

The Marketing Plan

In this section you will describe, in general terms, the industry in which you operate. Then detailed information on marketing strategies will be provided. The cow/calf producers of B.C. are facing a perfectly competitive market and have no control over the prices set or the promotion of their products to the end consumers. Thus marketing strategies will include ideas on - how you plan to sell, when you plan to sell, who your buyers are and what criteria they base decisions on, and how your animals will be organized and treated prior to sales.

The marketing plan will review the four P's of marketing: product, price, place and promotion helping to ensure that you have a product that the market wants and one that you can sell at a profit.

You will want to consider and evaluate a number of alternatives in the informal plan before finalizing your marketing plan.

1. The Market

Prepare a schedule which shows the current size of the market. The sample form illustrates how this information can be summarized. Information can be gathered from a number of different sources including the following:

- industry and trade associations
- industry and trade journals
- Statistics Canada publications
- other producers
- discussions with potential customers
- discussions with potential suppliers
- B.C. government business and agriculture advisory services
- university libraries and business resource centres.

2. Industry and Market Trends

Identify major trends affecting the industry or business. This could include information on:

- consumer preferences.
- market sales and growth.
- industry structure and size of operations.
- market organization and pricing, delivery options.
- conventional payment arrangements.
- new technology and production practices.

You can find out about these trends by reading industry journals and discussing with the customers and suppliers what changes they think will occur. Once you have identified the major trends, you need to decide how your business will accommodate them. Our example shows the trends which apply to the Davidson Ranch.

Market Sales Example

Total Beef Cow numbers (in thousands)	Jan. 1 1988	Jan. 1 1989	Jan. 1 1990	Jan. 1 1991
B.C.	217	222	228	233
Canada	3,255	3,368	3,445	3,561
United States	33,112	33,125	33,200	33,620

Trends Example

Major Trends

1. B.C. has 6% of the total number of Beef Cows in Canada and the Canadian total is approximately 10% of that of the U.S.
2. An annual growth rate of 2% from the year previous was witnessed in B.C. and Canada on Jan. 1/91 with 1% seen in the U.S. The Jan. 1/90 growth rates were 3%, 2% and 1% respectively.
3. Cow calf producers are in a perfectly competitive market structure and thus are price takers.
4. Cyclical changes in cattle numbers in North America have occurred over the past 80 years commonly referred to as the "Cattle Cycle."
5. Animal condition, shrinkage and other factors at sale time can have an affect on the price or gross revenue.
6. Price swings for beef fluctuate with seasonal supply and demand differences within a given year.
7. Industry sells primarily through Live Auction Markets. Computer auctioning is beginning to be a feasible marketing alternative for some ranchers as is hedging , direct sales to feedlots and forward contracting.
8. Heavier weaned calves are being sent straight to finishing lots reducing the number of calves suitable for overwintering and summer grazing.
9. Many ranchers look to feeding their own calves through the winter as an option to fall sales.
10. A new grading system that identifies marbling in A grade beef will be introduced in spring 1992.
11. The industry is recognized for a quality product. Improved financial and production practices are being adopted by an increasing number of ranchers to to meet public demands for their products and to follow environmentally sound practices.



3. Political and Legal

Identifying legislation that affects how your products are produced and delivered allows you to react to controls that may impose additional cost or risk, or in fact may help you to reach your goals.

4. Customer Analysis and Response

In this section you will examine the major criteria you think your customers use to buy products you are selling.

Determining who your customers are and knowing their preferences is important as it allows you the opportunity to confirm your thoughts. You may find that your experience and preferences are not the same as those of your customers. It is very easy to transfer personal preferences to others. It is important to remember that the end consumer is the ultimate customer of beef. The feedlot buyers will inform the rancher as to the various market demands either directly or through his purchase selections. It is understanding your customers' preferences, not yours, that will contribute to the success of your business.

Setting targets and strategies will help to define your marketing plan.

Political and Legal Constraints Example

CONSTRAINT	RESPONSE
Rangeland use: regulations and conflicts	Follow regulations as to rangeland use, keep informed of other demands on crown land and become involved with planning committees
Pesticide applicators must be certified	Ensure employees and family members obtain certification
Animal rights and animal welfare activists	Be well informed of activist actions, uphold the highest standard of animal care, educate the public about the industry
Government agencies regulating environment standards and water usage	Maintain suitable environmental standards and water usage methods and codes of practice, keep informed of possible future changes in regulations
New beef grading system for Summer 1992	Raise calves which market from the feedlot as top graded animals with the appropriate fat and marbling

Customer Analysis and Response Example

Customer	Preferences	Strategies
Consumers	lean, tender, good tasting product	appropriate production practices, selection of proper breeds
Auctions buyers	healthy animal, uniform groups of cattle	pre-sale sorting and conditioning, after sale follow-up
Computer buyers	various requirements including accurate description of animals, establishing weigh locations, preferred preconditioned specifications	properly arrange lots before placing up for bid, precondition animals if required

5. Pricing

Prepare a price schedule for each of your products. Price setting is not within control of the individual rancher, however, knowing the historic prices is an important part of planning.

The sample form below provides an example of past prices witnessed at the B.C. Livestock Producers Cooperative Association auction at Kamloops. The actual prices received by the Davidson Ranch for the previous three years are marked on the graphs with an "x." (See next page.)

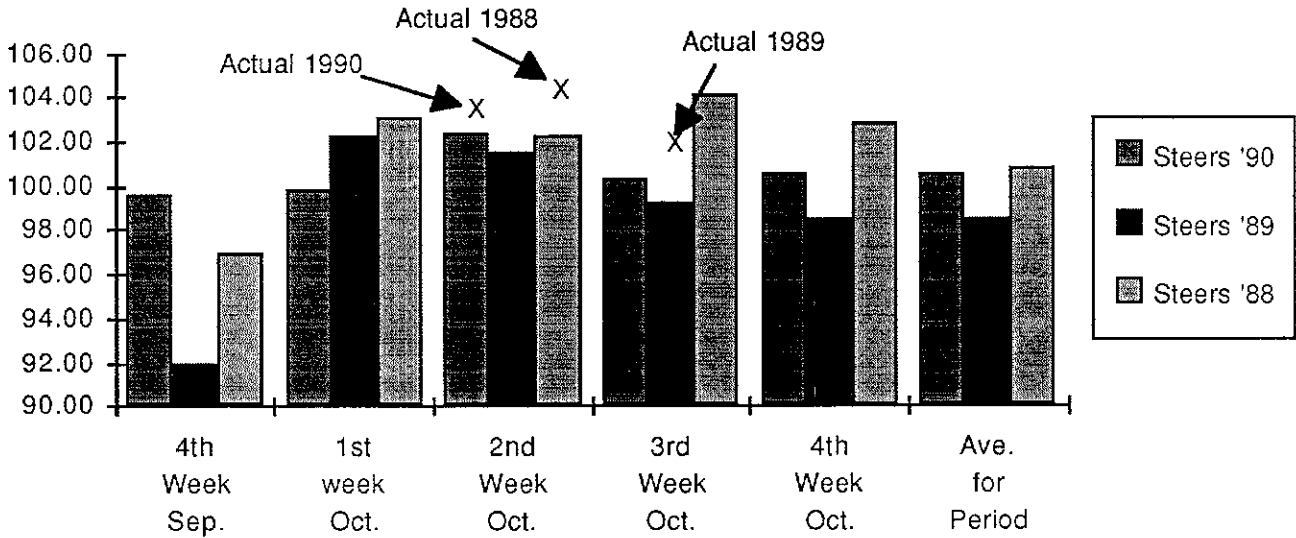
Pricing Example

Historic Prices

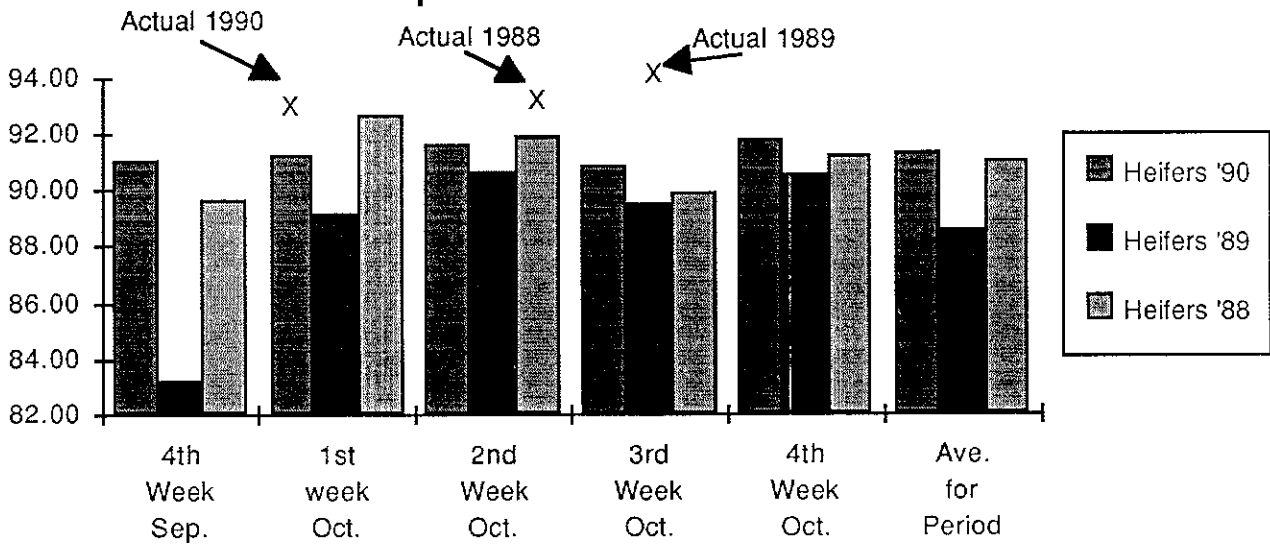
Prices for 500-600 lb Calves						
	4th week September	1st week October	2nd week October	3rd week October	4th week October	Average for Period
Steers '90	99.60	99.85	102.38	100.32	100.56	100.61
Steers '89	91.89	102.17	101.44	99.17	98.48	98.50
Steers '88	96.93	103.05	102.30	104.12	102.80	100.76
Heifers '90	91.05	91.28	91.65	90.83	91.81	91.32
Heifers '89	83.17	89.09	90.63	89.49	90.54	88.58
Heifers '88	89.64	92.62	91.86	89.90	91.24	91.05

Pricing Example (continued)

Graph for Steer Prices



Graph for Heifer Prices



6. Marketing Strategies

This section is critically important. Adopting different marketing strategies is a method of controlling the pricing side of a ranch operation. Various options are available such as computer auctioning, forward contracting, hedging, pre-sorting of livestock and various others. Each rancher must pay special attention to all of the options available and appropriate for his own ranch.

The marketing strategies adopted by a ranch should address both the market trends and the response to customer preferences noted previously. Each producer should study and understand the market he is facing.

The sample form opposite summarizes the marketing strategies of the Davidson Ranch.

Marketing Strategies Example

Marketing Alternative	Advantages	Disadvantages	Objectives
Livestock Auction	familiarity and ease, secure cash flow, sell any size lot	commissions & charges, price uncertainty, animal stress & shrinkage	to market many different animals at one time
Pre-sorted Auction at yard	minimize shrinkage & stress, uniform lot so could attract higher price	few auctions have this option, organization required, sorting fee, commissions and charges	to market better animals in recognizable lots and minimize shrink losses capturing price premium
Computer Auctioning	only sell if the price is right, no pre-sale stress on animals	minimum size of lot requirements, commissions	to keep animals on feed at home until sale is completed