable route for the circulation cooperatives of agricultural products to expand their scale.

**4.4 Develop the integrated organization of production and sales of agricultural products** The integrated production and sales of agricultural products is the newborn thing of the social development and it plays an important role in promo-

ting the economic development of the countryside. It takes the market development as the orientation and the processing enterprises as the main body. It conducts full integration and forms a perfect industry system by promoting and applying science and technology, thus achieving the agricultural operation mode of integrated agricultural products. In the process of actual development, the government has to train some leading enterprises, which have certain technical level, production scale and leading capacity, to break the traditional administrative management system, give full play to the industrial advantage of leading enterprises, achieve the optimal allocation of factor resources such as capital, technology and talents, and enhance the capacity of the agricultural production organization to resist risk. The organization should establish a sound internal management system, reduce internal management cost effectively, and accelerate the achievement of scale economy. We should establish a scientific and reasonable connection mode and distribution mechanism of interest, so that enterprises and farmers can be connected effectively, thus achieving the steady development of integrated production and sales of agricultural products. We should also make clear the connection method and the interest distribution way between the leading enterprises and farmers, make clear the rights and responsibility between both sides, standardize and institutionalize the interest-share mechanism of integrated production and sales of agricultural products, thus protecting the legitimate rights and interests of subjects effectively. At the same time, we should increase the innovation research of all kinds of organizations, improve the production standard effectively and promote the development of the agricultural product market by combining all kinds of innovation strategies so that we can promote the development of new socialist countryside.

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