



Marketing Clubs: A Tool for Farmers

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Members of a marketing club are apt to be somewhat alike. This has its advantages and disadvantages.

Similarities	Advantages	Disadvantages
1. farm in the same area	- makes it easy to meet often and limits driving - more likely to know each other	- can be too familiar to each other and stray from the stated purpose of a marketing club - may limit diversity in the group - participants may be hesitant to share information with close neighbors
2. level of expertise	- allows the group to learn more rapidly without having to bring others to their level - makes planning for marketing education easier	- loses the value of farmers learning from each other and allowing some to serve in a teaching role - limits the diversity in the group that strengthens the club - those with less expertise may hesitate to ask questions to help improve their skills
3. by commodity	- can focus on narrow area of interest - make better use of meeting time	- tend to focus less on other commodities that are often interrelated - member may need to belong to more than one club for diversified cropping and livestock
4. based on when they wish to meet (such as morning, evening, weekly, or monthly)	- more likely to have good attendance at club meetings	
5. women (spouses)	- feel more confident with other women - may focus more on the daily routines such as charting and fundamentals	- may not be able to use information to impact on farm decisions

Since the 1970s, agricultural commodity markets have been more volatile than in the past. Now the importance of global factors and government's role make it essential for farmers to focus more of their efforts on marketing their agricultural products. Likewise, comprehensive knowledge of inputs are more critical to profits in farming than ever before in history.

Farmers have used a variety of methods to keep tabs on market fluctuations and how this impacts profit. Because marketing alternatives have become complex, farmers find it harder to function independently with market decisions than with most other technologies in agriculture. Marketing clubs are a popular tool for farmers to band together to learn and to keep current in marketing their commodities.

Marketing clubs are groups of people with a common goal of improving their marketing skills and keeping current on market information by pooling their knowledge while accessing outside resources.

A marketing club should be helpful in the following ways:

- to improve participants' understanding of how markets function, marketing alternatives, and marketing strategies
- to develop timely understanding of fundamentals of the market (supply, demand, and government involvement)
- to learn to understand market reports, analyses, and technicals
- to keep current on government programs' impact on commodity supply and price
- to share individual opinions of the market

A marketing club needs to review its goals periodically so the club continues working on its stated purpose.

How to Organize

Find a group of people who have a high degree of interest and are motivated to act. This is key to starting any marketing club.

A marketing club would be a natural outcome at the completion of an educational program or series of agricultural marketing workshops. By then each person has a basic level of knowledge and may be highly motivated.

Another method is to identify farmers with a keen interest in improving their marketing skills and bring them together to organize a marketing club.

There may be groups currently meeting for another purpose that may wish to switch emphasis to become a marketing club. Don't focus a group on multiple purposes: marketing clubs should meet *only* for marketing purposes.

A Note About Farm Women

Farm women often make marketing decisions more objectively and based on profit opportunities, while men may focus on optimistic outlooks regarding futures prices and fail to take action. Farm women should be involved in marketing education and marketing decisions.

How Often Should Clubs Meet?

Marketing clubs may meet monthly or as often as weekly, especially at critical decision times. Those meeting often will have a better opportunity to use technical analysis (charting) to make marketing decisions and will likely make more direct decisions as a group. Clubs meeting only monthly will miss major events that create market price shifts for short time periods. By meeting often, clubs can focus effectively on how to use market fundamentals, alternatives, and government programs.

Frequent meeting times are important from planting to harvest, when forward pricing can provide pricing benefits, rather than after harvest. For this reason, marketing clubs should meet year-round. Keep in mind, clubs meeting to discuss after-the-fact information often miss pricing opportunities.

Closed or Open Group

Most groups have a tendency to allow new members at any time. With a marketing club, as the group grows in marketing knowledge, it matures in its ability to make decisions and to reduce risk. Likewise, the group, as it becomes familiar, will build a relationship of trust with each other. It may take a year or longer to accomplish this. If the group admits new people constantly, this limits the group's knowledge level and maturity.

Allow open membership for a short period of time and then close it so the group can progress in marketing knowledge and action. (Form a new group if enough interest warrants.)

Size of Group

Closing the club's membership has another advantage, that of small size. Experts in group dynamics indicate that when a group grows to more than seven people, group dynamics change. Some members will not enter the discussion while others will dominate at times. Clubs need to be large enough to function when some members miss a meeting, but small enough for all members to participate. Membership up to 12 people may be most ideal and allows for healthy interaction even when some cannot attend. Small groups will also make finding a place to meet much easier.

Organizing Marketing Clubs

The initiative for starting a club may come from various sources: extension agents, grain elevator marketing people, livestock marketing people, vocational agriculture instructors, brokers, credit people, commodity leaders, or leading farmers.

Depending on the organizer's marketing competence, this effort may merely get the group going or it may lead to continuing as a resource person. Marketing clubs are most effective when the membership takes ownership of the group and shares in the responsibilities.

Extension Service Role

For a county extension agent, marketing clubs can be an effective tool in improving county producers' knowledge of marketing alternatives as well as creating a climate for continuous education. As in many other organized agricultural groups, the county extension agent can be the catalyst in organizing marketing clubs. Later marketing clubs can be helpful spinoffs for other agricultural programs.

After a club is organized, the agent can let the group function independently or may continue to participate to provide it with education and resources. Agents who want to stay current in marketing and marketing trends will want to participate on a continuing basis.

Avoid serving as the chairperson or facilitator because the success of the group depends on you. Rather, serve as the person to raise key questions and to find resource people and program information. If you do some teaching at meetings, be sure to allow time for interaction on the current status of markets so participants have an opportunity to learn from others and to take action.

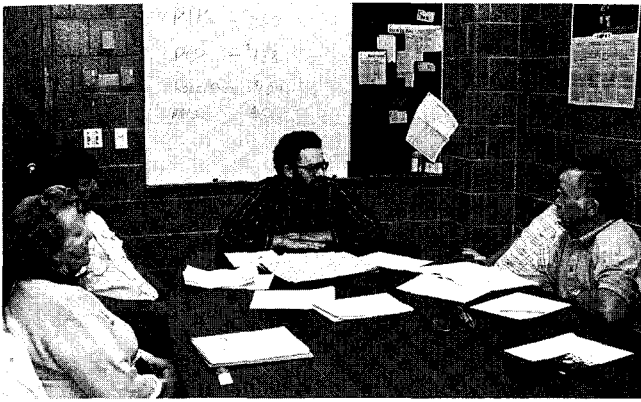
Members' Roles

Each member must carry some of the responsibility. First of all, each participant needs to be an observer of market information and to form opinions which can be added to the discussion. Here are a number of other roles that members can play:

1. Facilitator—Someone needs to bring the group together and to serve as chairperson, although a formal organizational structure is not necessary. This person may be a farmer or another person in agribusiness.

2. Commodity Committees—If the marketing club plans to focus on several commodities, ideally two people could serve as a commodity committee to bring knowledge on that commodity to the group. They should meet shortly before each marketing club meeting to prepare to lead the discussion on that commodity.

3. Charting—Some participants may prefer keep-



Small group meetings can be an excellent way of keeping on target with commodity marketing. (Photo by Warren N. Sifferath)

ing charts of one or more commodities. These are needed for technical analysis of the commodity. Charting basis is also valuable for the group. Basis for the past four years is essential historical information when making forward pricing decisions. Clubs that do not chart as part of their activities will not be as effective in making decisions.

4. Price Analysts—It is valuable to have price quotes offered for commodities for different months as well as value of PIK certificates. This responsibility of acquiring price quotes and logging these quotes should be done by participants.

5. Secure Resource People—The club will, at times, want to invite outside resource people to speak. Some members may have a special ability to identify and secure such resource people.

6. Teaching—Some participants may understand certain aspects of marketing or are willing to study and present the information to the group.

Topics that may be taught include:

- hedging and hedging strategies
- market alternatives and comparisons
- basis
- options and option strategies
- margin calls
- reading futures market information on price, open interest, and volume
- charting
- technical analysis—such as trend lines, point and figure charts, moving averages, etc.
- cycles
- PIK strategies
- government programs
- calculating cost of production
- other timely topics

Meetings

Marketing clubs can meet anywhere as long as the space permits adequate group discussion and

learning without outside distractions. Public places, such as the coffee shop, may present outside influences that limit the ability of the group to function properly.

Meetings should be held regularly. This allows everyone to know the meeting schedule even if they miss a meeting. Begin and end on time: usually two hours is sufficient to cover necessary discussion. Failure to begin and end on time and to keep discussion relevant can ruin the health of the club. The facilitator or chairperson should have thought through the meeting in advance. A written agenda with key points could be helpful if circulated at the start of the meeting to stay on track. Members should also be allowed to add topics they would like discussed. Individual participants may be assigned a topic to discuss.

As an example, half of the meeting might be spent on opinions of market forces, such as technical, fundamentals, and government programs and their implications for pricing opportunities. The other half can be used to improve participants' understanding of marketing.

The facilitator or chairperson should keep the group discussion focused on the topic and keep all participants involved in the discussion. Side discussions between two or three people only inhibit the value of all, learning together. The facilitator or group chairperson may need to shift some topics to a future meeting to assure that all timely topics can be covered.

One good technique, while discussing a commodity, is to have the group come to a consensus on what the current marketing strategy should be. Each participant needs to decide whether or not to take action based on that strategy. Some small producers may choose to join with the other participants in a futures or option contract to take advantage of market opportunities collectively.

Resources

Resources can help to improve the knowledge of the group and can come in the form of talks, printed or visual materials. Make sure in advance that these meeting additions are worth members' time.

Suggested resources include:

- participants with special knowledge of a subject or willing to prepare a particular topic
- specialized county extension agents or area agents
- other educators
- grain and livestock marketing people
- commodity brokers who work with farmers
- credit people
- people from other marketing groups
- video tapes

The Farm Credit Services of St. Paul has a series of 12 video tapes that could be a resource for the group. Contact your Farm Credit Services' local office or marketing specialist at the Department of Agricultural and Applied Economics, University of Minnesota.

Publications from the trading houses

Chicago Mercantile Exchange
Public Information and Marketing
30 South Wacker Drive
Chicago, IL 60606

Chicago Board of Trade
Education and Publication Service Dept.
LaSalle at Jackson
Chicago, IL 60604

Mid-America Commodity Exchange
175 West Jackson Blvd.
Chicago, IL 60604

Books on marketing

Some helpful books include:

Marketing For Farmers by Gene Futrell, Doane Western Publishers.

Economics of Futures Trading For Commercial and Personal Profit by Thomas Hieronymus, Commodity Research Bureau, Inc.

Agricultural Marketing: Systems, Coordination, Cash and Futures Prices by Wayne Purcell, Prentice Hall Company.

Technical Analysis of the Futures Market by Murphy.

The Handbook of Commodity Cycles: A Window on Time by Jacob Bernstein, John Wiley and Sons Publications.

Contrary Opinion by R. Earl Hadady, Hadady Publications, Inc.

Extension publications:

A series of producer marketing management fact sheets produced by North Central Regional Publications have been developed focusing on marketing. The series by title includes:

Primer on Agricultural Options
AG-FO-2556 Fact Sheet 217-1

Deferred Pricing Alternatives for Grain
AG-FO-2555 Fact Sheet 217-2

Using Seasonal Cash Price Patterns for Selling Decisions on Corn, Soybeans and Wheat
AG-FO-2854 Fact Sheet 217-3

Developing Marketing Strategies and Keeping Records on Corn, Soybeans and Wheat
AG-BU-2935 Fact Sheet 217-4

Understanding and Using Basis for Livestock
AG-BU-3031 Fact Sheet 217-5

Delivering on a Live Cattle Futures Contract
AG-FO-3033 Fact Sheet 217-6

Delivering on a Hog Futures Contract
AG-FO-3032 Fact Sheet 217-7

Understanding and Using Basis for Grains
AG-FO-3173 Fact Sheet 217-8

Minimum Price Contract—A New Marketing Alternative
AG-FO-3197 Fact Sheet 217-9

Seasonality of Cattle Prices
AG-FO-3262 Fact Sheet 217-10

Seasonality of Hog Prices
AG-FO-3263 Fact Sheet 217-11

Publications are available from the County Extension Office.

Summary

- Keep the size to about 12 or less to insure discussion from everyone. If more wish to join, start another group.
- Keep insisting members show up. Poor attendance will be the club's downfall.
- Keep meetings on the subject. Sharing war stories will assure the club's downfall.
- Don't force participants to take action. Each person needs to make individual decisions.
- Don't lay blame on members. Members are responsible for their own actions and blaming others will only make people stop sharing opinions.
- Everyone should feel comfortable about asking questions or seeking opinions.
- When brokers or buyers attend don't put them on the spot or use club meetings to do private business.
- Keep meetings on an informational and educational level.
- Start and end on time.
- Keep meeting at a private meeting place. Outside influence will limit effectiveness.
- Keep in mind the educational goals of the group for future meetings.

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