



SECTION 4

MARKETING PLAN



MARKETING AND RISK MANAGEMENT

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DEVELOPING A MARKETING PLAN

Perhaps one of the most important steps in marketing commodities profitably is to develop a sound marketing plan. Too often marketing decisions are left to chance or are an afterthought. A good marketing plan can allow you to better control important decisions such as when to market and how to market your commodity.

A **marketing plan** is a written plan that clearly delineates what is to be done in the marketing program. It includes-- 1) Who carries the responsibility for action; and 2) Provisions for action if the market does not behave as expected or some other unexpected development occurs. In the integrated resource management process this should also be part of your planning process.

There are four basic steps to developing a **marketing plan**.

- Estimate Break-Even Price
- Determine Market or Price Objectives
- Follow Through With Plan
- Evaluate Marketing Program

A good starting point for developing a marketing plan is to **estimate the break-even price** for your commodity. Unless you have an idea of how much it costs you to produce your commodity a profitable marketing opportunity is tough to recognize. Use last year's records as a basis for this year's projection. Include both variable and fixed costs in your projection.

Market or price objectives will vary from one manager to the next. The manager needs to assess what his/her financial goals are for the firm. These goals will be based on capital constraints, debt of the firm, risk attitude of the manager, etc. Only the manager can decide what a "reasonable" profit is for his/her firm. The manager must establish a price objective which meets his/her goals and objectives for the firm. The manager must also evaluate whether the goals and price objective are realistic given current and expected market conditions. Perhaps profitable opportunities are not available. Given the expected market conditions an objective may need to be to limit losses in the short run. Once these decisions have been made the manager must decide which marketing alternatives will achieve those goals and price objectives.

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Probably the most difficult part of any marketing plan is actually carrying it out. When markets start to move either up or down, your outlook and opinions may also start to change. It is important to develop a plan that is realistic and one you will feel comfortable following through. You need to be willing to implement provisions for the unexpected developments.

Once you have completed the marketing year it is a good idea to **evaluate your marketing program**. You should ask yourself whether your marketing program achieved your goals and objectives, and whether you need to modify your plan for next year. Make any changes you feel are necessary.