PRICE POLICY IN THE MARKETING SYSTEM OF AGRICULTURAL ENTERPRISES

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The aim of the research is to explain the peculiarities and mechanisms of price formation the system of agricultural enterprises’ marketing. Research methods have scientific and analytical comparison, induction and deduction, analysis and synthesis. Place, role, and peculiarities of price policy formation in the system of marketing of agricultural enterprises are explained. Theoretically proven that effective functioning of agricultural enterprises is determined by pricing policy formation which is efficient and corresponds to the market. The pricing policy is considered as a system of actions directed on determining prices for products and services, and on formation of pricing strategy and tactics, and also on changing the level of prices depending on the competitive position of an enterprise on the market in order to hold the desired marketing shares in strategic perspective. The key ideas of complementary connection of pricing policy of agricultural enterprises with other directions of their marketing activity are described.

Key words: agricultural enterprise, marketing system, price, pricing policy.

JEL Codes: E30, L26, D40, Q13.

1. Introduction

Effective functioning of owned subjects is determined by formation of efficient pricing policy. In the conditions of changing market environment it is necessary for the domestic agricultural manufacturers to be individually responsible and independent while making managing decisions concerning own production, which is, in its own turn, an important tool of providing their economic interest and predictions of the level of strategic development. The question of pricing policy and price formation in agricultural sphere is a field of scientific researches of many scientists-economists. The conceptual principles of price policy of modern enterprises were explained by L. Balabanova (2012) and S. Garkavenko (2007). V. Bozhkova (2012) and S. Fiodorova (2013) conducted corresponding to the market conditions systematization of marketing price formation methods and suggested ways to improve them. S. Dugina (2005) and O. Mazur (2012) in their research papers paid attention to the peculiarities of forming a price policy of enterprises in market conditions in specific. But the many-sided character of the problem of price policy formation focusing on its place and role in the system agricultural enterprises’ marketing in modern economic conditions causes objective necessity of further research in this sphere.
The aim of the research is to explain the peculiarities and mechanisms of price formation in the system of agricultural enterprises’ marketing. The task of research: 1) to explain the place and role of pricing policy in the system of agricultural enterprises’ marketing; 2) identify the key problems and peculiarities of pricing policy formation and agricultural enterprises in modern economy; 3) to point out the key concepts of complementary connection of pricing policy of agricultural enterprises’ with other directions of marketing actions.

2. Research methods

Scientific hypothesis of the research is an assumption that formation of an efficient pricing policy in the system of agricultural enterprises’ marketing will provide its effective functioning.

Methodological basis of conducting this research is the method of systemic analysis, in particular systemic approach to the study of economical processes and phenomena, which is bases on the principles of consistency, final goal, integrating and efficiency. The study of the essence of the concept “price policy” is conducted on the basis of analysis of scientific publications on the following topic. With the help of abstract-logic method, in particular scientific analogy and juxtaposition, induction and deduction, analysis and synthesis, the problems and peculiarities of price policy formation of agricultural enterprises are identified.

3. The results of investigation

Unreasonable price policy practically always is the reason of activity efficiency decrease. Now a number of problems occur while stating the price on a product by agricultural enterprises; the problems are caused by the lack of experience of forming a price policy on the basis of market factors, legacy of centrally planned economy and the lack of methodological provision of the price formation process taking into consideration the peculiarities of agricultural manufacturing. For now the majority of directors of different by their forms agricultural enterprises make decisions concerning price formation in conditions of unpredictability of their circumstances, which is caused, from one side, by the non-perfect financial economical mechanism and legislation in the country in general, and from the other, the absence of decent knowledge about economics, price formation and practical experience of governing staff. In is necessary to note that the second aspect in this context is dominating. The problem escalates due to the fact that in the end the subjects of agricultural business form price policy in the conditions of high risk because of primitive analysis of environmental key factors.

In contemporary scientific literature on economics the essence of price policy is considered from the point of different scientific approaches. On the basis of a solid analysis of explanations of this concept we can state that from the point of marketing the essence of price policy in general described as formation of such a price level on
products and services, which will fully satisfy the needs and abilities of target consumers and will absolutely compensate the enterprises’ expenses. The stated context shows the content of the marketing process of price formation, which consists of determining a price considering the influence of demand and supply, and also appearance of competitor forces.

The conducted investigations show that the determination of the greater majority of methodological approaches to marketing price formation have a general character, which points onto the possibility of their usage for the country economics in general, as well as for separate enterprises of any owner type and scale of activity. Thus, under new price policy of agricultural enterprises we are to understand a system of actions directed to determine prices on products/services, formation of pricing strategy and tactics, and also varying the price level depending on competitor position on the market to hold the desired market share in strategic perspective. The price policy makes the combination of marketing variables essential, which are suggested by consumers, price decision should be made together with plans concerning the product, division, selling and promoting.

Price policy is an independent sphere of activity of an agricultural enterprise, having a deep and coordinated connection with other elements and directions of its marketing activity. Supporting the scientific views of modern scientists (Balabanova, 2012) in the context of this investigation the key concepts of complimentary connection of price policy of agricultural enterprises with other directions of their marketing activity are described. Thus, the price policy: 1) is a mean to bring to life the marketing program of agricultural enterprise, the aims of its price policy are formed considering the main aims of marketing activity; 2) is a tool to reach general marketing and thus general aims of an agricultural enterprise; 3) is connected with marketing investigations, market segmentation, due to results of which the tasks, aims, principles and methods of price formation on agricultural products (services) are formed; 4) is connected with trade policy of an agricultural enterprise due to the fact that the level and dynamics of product prices depend on their type and stage of differentiation by levels of innovation etc.

In practice price policy formation of an agricultural enterprises is conducted according to certain stages (picture 1).
Before the development of price policy of an agricultural enterprise goes a definite explanation of price formation, which is rooted in the analysis of place, strategic orientation, and general goals of an enterprise on the market. The aims may be targeted onto profit, selling, may be connected with competition. The task of identifying factors, which influence the prices for agricultural production, is to consider and calculate corresponding limitations (factors), which increase or decrease the possible interval of price varying, that is, they influence the decision concerning the prices. The outer factors should be considered the following: consumers, government (legal field), sale participants and competitors. The key internal factor of influence on price policy formation of agricultural enterprises is manufacturing and commercialization expenses, but not all the constituents undergo the control of enterprise, in particular: raw materials price, transport expenses, advertising expenses, etc.

Calculation of prices of agricultural production if possible on the basis of various methodological approaches, the choice of the most reasonable one for the conditions of a specific enterprise are individualized. While calculating the prices by an agricultural enterprise it is necessary to take into account expenses and demand and supply, qualitative characteristics and level of compatibility. In practice more often to
calculate the profitable price for agrarian production the following approaches are used: 1) by the geographical principle: method of constituting (FOB) (free into wagon) in the place of production arrival; method of determining a unitary price (including delivery expenses); method of determining zone price; method of determining prices concerning the basis point; method of determining prices including delivery expenses; 2) determining prices with discounts; 3) determining prices with sales stimulation: strategy of an «unprofitable leader», prices for special cases, cash discounts; 4) determining discriminatory prices – various prices for different clients, for different products, in different places and time; 5) determining prices for new products «skimming the cream off», «strong implementation»; 6) while entering the market with a product imitator one of the variants of its price-quality positioning is chosen; 7) within the goods nomenclature – the following are stated: price guideposts for goods within line of merchandize, for extra goods, necessary equipment, secondary outputs of manufacture, commodity set; 8) initiative for price change – initiative for increasing or decreasing prices (Garkavenko, 2007; Dugina, 2005; Mazur, 2012).

The difficulty of price formation on the market of agricultural production is in the fact that the price level undergoes serious market condition fluctuations and it is influenced by a number of political, economic, psychological, and social factors. From one side the price can be formed deriving exclusively from manufacturing expenses and product commercialization, from the other – to depend only on psychology and behavior of consumers.

Researches have found the peculiarities of price formation in agricultural enterprises; the main ones should be considered the following:

1) seasonal character of agricultural production;
2) flexibility of demand for agricultural production is low (fluctuation of prices for production practically doesn’t influence the level of demand);
3) the influence if inflation is essential; such situation has place because in the majority realization of manufactured agricultural production (especially in the sphere of plant cultivation) is conducted during a short-term period, purchase of material and technical resources for a non-stop agricultural production takes places during a whole year in conditions of a constant increase of market prices;
4) necessity, from one side, of state regulation of prices for manufacture of agricultural production, from the other – creation of a dotation system of agricultural manufacturers;
5) high expenses with a great differentiation of structure and level of expenses depending on the region and type of production;
6) impossibility to absolutely exactly count the cost value of production before the moment of its manufacture;
7) the speed of capital turnover demands constant involvement of loans etc.

It is important to note, that price formation on agricultural enterprises has some not prohibited by the law limitations, such as state regulation of prices and stock market price formation. State price regulation in the agrarian sector is conducted with an aim to not let the inflation reach high levels and to provide the necessary profita-
bility to the manufacturers of agricultural production. It appears as a system of actions which are implemented by the government and are directed to keeping or changing the existing price levels of separate products and the general level of prices in order to eliminate economic and social discrepancies. Stock market price formation is determining prices under conditions stated by sales agreements (Burdeyna, 2012; Fiodorova, 2013). While forming a price on agricultural production the determination of marketing price policy on different market types is important, such market types as monopoly, oligopolistic, and pure competition.

One of the key determinants of price policy formation of agricultural enterprises is the marketing concept of their development which is based on structurally formed mechanism of its implementation. At the same time, as researches show, the key factor which interferes with efficient marketing activity of agricultural enterprises is the lack or the absence of its development, which is connected not with the difficulty of problems, but more with the fact that up till now the majority of directors solve new problems with the help of old methods.

Thus, reorientation onto marketing approaches concerning the process of price formation enables the objectiveness of price formation on the products of agricultural enterprises, it will be possible to find the efficient direction of price policy and provide profitable activity. Such prices orient enterprises onto showing their potential while realizing production on state and international markets creating basic premises for successful development of a country under the conditions of euro integration perspectives.

4. Conclusions

1. The peculiarities of production in agricultural sphere objectively define the strategic directions of price policy formation of agricultural enterprises which should be considered as a system of actions directed onto forming price strategy and tactics, and also varying the price level depending on competitive position of the enterprise on the market with an aim to hold the desired market share in strategic perspective.

2. The following has to be in the basis of modern price policy of agricultural enterprises: marketing conception oriented on the principles of non-planned economy taking into consideration euro integrational perspectives with activating the state regulated price formation on the market of agricultural production by means of providing price parity and equivalent exchange of production of manufacture and agriculture. Objective necessity of forming a marketing conception is intensified due to the absence of a systemic mechanism of strategic market management and low level of implementing modern marketing technologies.

3. Major problem is in increasing economic and social support of agricultural enterprises by means privileged financing, anti-monopoly control of prices for material and technical resources, energy sources, and also services, which are provided to agricultural manufacturers in the sphere of agrarian production.
References


KAINŲ POLITIKA ŽEMĖS ŪKIO ĮMONIŲ MARKETINGO SISTEMOJE

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Santrauka


Reikšminiai žodžiai: žemės ūkio įmonė, marketingo sistemos, kaina, kainų politika.

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