

DATES TO REMEMBER

Fall crops:
final acreage reporting
 - November 15, 2015
final planting
 - dates are county specific

Forage Insurance:
acreage reporting
 - November 15, 2015

Pasture, Rangeland, Forage (PRF) sales closing date
 - November 15, 2015

For more information see:
<http://www.rma.usda.gov>
<http://www.fsa.usda.gov>

With this basic information in place, marketers can begin to assess current market conditions and set some goals and objectives they would like to achieve with their marketing plan.

Marketing Plans

Marketing plans can be a great way to develop a competitive advantage compared to fellow producers by preparing the decision maker to lock in higher returns when opportunities present themselves. When opportunities don't present themselves, a disciplined market plan can still serve a valuable purpose by helping to keep the overall price received in a range that insures that the business stays operating.



RIGHT RISK NEWS

Marketing Plans and Market Risk Management Strategies

Most successful businesses are customer oriented. Customer oriented businesses design their marketing strategies around the needs of their customers.

In agriculture, this can be difficult where agricultural producers are quite often selling into a commodity market. They face many challenges without product differentiation on their side and are often dealing with a perishable product like live slaughter cattle or fruits and vegetables that must be moved in a timely manner. For these reasons, producers are often described as price takers.

With many sellers in the market, not many options to distinguish their product from what others are selling, and with a fixed window of time in which to market, producers often feel they do not have much control over prices they receive.

However, in many cases, nothing could be further from the truth. A well thought-out and implemented marketing plan can provide tremendous value to an agricultural producer.

The first steps in developing a marketing plan are to take some time to define:

- (1) What it is you plan to sell;
- (2) How much do you plan to sell;
- (3) When it is you plan to sell/deliver it; and,
- (4) Where and/or who you plan to sell it to.



There are many strategies that can be employed in an effective marketing plan. If selling a differentiated product, it is very important to build relationships with the buyers of the product in order to build loyalty and appreciation over time. This can also be done on the commodity side. Many purchasers of commodities appreciate a supplier they can depend upon to deliver a known quality and quantity in a timely manner.

Building and maintaining relationships is an important dimension of any marketing strategy and it is often overlooked in the final written market plan document. Make sure to consider relationships when drafting a marketing plan.

Risk Management

Risk management is an important contribution marketing plans make to the overall management of a business. Diversification is an effective risk management strategy to

RISK MANAGEMENT PROFILE

Barb and Sue are partners in a flower and vegetable business near Homer, Alaska. Barb recently attended several workshops and webinars looking at identifying and managing the risks associated with their specialty crop business. As a result, Barb suggested to Sue that they take some time to discuss risk management plans for their business and do so following a six-step process for managing risk that she saw presented in one of the workshops. Together, they agreed to use this process to help them identify risk management strategies that would either reduce the potential negative impacts associated with risks to their operation or reduce the odds of them occurring at all.

To read more see:

RightRisk.org > Resources > Risk Management Profiles.



MARKETING PLANS CONTINUED FROM PG. 1

consider when developing a marketing plan. Diversification can take the form of diversified market timing. While it may be tempting to ride out the markets and sell all production at one point in time, hoping to time it right and get the best price, this is usually a very risky strategy. Good marketing plans have price and date triggers.

Prudent marketers assess current market conditions with an eye to setting reasonable price expectations. These price expectations help form price targets. Combining price targets with quantity and date targets helps to spread sales out over an extended marketing window.

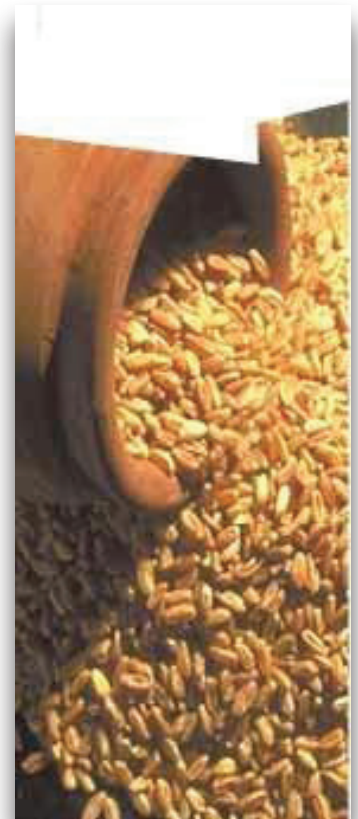
For example, some grain producers sell a third of their expected crop shortly after planting using a cash forward contract with the local elevator. Other tools to consider include futures contracts and put options on the Board of Trade using a commodity broker.

Livestock producers can do something similar when working with a feedlot buyer using a cash forward contract or Chicago Mercantile Exchange (CME) for the futures contracts and put options. Livestock producers also have several Livestock Risk Protection (LRP) insurance alternatives to choose from, should they prefer to go that route instead of using CME put options.

The main point is that the manager should be aware of these different tools and how they can use them to help achieve particular marketing goals.

Another diversification strategy is to grow and sell multiple products. This can be done with multiple crops, a mix of crops and livestock, or more than one livestock output. Some flexibility exists on how to diversify, particularly with livestock. This can be accomplished with multiple livestock species or with one species marketed in different forms or ages. Cattle producers often follow this approach with retained ownership programs.

Now is a good time to commit to developing a written marketing plan. A solid marketing plan can help provide the discipline managers need to be successful in reaching farm or ranch marketing goals.



RightRisk helps decision-makers discover innovative and effective risk management solutions.

- *Education*
- *Coaching*
- *Research*

RightRisk News is brought to you by the RightRisk Team

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How much risk is right for you and your operation?

