

Business Plans and Marketing

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Why develop a Marketing Plan?

Market planning is not a one-time task. It must be a continuous flow operation. The plan must be flexible because factors affecting farm output and market prices will change continuously over time. A marketing plan is the management strategy for realizing the full potential profit from farming. Farmers must also have a game plan for the task of profitably marketing their products if they are to be successful in the long run. A plan allows a farmer to market his products, not just sell them.

Elements of a Marketing Plan

There are four main factors that go into developing a viable marketing plan. They are based on the following questions:

1. The product decision or What product(s) do I produce and sell?
2. The pricing decision of What price do I need to sell my product for to meet my objectives?
3. The methods decision of How do I establish a price for my product?
4. The merchandising decision or When, where and how do I make delivery of the products to the buyer?

Assessing Business Objectives

In a personal evaluation, evaluate your current situation, no single plan will work every year or for every farmer. A fundamental decision to be made is whether to operate like a speculator or a businessman. A speculator tries to make a quick dollar by selling at the market high. The businessman thinks of the survival and growth of the business over the long term. The marketing plan must be designed for the temperament of the individual. You must have a plan you are comfortable using. In general, decisions based upon the financial interests of the business are easier to make than are speculative decisions based only on emotion.

Financial Considerations

If the overall objective of the farm business is to accumulate capital and foster growth, develop the pricing plan to accomplish the goal. The selling price must also provide enough income to cover the general fixed costs of farming. The pricing plan must recognize the risk-bearing ability of the business. The farmer's net worth determines his ability to handle risk. The bigger the net worth, the greater is the ability to handle risk.

Evaluating Pricing Opportunities

A pricing strategy is a plan for achieving an objective price level. Pricing strategies combine a pricing method with a pricing indicator. Once the price goals and critical price levels are determined, compare current pricing opportunities to these levels.

Fundamental Analysis

In fundamental analysis, predicting future prices depends upon forecasting the supply of and demand for a commodity. Knowledge of the factors affecting supply and demand and their relative impacts helps in price forecasting. Supply and demand factors are used to develop a model of how they interact to influence prices.

Making the Decision and Following Through with the Plan

Making the pricing decision is the hardest part of planning a strategy. The procedure described is designed to lead to a well-informed pricing decision consistent with the goals of the farm. Most successful pricing plans do not rely on one strategy, but are combinations of strategies. Each plan should include a "backup" or contingency plan in case prices do not reach specified levels. Once a decision is made, the producer should execute it. Don't procrastinate, make a good decision and carry it out. It is likely the outcome will be as planned.

Developing Enterprise Budgets for Cost & Return Analysis

Types of Budgeting Analyses include enterprise budget, projection of annual costs and returns and cash-flow analysis.

Budgeting versus Accounting

Accounting analyzes income and expenditures for a period of time already past. In contrast, budgeting generally concerns the future, and is designed to help make educated estimates in respect to future risks and uncertainties, and their effect on the enterprise.

Alternative Markets

Alternative markets include local markets, international markets and regional and national markets. Local markets include u-pick, roadside stands, city and local farmers markets, and local retail outlets. International markets include export sales and the internet. Regional and national markets include state farmers markets, cooperatives and direct selling.

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