

MARKETING BASICS



Marketing is more than just selling when product is available or cash is needed. Marketing should begin before the seed for a crop is even purchased. By realistically estimating costs of production and revenue for crop alternatives, and by considering rotations and other agronomic factors, informed seeding choices can be made.

It is important to understand the pricing and delivery alternatives for the crops that you grow. Some crops have a variety of pricing and delivery alternatives available, while alternatives for other crops may be very specific and limited. Crops with multiple pricing or delivery alternatives offer flexibility which can greatly improve returns. Sources of information on pricing and delivery alternatives are your buyers, printed publications on marketing, articles from internet and marketing courses.

On the pricing side, there are typically three or four price rallies during an average year. Many experienced marketers price their crop in stages as these rallies occur. Setting target prices based on your costs of production, timing of cash flow needs and market analysis is a useful strategy. Prices usually drop more quickly than they rise, and since nobody knows where the price top will be until after the fact, pricing in stages during a rally is usually the best strategy.

During crop harvest, several samples should be taken as grain is binned. These samples can be combined to make a representative sample for each bin. Samples can be taken or sent to buyers or grain brokers for grading, or to the Canada Grain Commission.

Your grade of crop may fit best with a certain buyer's needs at a certain time, so it helps to talk with various buyers about their needs and the crops that you have on hand to market. Remember to include cash grain brokers in your contact list, as they can sometimes get you a better price with an end user than you can get on your own, because of volume or timing considerations.

Prices tend to weaken during periods of heavy deliveries. This is usually during or just following harvest, as farmers deliver off the combine, fill forward contracts, or sell to meet bill payments.

Experienced marketers tend to avoid pricing during this time. An alternative to selling grain to meet cash flow needs is to use advance payment programs as available. Using a crop advance gets some cash out of the grain while deferring the pricing decision, and at the same time, deferring the income tax treatment of the sale.

Information is essential to making good marketing decisions. Consider subscribing to some market information sources. There are many information sources available, and most of them will provide a free trial period so you can assess the potential value of the service. Internet allows easy access to current market information. Also, the telephone is still a useful way to maintain contact with those in the trade. Personal contact with local buyers, cash grain brokers, crushers, commodity futures brokers and a market analyst can help keep you informed to assist in marketing decisions.

Know your product, the timing of your cash flow needs, and your costs of production as they relate to your desired minimum price. Equip yourself with an understanding of pricing and delivery alternatives for your product. You are now in a position to consider market factors affecting price for a particular grain, and to react to pricing opportunities as they arise.

Remember that it is more luck than good management to price at a market peak; nobody knows for sure what prices are going to do.

*Prepared for the Alberta Canola Producers Commission
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Additional Marketing Resources available online at www.canola.ab.ca

- ICE Futures Prices
- Daily Green Prices for Alberta
- Weekly Feed Grain Report for Alberta
- Marketing Factsheets
- Marketing Links
- Marketing Webinars