

FACT SHEET

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MARKETING GUIDE FOR AGRICULTURAL PRODUCERS*

Purpose

This fact sheet explains how agricultural producers relate to the marketplace as individuals and as groups. It should be used as a planning guide for producers to more effectively market their products as individuals or as members of a group.

Make Marketing the Solution—Not the Problem

Marketing is consumer oriented! Marketing firms seek to determine what consumers want in terms of product, quality and quantity, where they want it, when they want it, what form they want it in and what price they are willing to pay. The final test of the marketing system is measured by consumer purchases.

Producers are usually production oriented except for 1 day a year when they sell their products to marketers who specialize in buying daily. Producers tend to respond to higher prices by increasing production, and they decrease production when prices are lower. Possessing excess production capacity and limited market information, producers frequently add to their own economic instability by overreacting to current market conditions.

Successful marketing begins before the crop is planted or the animal is bred. Producers need to know what can be sold—when, where and under what terms, including how the price will be determined. With this information, they can decide among production alternatives to enhance their profit position. Hence, marketing becomes **not the problem but the solution.**

Individual or Group Action— Advantages and Disadvantages

One of the first questions to resolve is what can individual producers do to improve their

*This guide was developed by the Extension marketing staff, Texas Agricultural Extension Service, Texas A&M University.

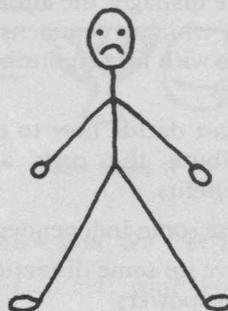
marketing program and what can they do as a member of a group. Although an individual approach is more familiar to agricultural producers, it has limited advantages. Fewer Texas producers have marketed their products as a member of a group even though this approach would frequently be to their advantage. Here is how an individual and a group marketing program compare.

Acting as an individual offers the advantages of:



1. simplified management system
2. ease of control
3. prompt managerial response to a problem

However, some of the disadvantages of individual action are:

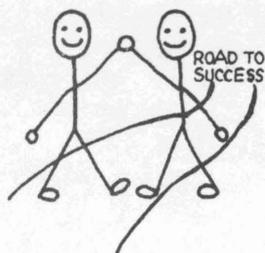


1. cannot take advantage of specialized talents
2. sole responsibility for assuming risk
3. limited market power
4. limited market development opportunities
5. limited financing
6. limited market information
7. more difficult to identify problems

Group action is generally more effective than individual action in marketing because it offers several advantages.

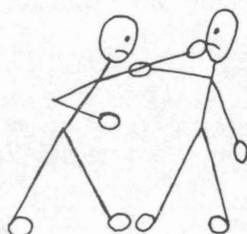
1. increased market power
2. ease of financing
3. use of specialized management and equipment

4. greater market information
5. reduced risks—especially through coordination of marketing and production
6. availability of more market alternatives due to size of operations
7. reduced handling, storage and transportation costs
8. increased quality control which usually results in higher average prices



However, there are problems associated with group actions compared to individual efforts such as the following:

1. difficulty in getting producers to work together with mutual trust and respect
2. a group is not a panacea and individuals are required to produce to market specifications
3. groups may encumber management with too specific and rigid policies or may not grant the manager the authority which is commensurate with his responsibilities
4. must decide how to distribute the costs and benefits
5. lose some independence
6. give up some discretionary powers

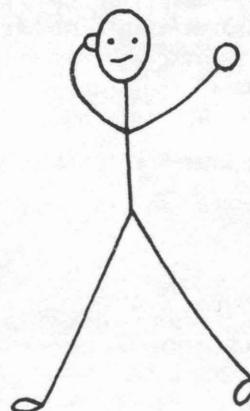


Effective group action must be based on economic need and must be socially and politically feasible.

What Individual Producers Need to Know About Marketing

Production decisions should be based on market information. Coordinating marketing and production activities does not guarantee profits, but

it does enhance the likelihood of making a profit. Ask yourself the ten questions posed below and use this information to guide your marketing decision making. Consider these questions before deciding what to produce.



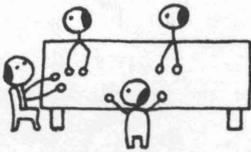
- ? What does the market need? What variety, quality and grade requirements must be met?
- ? Where can I sell my product?
- ? How much will it cost me to harvest and prepare the product for the market? How much will it cost to transport the product? Are there any selling costs? How many of these things can I do for myself cheaper than having them done by someone else?
- ? When is the best time of year or month for me to market my product? Will it pay to store the product?
- ? What is the most profitable product for me to produce and market?
- ? What records do I keep that will help me make these decisions? Do I need additional information?
- ? How is my financing program related to my marketing program? Is it adequate?
- ? How do my short-run plans fit into my long-run plans?
- ? How can I become more market-oriented in my thinking and planning?
- ? What changes am I willing to make? Do I dare break with tradition by participating in and becoming a part of an improved marketing system if one becomes available?

What Producer Groups Need to Know About Marketing

Producer groups must ask themselves questions which are in addition to the ones they ask as individuals. Successful group action comes only through careful planning, organizing, coordinating, directing and controlling the group's marketing

activities. The following ten questions will help your group decide what they can do.

- ? What can we do as a group that we cannot do as individuals?
- ? Will the members of the group support the group with mutual trust and respect?
- ? What type of marketing organization is appropriate?
- ? Will the membership be open or closed? If membership is to be closed, on what criteria will membership be based? Who will enforce these standards?
- ? How will the group be managed and what are the duties and responsibilities of the manager and the members?



Bob will report first

- ? How will policy be formulated?
- ? What are the financial needs of the group? Who will supply these needs?
- ? What effect will this group have on the community, other businesses and nonmembers?
- ? What are the expected consequences of a failure? What is the likelihood of success or failure? Are the members willing to accept the responsibility together?
- ? Will the group members dare to boldly seek new marketing alternatives, or will they merely do what they have been doing as individuals?
- ? What rewards can individual members expect?

Developing Your Marketing Plan— A Guide for Action

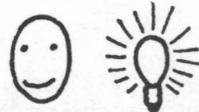
The information you have assembled thus far is absolutely essential to the process of initiating and maintaining a successful marketing program. Having explored the advantages and disadvantages of individual versus group action, as well as proce-

dures to follow in establishing a marketing program for yourself or your group, you are ready to make the final decisions.



The problem is . . .

- \$ Summarize the existing situation and find out where you are headed
- \$ Identify the problem(s) and determine what opportunities are available



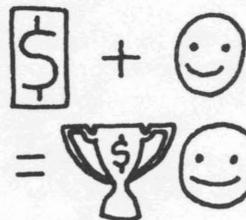
I have an idea!

- \$ Choose between individual or group action
- \$ Decide what alternatives are available
- \$ Analyze and select from these alternatives on the basis of economic, social and political feasibility



We will be here by . . .

- \$ Prepare a set of marketing goals and objectives, and determine how you are going to get where you want to go
- \$ Prepare a budget and plan the operations on paper first. This should include a projected operating statement, balance sheet and a 5 year cash flow.



How sweet it is!

- \$ Commit the necessary resources, work hard to accomplish your objectives and enjoy the fruits of your labor
- \$ Develop a plan to evaluate the success of your program and make necessary adjustments

Where Can We Get Help in Using This Guide?

Contact your county agricultural Extension agent or write directly to Chairman of Extension Marketing Staff, Department of Agricultural Economics and Rural Sociology, Texas Agricultural Extension Service, Texas A&M University, College Station, Texas 77843.

dates to follow in establishing a marketing program for yourself or your group. You are ready to take the final decision.

1. **Identify the problem.** Summarize the existing situation and find out where you are headed.

2. **Choose the objectives.** Identify the problem(s) and determine what is possible and available.

3. **Decide what alternatives are available.** Decide what alternatives are available.

4. **Analyze and select from these alternatives on the basis of economic, social, and political feasibility.** Analyze and select from these alternatives on the basis of economic, social, and political feasibility.

5. **Prepare a plan in writing.** Prepare a plan in writing, including goals and objectives, and determine how you are going to get where you want to go.

6. **Prepare a budget and plan the operations on paper first.** Prepare a budget and plan the operations on paper first. This should include a projected operating statement, balance sheet and a cash flow.

7. **Communicate the plan to your source, work hard to complete your objectives and enjoy the fruits of your labor.** Communicate the plan to your source, work hard to complete your objectives and enjoy the fruits of your labor.

8. **Develop a plan to evaluate the success of your program and make necessary adjustments.** Develop a plan to evaluate the success of your program and make necessary adjustments.

9. **Where Can We Get Help in Using This Guide?** Contact your county agricultural Extension agent or write directly to Chairman of Extension, Major Sales, Department of Agricultural Extension, Texas A&M University, College Station, Texas 77843.

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