

# The Importance of Having a Marketing Plan



If you want to maintain a profitable farm business, developing and evaluating a marketing plan is **essential**. Having a solid marketing plan in place will help you make sound decisions that minimize risk and improve returns. A marketing plan needs to fit the farm it represents. Different farms have different financial needs and require different returns to be profitable.

Here are some important things to consider when creating a marketing plan:

## Know your cost of production.

This should be the starting point and cornerstone of any marketing plan. Knowing the cost of production is the first step in deciding what is a profitable grain price. You can determine the breakeven price per bushel, based on realistic numbers (average yield projections or actual yields), and use that information to decide what price is required to lock in an acceptable return.

Prior to the growing season, it is important to sit down and plan what crops look the most favorable, analyze your costs and do projections to see what will provide the most profitable returns. Manitoba Agriculture publishes [Cost of Production guides & calculators](#) that can help you through this process.

## Monitor and analyze world events and their effects on market trends.

When crops, and consequently yields, are affected throughout the world, supply and demand becomes the main driver of market prices. If yields are down throughout the world, supply becomes an issue. This may create an opportunity to lock in optimal prices. End users, fearing a shortfall in production, may offer premiums to compete for your commodities, thus driving prices up. When ample supply is projected, prices will often stay the same, or may even go down.

As a result, it becomes important to monitor how harvest is progressing. If the actual harvest comes in below projections, it may be possible to see an increase in price. Continually analyzing the market and world events becomes a key component of a marketing plan. Closely monitoring supply and demand allows you to take advantage when favorable price fluctuations occur.

It is also important to assess your own fields and determine their potential before committing to quantities or qualities. The factors that drive prices may also affect your crops.

## **Use available tools and resources.**

Don't get too caught up in the daily information and what it all means. Work with trusted professionals who can give you market insight to tell you where the markets may be heading and tell you about any contracting options that may be available.

## **Communicate with buyers.**

This is beneficial in if a deal becomes available, so stay in touch with your buyers to take advantage of these opportunities. Companies often have different contracts that allow for different pricing strategies that may provide a greater benefit when pricing commodities. Do your research to determine which one suits your operation.

## **Be aware of contract legalities.**

Most contracts have penalties or consequences if they are not fulfilled, so be aware of any premiums and discounts before signing. Once you commit, contracts can be costly to get out of if you do not meet the criteria. If the contract has an act of God clause, this may help reduce some of the risk. If weather conditions have affected your crops, holding off until they are in the bin and you know what you have may be the best approach.

Keeping good samples and binning crops separately can also help ensure your quality is consistent. It can also help you avoid having your selling price discounted because you mixed bad quality with good quality.

## **Consider storage requirements and bill payment deadlines.**

If you have inadequate storage and consistently sell off the combine which locks you in to accepting a price when prices tend to be at their lowest, it may pay to build a few extra bins. This allows you to hold grain longer giving you time to wait for more favorable prices.

Financial position and cash flow obligations are also crucial components to a marketing plan. Cash flow around bill payment deadlines is important to maintaining your farm's viability. Some producers will let bills go unpaid in hopes of a few extra cents a bushel, but the interest on unpaid bills plus the damage they've done to their credit rating can far exceed the advantage of a higher price. Taking advantage of interest free cash advances can help you to meet your financial obligations, while allowing you to wait for more favorable prices on your crops.

Planning well ahead of time and monitoring the markets may allow you to forward contract and lock in favorable prices when companies are offering deals ahead of harvest time. Some of these contracts may allow you to sell off the combine, providing immediate cash flow while also eliminating the need for storage. Forward contracting will also allow you to contract and sell your grain when financial obligations are due.

As new technologies, varieties and advances in agriculture continue to occur, the potential for higher production from year-to-year increases. Typically when there is little grain movement, companies will honour existing contracts before taking spot deliveries. As a result, using forward marketing with pricing mechanisms backed by delivery agreements becomes even more important to your market plan, especially if cash flow and financial obligations are required during these times.

Having a pre-set marketing plan, and sticking to it in a disciplined manner, is an important way to avoid unnecessary price risk. Make sure to analyze and evaluate your marketing plan and strategy on a regular basis.

## Conclusion

Marketing should be an ongoing activity and your plan should be reviewed regularly to make sure it is working for your operation. You don't always have to stick 100 per cent to your plan because there will be times when adjustments are necessary, but continue to monitor it closely and be prepared to make changes if and when they're required.

Marketing plans are designed to help manage and reduce as much risk and stress as possible. They should meet and hopefully exceed your cost to produce that crop, satisfy cash flow requirements throughout the year, remove emotional or panic selling and reduce stress. Every farm's situation and obligations are different, but hopefully you can develop a marketing strategy on how and when to sell your grain, and make it work to your advantage.

Manitoba Agriculture [develops tools for producers](#) to use as part of their marketing plan. [CropPlan](#) is a more in-depth crop planning workbook. It can help you analyze your whole farm on a cash basis, but it also contains a marketing component, so you can calculate revenues and profitability.

## For more information, contact us:

- For more information, contact a [Farm Management Specialist](#)
- Email us at [mbfarmbusiness@gov.mb.ca](mailto:mbfarmbusiness@gov.mb.ca)
- Toll free at 1-844-769-6224