

Agricultural Marketing Guide >>



Marketing Clubs – A Way to Make a Difference

Introduction

Marketing clubs, offer a good way for producers to improve their marketing skills. Very successful clubs in the US and western Canada rely on the idea of exchanging help with neighbors much like in the old days of barn raisings and threshing crews. It is the pooling and sharing of this marketing talent through planned activities those results in better farm income.

A study of northeast Nebraska farms found that historically 80% of producers consistently received prices in the bottom one-third of the yearly price range for their crops. The same northeast Nebraska study found that 75% of the increased profit on study farms could be made through improved marketing efficiency, while profit increases of only 25% could be made through increased production. The Nebraska study results, though not directly applicable to Alberta, give an idea of the improvement that can be made in farm incomes without counting on farm product price increases or increasing farm inputs.

How do marketing clubs help their members?

Successful clubs talk over each member's marketing problems and look for solutions. Members compare strategies and learn about various marketing techniques, tips and "lingo" discovered through personal experience. Many people have picked up useful marketing ideas from the school of hard knocks.

Successful clubs invite guest speakers or specialists from the grain or livestock industry, commodity markets, or banks to help understand more complicated areas. Money saving ideas like speakerphones and conference calls are used instead of having speakers "in the flesh."

A survey in 1998 of 170 members of 13 marketing clubs in Alberta found that the main benefits of belonging to a marketing club, in decreasing order of importance were:

- Increased access to market information.
- Open discussion to share marketing expertise and strategies.
- Social interaction to meet and build trust with other producers or agribusiness staff.
- Formation of information and business networks lead to business relationships for both purchasing and sales.
- Club organization and activities

Clubs may either be formally organized with a chairman, executive and club dues or operate informally with no structure to keep things on track. Experience shows that more formal clubs

with a chairman and small executive last longer and take the subject more seriously. Successful clubs are often made up of more than farmers. They often include agricultural lenders and other agribusiness people.

Successful clubs meet regularly. Many meet for breakfast meetings, sometimes as often as twice a month, year around, especially in the first year or two. They feel that marketing is a year round activity and they cannot afford to get behind in knowing what is happening.

Marketing Club Goals and Objectives

Nebraska and Alberta clubs have found that, without specified goals and organization, a club doesn't last long.

Successful clubs usually set six goals that include:

- To consistently market their products in the top one-third of farm prices for the year.
- To develop know-how on marketing strategies, marketing terms and jargon and to understand market information and available marketing tools such as contracting and hedging.
- To split up responsibilities and share help in understanding and reporting of commodity price cycles, trends, and outlook analysis.
- To meet regularly - at least once a month - to update each other on strategies and market developments.
- To work jointly on cost of production figures, marketing goals, and marketing strategies.
- To continually evaluate the marketing progress of members and figure ways to improve marketing strategies.

Stages of a Club

Nebraska and Alberta experience show that marketing clubs usually follow four stages over roughly four years.

Year one: watching the markets

- learning the technical theories
- learning marketing terminology
- answering specific marketing questions
- learning talents of club members
- sharing knowledge and marketing techniques

Year two: learning when to "Pull The Marketing Trigger"

- learning practical applications of the theories.
- gaining confidence
- developing Producer Marketing Plans
- using knowledge and practice what is learned

Year three: sharpening skills

- members specialize in certain commodities

- marketing conferences between clubs

Year four: new goals and tasks

- less formal meetings, more market strategizing
- learn to understand and use government policies

Of course these stages are suggestions and each club may take an entirely different approach.

Marketing Club Ten Commandments

The first Nebraska marketing club drew up a list of rules of membership. Other clubs have generally adopted these rules.

- No Speculation: Members are not encouraged to use their new-found knowledge to speculate because, if losses occur, they may be large.
- Written Marketing Plans: Members develop a confidential, written plan that encourages producer discipline and forces calculated decisions. Understanding marketing is of little value if new ideas and knowledge aren't used.
- Club Dues: Dues allow purchase of resources such as books or payment of speakers. It encourages producers to take the club seriously.
- Meetings Strictly Business: It was found to be good to have a social time before or after the meeting but not during. Keeping a meeting on track requires a strict chairman.
- Confidentiality: Meeting discussions and decisions remain confidential to protect members and to encourage other producers to join rather than hear the news "on the street."
- Open Membership: Clubs are open to all interested producers not just "the good old boys" of the community.
- Assignments Rotated: Special assignments, reports or commodity assignments are rotated to maintain interest.
- No Drinking: No alcohol is allowed at meetings. Many clubs do not allow smoking either.
- Maintain a Resource and Meeting Center: Successful clubs developed a place where all price charts, books and other material is preferably in the same place as meetings are held.
- Elect Officers and Conduct Evaluation: Groups need at least a strong chairperson. Annual evaluations of the club's progress are important because "you need to know what you've accomplished and what needs to be improved."

How to Begin

Members of successful marketing clubs in Alberta and Nebraska make these recommendations about prospective club members:

- Size: Keep the group big enough that at least two members can "watch" a commodity but small enough it doesn't become impersonal.

- Temperment: Pick people who can disagree agreeably. The strength of a marketing group is in discussion. A group sceptic is helpful so that everyone doesn't jump on the same bandwagon without thinking.
- Diversity: Ask bankers, grain company staff, livestock marketers and spouses to get involved.
- Direction: Start by defining the goals of the group because without goals a group soon flounders. Goals may be as simple as learning marketing jargon or as ambitious as selling canola for \$5.00 a tonne more than neighbors.
- Focus: Focus the group's actions on locking in long-term profits and prices rather than what's likely to happen over the next few weeks.

So what's it mean to me?

Membership in a serious, successful marketing club has been shown to be a way to improve farm income. Members of successful Alberta clubs have found the investment in time pays back handsomely. Club members generally make more astute marketing decisions.

A marketing club is a long-term project that requires a time commitment to organize and keep active. Time limitations may spell doom for an otherwise useful club if the membership depends on outside persons, like grain buyers or ag lenders, to keep the ball rolling. Clubs, which have remained active over the long term, are member organized and run. For those reasons it is wise to encourage club members to "run their own affairs" with assistance provided by others when it's needed.

Summary

Marketing clubs can be a useful way to discuss strategies and opinions on commodity markets. Regular meetings enable producers to exchange ideas that have been acquired through individual personal experiences. Effective marketing clubs follow a list of rules in order to keep the group focused. Participation in a marketing club has been shown to be a way to improve farm incomes.

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