

Ensuring Sustainable Profitability Of Oilseed Sector & The Way Forward

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What is the Right Price of your Product?

Where is the money in the game?

Cost + Margin = Price

Cost(~) + Margin(~) = Price(~)

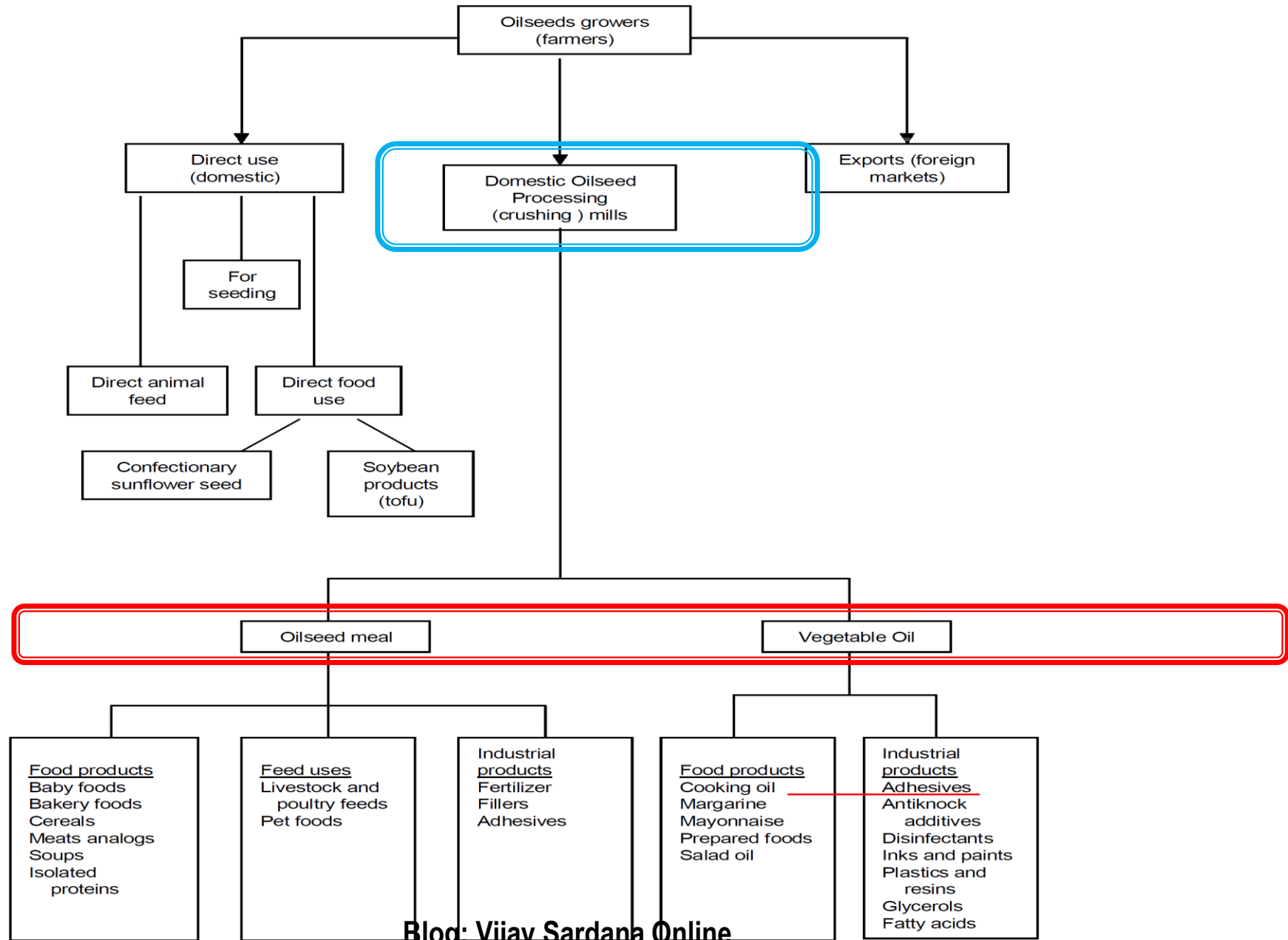
Who all are your customer?

- **Are they all same – Make the list of your customers & classify them**
- **Gather factual information and data – move away from assumptions**
- **Generate a comprehensive list of value elements for all customer groups – question every assumption with facts**
- **Putting an Understanding of Value to Use**
- **Sustaining Customer Relationships**

Who all are your customer?

- **Building Customer Value Models – Relook into your business plan**
- **Create value-based sales tools – Relook in to your training models**
- **Managing Market Offerings.**
- **Guiding the Development of New or Improved Products and Services**
- **Gaining Customers.**
- **Delivering Superior Value and Getting an Equitable Return**

Live Examples for SEA Members



Commodities Versus Differentiated Products

- **Commodities and differentiated products are the two ends of the product spectrum.**
- **A product is a commodity when all units of production are identical, regardless of who produces them.**
- **However, to be a differentiated product, a company's product is different than those of its competitors. On the continuum between commodities and differentiated products are many degrees and combinations of the two.**

Are you Commodities player?

Commodities

- **Commodities are fungible.** This means that each unit of a commodity is exactly like every other unit. It can be substituted for every other lot. Because the identity of each producer's crop does not have to be kept separate, the crop from many farmers can be mixed together. This also means that the price for crop on any given day, at any given location, is the same for all farmers.
- **Commodities tend to be raw materials like oilseeds, oil meals, edible oils, etc.**
- **Only commodities can be traded on “futures” markets because every unit is the same.**

Commodities Suppliers are Price Takers:

- People that produce commodities are referred to as “price takers.” This means that an individual producer has no control over his/her price. On any day, they must take what the market offers them.
- Supplier has no influence over price because each farmer’s produce is the same. So buyers don’t care which farmer’s or supplier’s produce they buy.

Differentiated Products are Price Maker

- A company's product is a differentiated product if it is uniquely different than those of competitors. If the product is different, the producer can make the case that it is better. If it is a better product, the company can charge a higher price for it.
- This is in stark contrast to commodities where every unit is the same, regardless of who produces it.
- The producer of a differentiated product is said to be a price maker rather than a price taker. A price maker has some influence over price, but not as much as most people believe. Essentially a producer of a differentiated product creates a separate market for his/her individual product.

Differentiated Products are Price + Profit Maker

- However, there is a perception that price makers can automatically generate profits because they can charge any price they want for their product. It is true that producers of differentiated products can charge any price they want.
- Actually, commodity producer can do the same. But will anyone buy the product at that price? Only if the perceived value of the product to the consumer is greater than the price.
- Remember, the calculation of profits involves price multiplied by sales, not just price.

Perceptions are Everything

- A differentiated product doesn't need to be a better product, it just needs to be perceived as a better product by the buyer. Much of the advertising and promotion that occurs in our society – of which there is plenty – is focused on trying to convince consumers that their product is better than those of competitors. Whether it is actually better is immaterial. The only thing that counts is if you can convince the consumer that it is better.
- There are millions of customers who will argue that question from both sides.

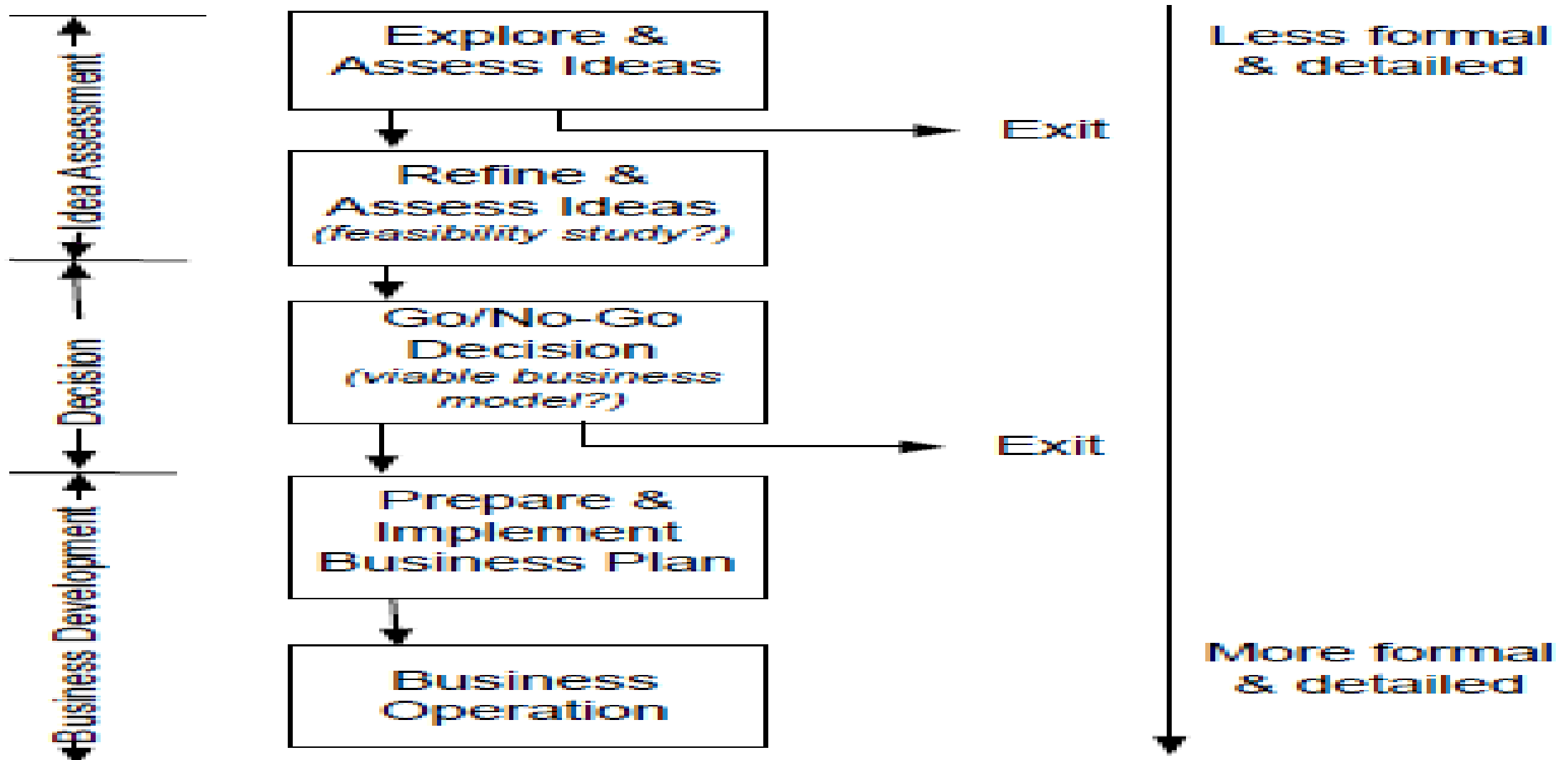
Important: The Value-added Differentiation Fallacy

- There is the false perception in agriculture that the emergence of niche markets provides for product differentiation. For example, the blended oil market niche offers you the opportunity to differentiate your edible oil from commodity oil. While it does allow you to differentiate your edible oil from commodity oil, your edible oil is not a differentiated product.
- Simply producing blended oil only puts you in a different (albeit smaller) commodity market. Your product is no different than any other blended oils.
- Differentiation is only of value if it is specific to your product. So you need to convince edible oil consumers that your edible oil is better than that or your competitors.

Important: The Value-added Differentiation Fallacy

- One way of doing this is to create a brand for your product, and promote your brand to edible oil consumers.
- So a niche market does not automatically provide you with a differentiated product. It simply puts you in a different commodity market. The advantage is that it does provide you with the opportunity to differentiate your product.
- By branding your product, providing services, focusing on selected markets, etc., you can create a differentiated product. This is something that is almost impossible to do in agriculture's traditional broad commodity markets.

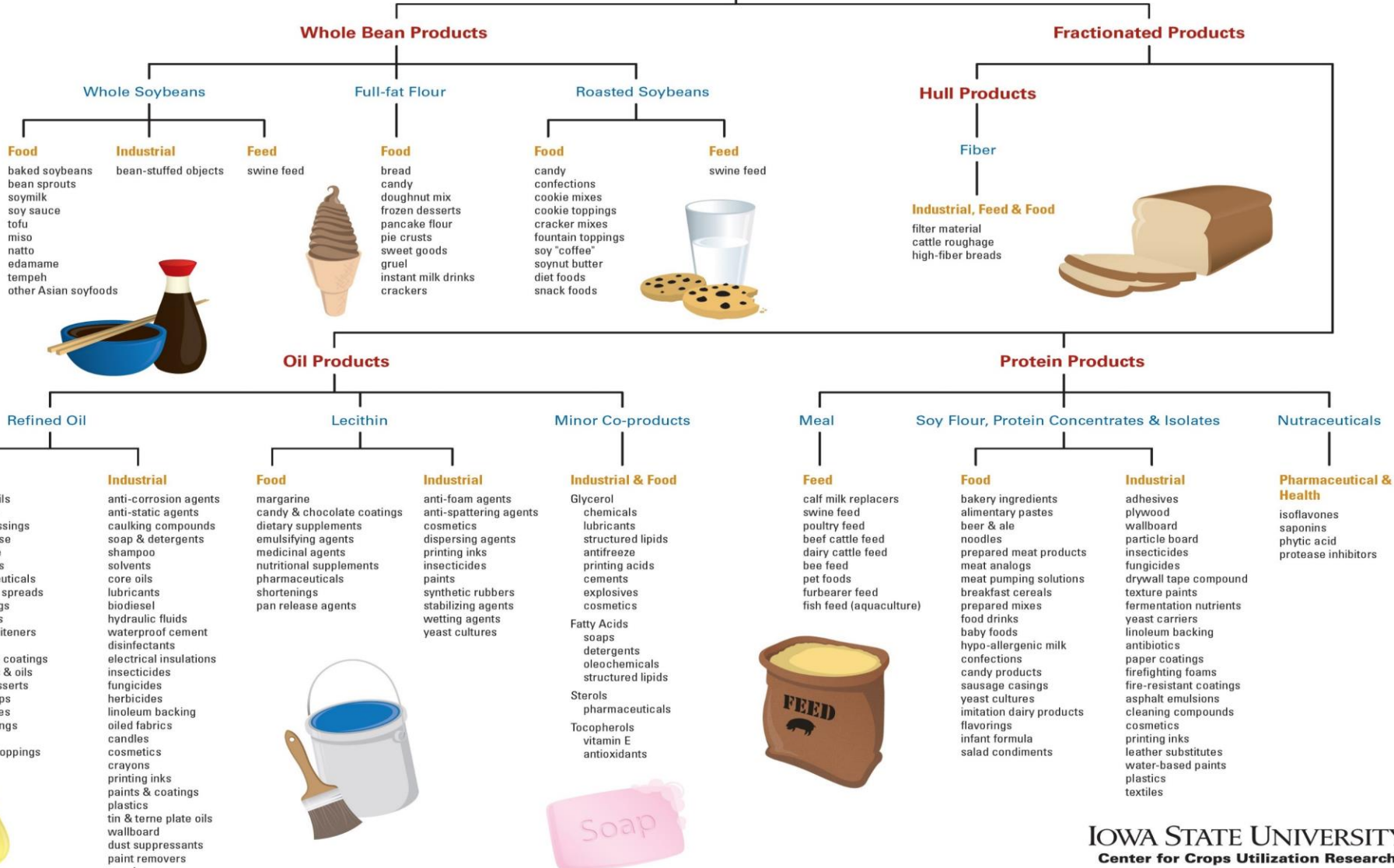
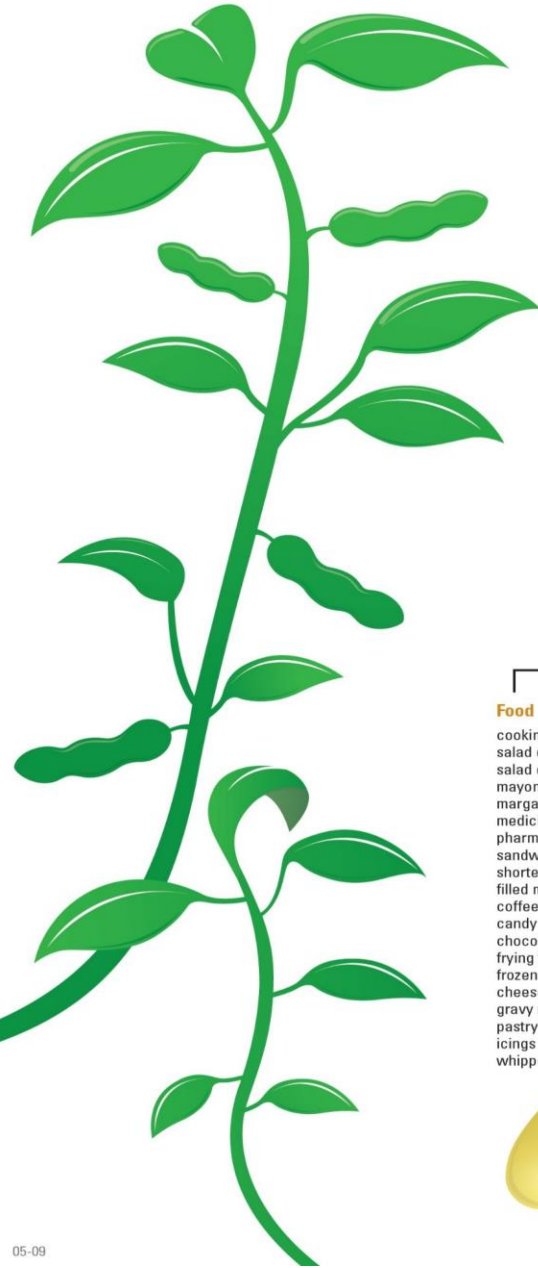
Differentiated Products tend to be Finished Products



Profit from Mustard

- Mustard as filler
- Mustard as protein enhancer
- Mustard as a spice or flavour agent
- Consumer Ready Foods Ground mustard powder and flour
- Mustard as ingredient for sauces and condiments
- Mustard as oil Spices and Ingredients
- Prepared mustard of several varieties (yellow, Dijon, etc.)
- Mayonnaise and salad dressings
- Barbeque sauces and rubs
- Condiments
- Manufacture mustard oil and oil cakes for use in livestock food and fish food

Soybeans



Creativity & Innovation will attract customers

(This can be blend of Product + Service Model)

&

If they like it, they will pay for it.

This will ensure your Sustainable Profit.

Open for Discussion...

Thank you very much.

For this presentation & more details, you may visit

Blog: Vijay Sardana Online