

# Developing and Implementing a Marketing Plan

Introduction to Risk Management  
for Idaho Grain Producers  
Nampa - Jan. 6, 1999

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# Agriculture Continues to Face Many Types of Uncertainty

- Uncertainty makes planning difficult.
- Uncertainty also makes planning essential.
- Planning changes reactive to proactive.
- Output prices are a major source of uncertainty (price risk).
- A marketing plan helps manage price risk more effectively.

# Production Decisions as Science

- Production is based on:
  - biological sciences
  - physical sciences
- Results are viewed as “predictable:”
  - variety and disease resistance
  - fertilizer and yield
  - pesticide application and control level

# Marketing Decisions as Science

- Marketing is viewed as an inexact science.
- Marketing is based on social sciences:
  - economics
  - psychology
- Results are probabilistic, not predictable.
- Typically don't have recommended marketing practices.
- Marketing may be frustrating, but is crucial to success and profitability.

# Marketing is a Complex Activity

- Marketing is more than “selling” a commodity.
- Serious marketing begins before planting, not after harvest (year around activity).
- Production and marketing are integrated.
- No single best marketing strategy exists:
  - varies over time, location, commodity, financial situation, etc.

# A Marketing Plan is Necessary, but not Sufficient

- What else is needed?
- A farm plan:
  - Goals: short term and long term
  - Objectives: quantifiable with a time frame
- Good financial statements:
  - know your financial situation:
    - » how much risk can you handle?
    - » when do you need critical cash flow?
  - where you are today and where you are going

A Marketing Plan Works Only if  
it Fits Your Operation, Your  
Goals, Your Objectives and Your  
Financial Situation

# Purpose of a Marketing Plan

- Reduce pressures which often result in selling at a “bad time.”
- Help establish price targets:
  - compatible with market conditions
  - compatible with financial situation
- Identify times when market offers an “acceptable” price.
- Tool to help manage price risk.

# Developing a Marketing Plan (Necessary Background)

- Understanding the current market
- Knowing cost of production
- Formulating price expectations
- Developing market price objectives
- Knowledge of marketing alternatives
- Ability to write down and follow through

# Developing a Marketing Plan (Essential Elements)

- Outlook
  - what's going to happen?
- Marketing Alternatives
  - what choices are available?
- A Marketing Strategy
  - what am I going to do?
- Disciplined Marketing Management
  - following the plan!

# Market Outlook Using Fundamentals

- Market fundamentals:

- supply & demand

- Balance sheet approach:

- » Beginning Stocks

- » + Production

- » - Utilization

- » = Ending Stocks

- focus on changes as well as absolute levels.

# Market Outlook Using Technical Analysis (Charting)

- Charts give a picture of past price behavior.
- Charting forces you to follow the market regularly.
- Charting helps you see:
  - market direction
  - market trends
  - market cycles

# Marketing Alternative Examples

- Open (Spot) market
- Pre-season contracts
- Forward cash sales
- Consignment
- Basis contracts
- Futures contracts
- Options
- Government programs

# Marketing Alternatives

## ■ Factors to consider:

- method of delivery
- place of delivery
- time of delivery
- cost of using
- pricing mechanism
- payment schedule
- contingencies

# Marketing Alternatives

## ■ Advantages/Disadvantages:

- risk
- cash flow
- marketing convenience
- price level
- marketing cost
- flexibility
- negotiating power

# Developing a Marketing Strategy

- Set objectives.
- Define how to meet objectives.
- Establish decision rules:
  - fixed vs. flexible sales
  - time-limited vs. open-ended
  - fail-safe vs. default

# Developing a Marketing Strategy (continued)

- Test the strategy:
  - evaluate “what ifs”
  - evaluate fit to current changes
  - forecast the end result
- Establish criteria for changing strategy:
  - establish a contingency plan
  - revise and refine when needed
  - avoid “second guessing” trap
- Clearly define decision-making process:
  - person(s) responsible

# Marketing Management

- Implement, follow, and evaluate plan!
- Remember:
  - discipline is important
  - good planning improves the chance of success
  - know and evaluate alternatives
  - good decisions sometimes have bad outcomes
  - no one goes broke making a small profit
  - evaluate decisions relative to objectives
  - your “Marketing Plan” must fit your operation