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4-12-2000

Divide and Conquer Marketing

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Rood, Deb, "Divide and Conquer Marketing" (2000). *Cornhusker Economics*. 901.
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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

Divide and Conquer Marketing

Market Report	Yr Ago	4 Wks Ago	4/7/00
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt.	\$64.00	\$70.66	\$72.09
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt.	76.47	93.07	93.40
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg.	84.23	98.67	100.84
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt.	97.17	110.44	111.40
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt.	29.25	40.88	47.00
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd.	38.50	57.50	66.55
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt.	89.90	107.60	122.60
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt.	*	*	82.10
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt.	145.00	170.00	170.00
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu.	2.75	2.87	2.82
Corn, No. 2, Yellow Omaha, bu.	1.93	2.00	2.02
Soybeans, No. 1, Yellow Omaha, bu.	4.55	4.84	5.03
Grain Sorghum, No. 2, Yellow Kansas City, cwt.	3.34	3.45	3.52
Oats, No. 2, Heavy Sioux City, IA, bu.	1.24	1.32	1.37
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton.	105.00	87.50	85.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton.	42.50	82.50	85.00
Prairie, Sm. Square, Good Northeast Nebraska, ton.	62.50	*	*
* No market.			

Why is commodity marketing so hard to learn? Whenever you start you become overwhelmed with information. You hear from one advisory telling you to sell puts, another is telling you to buy calls. You are told to cover your costs of production. They want you to watch the charts for a head and shoulders, which you thought was in the shampoo aisle at the grocery store. Learning marketing can be confusing and daunting, causing many producers to just give up. But the hard fact is, that if you are selling grain or livestock some basic knowledge in marketing is a must. So how do you corral all this information and bring some kind of order to chaos?

One of the best ways to learn marketing is to divide and conquer. In the *Women in Ag Marketing Curriculum* we divide marketing information into three areas. The areas are: what you need to know about the markets; what you need to know about your ag operation; and what you need to know about yourself. Each area plays a major role in how you market.

What you need to know about the markets...

Before anyone can put together a bike or a machine they first need to know what a screwdriver or box wrench is. The same goes for marketing. To be able to market you need to understand the marketing lingo and learn how the market works.

To be able to talk the “lingo” you need to learn marketing terms, contract specifications, how to figure basis, what fundamentals are affecting the



market and what technical analysis is telling you. Marketing terms and trends are all part of what you need to know about the markets. To be able to market you need to know the difference between a cash contract that can be done at the local elevator and a futures contract that needs to be done with a broker. Basis and marketing trends can affect your operation and marketing decisions.

Understanding how the markets work at the Chicago Board of Trade or any of the other exchanges gives you an idea of how prices are set. Learning how to place an order on the Board or at your local elevator is the first step in pulling the trigger. The more you know about how the markets work, the better you will be at selecting the right marketing tool for your operation.

A personal marketing history helps you make better marketing decisions. Keeping track of daily markets provides a benchmark to compare prices and basis to. A good set of records includes prices for different contract months, cash price and basis. The day-to-day record keeping helps focus on the markets for at least five minutes each day and provides an accurate marketing history for your area. These historical records are used to base marketing decisions on in future years.

What you need to know about your operation...

So if we understand how the markets work, the next area to conquer is how does my operation work? Learning about your operation and the costs that it incurs is an important step in marketing.

Almost every operation has a bookkeeper, but there is a difference in having records and using records to make decisions. Putting records into a cost of production worksheet is a simple step. This worksheet can help producers pull the trigger on a price that will make a profit in their operation. Each producer will have a different cost of production. Cost of production can vary on everything from the type of seed you buy to the age of your equipment. If you don't know your cost of production, how will you decide when to sell.

What you need to know about the operation does not stop at the financials. To market, you need to know the production history of the operation, storage capacity, cash flow planning and different points of sale in the area. How much of each commodity will be available to sell in the upcoming year and how much you will be feeding, how many animals will you be producing and what will you be keeping back, are factors that affect your marketing plan.

This analysis of expenses and income helps set a market entry level price. This is a level to start marketing at. By understanding and gathering this information producers know what they have available to market and the price they need.

What you need to know about yourself...

An important, but sometimes overlooked part of marketing are people's emotions. Understanding yourself can be just as good as a sleeping pill to help you sleep at night. Not understanding the emotional side of making marketing decisions can cause marketing paralysis. Everyone is comfortable with different levels of risk. Knowing your risk posture helps in deciding what kind of marketing strategies you feel comfortable using and helps make marketing decisions easier. Having a written marketing plan can take some of the emotion out of marketing decisions.

Can marketing be learned...

The answer is **YES**. The women who have attended the *Women in Ag Marketing Curriculum* are proof that you can learn marketing. *Farm Futures* magazine gave a Marketing IQ test to both their readership and to the women who had attended the *Women in Ag Marketing Curriculum*. While 6% of their readership, which is overwhelmingly men, scored an "A", 14% of the women who had attended the workshop earned a top grade. The women also had more "B" grades by a 43% to 34% margin.

Marketing does not have to be so overwhelming. Just divide and conquer.

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