

Agricultural Marketing Guide >>



7 Steps to Better Marketing

Marketing is planning to have what you can sell at a good price. Marketing, like most things on a well-run farm or ranch, is a well-planned management activity. This article outlines 7 key steps to better marketing.

For an introduction to the topic check out “**Developing a Marketing Plan for Your Crops**” on our YouTube channel:

<http://www.youtube.com/watch?v=drwUuM4vh20>

Step 1 - Decide what to produce

A farm manager’s first marketing decision is what to produce. Which crops will you grow this year? Will you sell weaned calves, bred heifers, or finished steers? Price is the market signal that tells farm managers what to produce. Gather price information, market outlook, and price forecasts to help you decide what to produce each year. You’ll also want to consider crop rotation, grazing needs, and other farm specific factors.

Step 2 - Understand unit cost of production (COP)

Calculate your cost per unit to identify which crops are most profitable. One tool you can use to do this is our Crop Returns Calculator (agriculture.alberta.ca/openmarkets), which allows you to calculate production costs, breakeven points, and returns to equity based on your inputs.

Step 3 - Set price targets & thresholds

Determine what you think the market will give over the year and how much profit you think you can make based on your cost of production. Calculate your breakeven price and look at your cash flow needs (loans, cash obligations, etc.) over the next year.

Step 4 - Determine timing of sales

Set price targets for each crop and market portions of your grain throughout the year to manage price risk. Look at your cash needs, storage capacity, and price patterns to determine when you should sell portions of your harvest.

Step 5 - Inform yourself of market information

Look at basis levels, price trends, and other current market information. For more information on how to use these price signals, see: ARD’s Crop Price Reports and the Marketing Manual (agriculture.alberta.ca/openmarkets).

Step 6 - Consider your marketing alternatives

Consider your alternatives: you can sell for cash (spot) prices, pool your grain sales with other producers to receive the average price over several months (price pooling),

use deferred delivery contracts, or hedge using futures and options. Don't forget to consider delivery costs, premiums for quality attributes, and cost of carry (interest and storage). For more information about these marketing options and how to manage risk, see: the Marketing Manual (agriculture.alberta.ca/openmarkets) and the Marketing Decision Tool.

Step 7 - Make a marketing plan

Make a plan and stick to it. Evaluate, review and modify your marketing plan throughout the year based on current market information.

To make good farm marketing decisions you need:

- 1. Price information** - current market cash prices and, if applicable, futures prices.
- 2. Market Analysis** - an explanation of what's happening in the market place, how prices changed and why they changed.
- 3. Outlook** - a carefully researched opinion on what market conditions and prices are expected to be in the future.
- 4. Market strategies**- one or more suggested market strategies to deal with current and expected market situations.

Improved farm marketing means improved farm income. Contact the market specialists at the Ag-Info Centre at **310-FARM** (780-310-3276) if you would like more information.

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This information published to the web on September 8, 2004.
Last Reviewed/Revised on January 8, 2015.