

Developing a Marketing Plan

Marketing Plan Developments

- Identify and quantify costs
- Set price goals
- Determine potential price outlook
- Examine production and price risk
- Develop a strategy for marketing your crop

Importance of a Written Plan

- In any business you must have a set of **goals and objectives**. A marketing plan is a road map to work from. It helps identify where you are going and how you are going to get there.
- Having a written plan provides **discipline** and is a good way to **check your logic** or the accuracy of your thought process after the year has ended.
- Once you get the various parts of the plan put together, you can start conducting **what if** or **sensitivity analysis**.

Components of a Marketing Plan

- Financial Situation and Goals
- Determining What to Produce and Setting Price Goals
- Market Outlook and Expectations
- Production Risk Tools
- Price Risk Tools
- Price and Date Objectives
- Strategies

Financial Situation and Goals

- A review of the financial health of the operation (financial statements, debt load, non-farm income, etc) will give you an idea of the amount of risk the operation can bear.
- In addition to the financial situation, other factors will influence you decision about what to produce, how to produce and market the product, the risk management tools you use, and how much risk you want to accept or avoid.
- Some of these factors are your goals and objectives, your personal risk preferences, age, etc.

Determining What to Produce and Setting Price Goals

- Determine which commodity/commodities to produce, and what price is needed to fulfill your goals
- You need to start by determining which crop or livestock enterprises are possible alternatives
- The list of alternatives can then be compared by calculating the cost of production and break even prices.

Market Outlook and Expectations

- Assess the market situation and determine what might happen to prices as you progress through the production and marketing year.
- While you may not be able to make precise price forecasts into the future, you may be able to get some idea of the probability that the market will offer a price that will meet your objectives some time during your marketing horizon.

Production Risk Tools

- There are numerous management practices such as irrigation, diversification and dispersion of land holdings that producers can use to help in the struggle against “Mother Nature” and reduce production risk.
- Beyond the cultural practices, other tools for reducing risk include using the growing list of insurance products.
- The tools for managing production and revenue risk are important not only because they reduce risk due to yield loss, but also because of their interaction with the pricing tools. Used correctly, they allow more flexibility to producers who wish to do more pre-harvest pricing.

Price Risk Tools

- To know what pricing alternatives are available to know what pricing alternatives are available and which ones you feel comfortable using.
- A few examples of available tools are forward contracts, hedging with futures and options, minimum price contracts, basis contracts, cooperative pools, harvest time cash sales, and storage.
- Each pricing alternative has advantages and disadvantages, and no one alternative is the best year after year.

Price and Date Objectives

- Producers can begin to combine the information from the previous sections (cash flow needs, costs, price objectives, outlook, production and price risk tools) and start identifying price and date triggers.

Strategies

- Producers begin determining a way to combine all of their information into an overall strategy.
- This requires discipline and takes into account all the previous information such as the expected production, break-even price, market outlook, etc.
- A producer needs to have a plan that covers what to do if prices rise, but also what to do if prices decline.

Evaluate the Plan

- The marketing plan needs to be evaluated both during and after the end of the marketing year.
- Determine what worked, what did not, and why.
- Evaluating the plan will help you identify areas that you need to work on.