



Risk Management Education



Florida A&M University

Cooperative Extension Programs

College of Engineering Sciences,
Technology and Agriculture

FACT SHEET

MARKETING FOR THE FARM BUSINESS

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Low farm prices and declining profits have been caused by a number of factors:

- ▶ Declining export demand for agricultural commodities
- ▶ Decreasing value of farmland
- ▶ Increased farm debt
- ▶ Uncertainty of government programs
- ▶ Unpredictable nature of weather and disease

American consumers spend billions for food, and almost 90% go toward value added in production, marketing, and distribution services off the farm.

A large share of the consumer's food dollar is going to services or activities off the farm. In other words, the farmer's real share of the consumer food dollar has dropped.

FACTORS AFFECTING BUSINESS PERFORMANCE FOR SMALL-SCALE FARMS

CONTROLLABLE

- ★ Efficiency/cost
- ★ Size (asset mgmt)
- ★ Risk management
- ★ Management/control
- ★ Information and analysis
 - Technology
- ★ Mix of enterprises
 - Off farm income
- ★ Arrangements used to purchase inputs and sell outputs (contracts, co-op)

UNCONTROLLABLE

- Input prices
- Commodity prices
- Quality of inputs
- Location and reliability of input suppliers/markets
- Economic forces (national, global)
- Economic and environmental regulations
- Variation in output related to weather
- ★ Technology development
- ★ Comparative/absolute advantage with other regions

★ *Primary items Cooperative Extension can provide information, research and/or teach to improve performance*

The small-scale farmer is facing hard times. Solving marketing problems appear to be crucial to long term survival. Unfortunately, most farmers concentrate on production problems and permit marketing to be somewhat of an afterthought.

THE FARM MARKETPLACE

- ☛ Farmers too frequently state that they know how to produce, but need more help with marketing.
- ☛ Large and growing stocks and surplus production of many commodities suggest that farmers are excellent producers, but poor marketers.
- ☛ For many farmers, effective marketing means getting a profitable price for whatever they produce whenever and wherever they want to sell it. Many farmers feel that the market should return a profit for whatever they choose to produce.

FARMER MARKETING STRATEGIES

- ✓ Agricultural producers commonly agree that the marketing problem is low prices for their output.
- ✓ Producers also agree that a better way of marketing their product exists, but they often fail to consider alternative marketing strategies or incorporate marketing as a part of their farm planning process.
- ✓ The significance of marketing becomes more obvious with tight profit margins and survival concerns.
- ✓ Marketing and production management are both important to the farm business.

Farm marketing strategies include basic decisions to include:

- what to produce
- how to prepare products for sale
- when and where to buy and sell
- how to reduce price risk
- when to change the commodity mix of enterprises
- when to cease production.

For new or experienced farmers, a basic question is whether or not a market outlet exists before production is underway.

References:

Marketing Factors Affecting Florida's Food and Agricultural Industries, IFAS Marketing Task Force, 1986
Ikerd, John E., Individual Farmer Marketing Strategies, Cooperative Extension Service, The University of Georgia, 1988
Gibson, Eric, Sell What You Sow! The Grower's Guide to Successful Produce Marketing

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