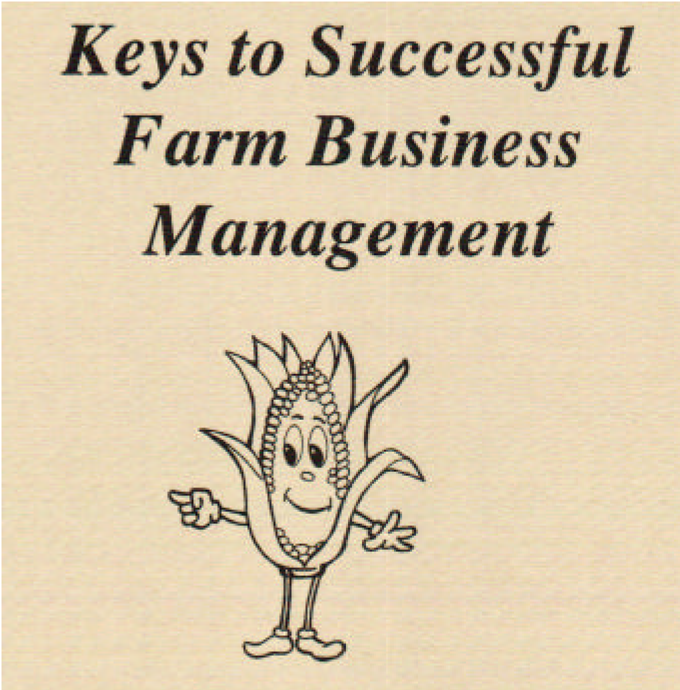

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Developing a Sensible and Successful Marketing Attitude

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Key Points

* Analyze your risk-taking attitude.

* Understand the relationship between your attitude toward risk and your marketing attitude.

* Familiarize yourself with basic marketing concepts and terms.

* Realize that a sensible and successful marketing attitude must start with you.

Introduction

Marketing is the process which moves goods from the producer to the final consumer. For you, the farm producer, the meaning is simple. It means getting the most money for your product. You want to be able to negotiate the best deal for whatever it is that your farm produces. All of your time, labor, skills, and money have been put into producing; it makes sense for you to be able sell your products for top dollar. As you go after the top dollar, your marketing skills become as important as your production skills.

A first step in increasing your marketing skills is to develop a sensible and successful attitude toward marketing. If you are an experienced farmer, you know how good it feels to be able to successfully raise a commodity. You can also experience the same feeling of satisfaction at successfully marketing the commodity you have raised.

Analyze your risk-taking attitude.

Your attitude about taking risks will affect the way you make your marketing decisions. Being aware of how you best manage risk can be a valuable tool when planning for increased profit using various pricing alternatives. Knowing how you are prone to think about risks involved in marketing helps you exert more control in the decision-making process. If you first identify your perceptions about risk taking, you will be better equipped to improve your market attitude and to become market ready.

Successful managers may have varied attitudes about taking risks, but they all have learned that risk is inherent in any farm business. Some factors affecting successful farming can be controlled by the farmer, but there are many external factors over which the individual has no control. The weather and environment are examples of contributing factors that are uncontrollable. The individual farmer has no control over other factors such as the price of corn or beans.

Sources of risk in farming are widespread, coming from a variety of areas. Each must be addressed--it is how the farmer chooses to handle the risk associated with the farm business operation that defines a particular attitude toward risk.

Jerry Robinson, Jr., Professor of Sociology at the University of Illinois, classifies individuals in the following risk-taking categories:

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1. "Avoiders"   3."Adventurers"

2. "Daredevils" 4. "Calculators"
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1. "Avoiders" are conservative and cautious people who think that they are being careful by not making decisions. What they do not realize is that not acting at all is, itself, a decision that may increase their risk

exposure and reduce their returns.

2. "Daredevils," on the other hand, are the big gamblers. They usually do not weigh the consequences before making quick decisions. They take unnecessary risks in an effort to realize a profit which is either unrealistic or rarely attainable.

3. "Adventurers" enjoy risk but do their homework first and consider the odds of success before making decisions. Although they are risk takers, they believe their actions represent informed decisions.

4. "Calculators" recognize risks but are able to reduce their odds of failure to acceptable levels by knowing the facts about what they are doing and by being conservative. Unlike the "avoiders," they are not afraid to make decisions, but they are not unrealistic gamblers. They tend to be more conservative than the "adventurer."

Although many farmers tend to be "calculators," some fall into the other risk-taking categories. Consider the four risk- taking categories and decide whether you are an "avoider," a "daredevil," an "adventurer," or a "calculator." You can use that knowledge to develop a marketing attitude that is both sensible and successful.

Understand the relationship between your attitude toward risk and your marketing attitude.

As was mentioned earlier, closely related to the farmer's attitude about risks is the marketing attitude that a farmer develops. A "daredevil" will respond to risk or to pricing alternatives in a much different manner than a "calculator."

Case in Point

Maria and her husband, Doug, purchased tickets for a ballgame for $30. The visiting team was one of their favorites.

After parking the car, they realized the tickets were gone. They didn't know if they had misplaced the tickets or if they had been stolen; however, they both knew that if they wanted to see the game, they would have to spend another $30.

Maria and Doug were both excited about attending the game, and they didn't get the chance to enjoy their leisure time together very often. But for them to spend an unplanned $30 from their household budget meant risking running low on ready cash before their next payday.

Seeing the game was important to both, but spending the unplanned $30 for leisure made Maria much more uncomfortable than it did her husband. Her solution was for them both to go home and watch the game on television, while Doug reasoned that since they were already at the stadium and had already paid to park the car, they should spend the $30 and buy two more tickets.

Although Doug and Maria may not have realized it at the time, the solution each thought best to the lost ticket problem developed, in part, because of their general feelings and attitudes about taking risks. Maria was a conservative "calculator," while her husband was a "daredevil."

In much the same way Doug and Maria arrived at their solutions, farm business managers will make varied marketing decisions based in part on their attitudes about taking risks. The market may be seen to involve such high risk to some that they avoid it, while to others it may simply mean a way to get the highest price. Many find the market a frightening place because of the chances for loss that it represents. Others may view the market place as a vehicle to increase their profits.

An important point many farmers forget is that whether they are actively playing the market or not, buying and selling commodities means they are making marketing decisions. The "avoiders," as they were categorized earlier, put off making decisions in an effort to be cautious. When farming it is easy to forget that not making decisions can be very costly. Not making a decision to sell at a specified time is really making a decision. If you are selling a product, you are making marketing decisions.

Familiarize yourself with basic marketing concepts and terms.

As you attempt to identify your own "marketing mentality," it is necessary to know a few facts about the market and how it works. The price of a commodity depends on the relationship between *supply and demand*. At the market price, the quantity supplied equals the quantity demanded.

Speculators and other market participants continually evaluate supply and demand factors as well as other market indicators. Based on their analysis and expectations of future price movements, trades are made and prices are established. The futures market is free enterprise in action. Since new information is always coming to the market, prices continually change. This process can be described as "price discovery."

Case in Point

At age 12, the twins decided that it was time to start their own business. It was shortly after Christmas when they began making their business plans. On a trip to the grocery store with their mother, they saw that tomatoes were priced over one dollar a pound. "Wow," they said, "we could grow tomatoes this summer, and get rich when we sell them for one dollar a pound."

What the twins didn't realize is that in the summer when they would be harvesting their produce, tomatoes would be plentiful. The overabundant supply would drive the price down to meet the demand, and nobody would pay one dollar a pound for tomatoes during the harvest season!

This simple example illustrates the basic theory of supply and demand. However, marketing your farm's produce, or selling commodities may not seem as simple to understand. In fact, at first it may seem frightening. Knowing some basic definitions will help combat marketing anxiety. The following definitions include a few of the marketing terms that you will need to know before you are "market ready."

A *broker* is an agent who negotiates the buying and selling of contracts for commodities. You may hire a broker to buy and sell contracts, or you may enlist the services of a marketing consultant who sells advice in addition to executing your orders.

The term *options* refers to a contract which conveys the right to buy or sell a designated commodity at a specified price during a stipulated period.

Hedging means to buy or sell commodity futures as a protection against loss in the cash market.

Futures means to buy or sell a commodity for future delivery.

Another common market term is *spreading sales*, which means selling commodities throughout the year rather than just at harvest.

Charting refers to keeping a record of the high, low, and closing prices of a commodity during a stipulated period of time. Charting is a method used by marketing specialists to project the best time to buy or sell a commodity and note underlying market trends. The difference between the cash price, or spot price, and the futures price is referred to as the *basis*.

A *bear market* describes a market where large supplies or poor demand cause prices to rise, and a *bull market* is a market where small supplies or strong demand cause prices to rise. A *put call* is an order to buy, and a *call* is an order to sell.

It is easy for newcomers in marketing to be anxious about the language that is used by traders. If the language seems overwhelming at first, remember it is no different than the unique language used in any particular hobby, sport, or specialized field. If terms like bear and bull market are new to you, ask someone that you know has marketing experience what they mean. Once you begin familiarizing yourself with marketing, the trading jargon will become easier for you to comprehend.

Realize that a sensible and successful marketing attitude must start with you.

A sensible and successful marketing attitude must start with you-not with the market. You will be "market ready" when you have considered and accepted the following.

1. Learn how to evaluate risk. Realize that farmers are among the biggest risk takers of all.

2. Know what you can and cannot do.

    * Evaluate past performance.

    * Evaluate your skills.

    * Accept the fact that luck plays a role!

3. Participate in the market only if you enjoy marketing.

    * You won't do well if you do not like marketing or understand the market.

    * Delegate this responsibility to someone else (spouse, broker, consultant, partner, etc.) if you do not like marketing or feel you do not understand the market.

4. Be willing to learn new skills.

    * Learn more about the many new alternatives available today.

    * Keep informed about new forecasting techniques.

Conclusion

Marketing skills can be learned. And the first step in learning those skills is to develop a sensible and successful attitude toward marketing.

Once you have learned the basic marketing terms and concepts and feel that your marketing attitude is sensible, you are ready to develop a marketing plan that will bring you success as you actively market your commodity. The more experience you have marketing, the easier these decisions will become. Your marketing anxiety will lessen the more you actively participate in marketing.

Key Reminders

The following reminders will help when formulating your own marketing attitude.

1. Analyze your risk-taking attitude, and be aware that it will affect your marketing decisions.

2. Realize that, although you have given attitudes about taking risks, you can practice new risk management styles to improve profitability.

3. Remember that not taking any action is a marketing decision. If you are buying or selling a commodity, you are making marketing decisions.

4. Take whatever time necessary to familiarize yourself with basic marketing concepts. Learn how the market works.

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