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The Five-Step Marketing Plan: Profit-Focused Marketing

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Introduction

Marketing is a challenging task – if you want it to be. Trying to gauge the optimal time to sell row crop commodities such as corn, soybeans and wheat is almost impossible if your goal is to hit the marketing year high. This would require knowledge of where prices are going – up or down and by how much – and if you had such knowledge, you'd be better off speculating on prices while sitting on the beach at some luxury resort, rather than farming.

Luckily, some basic guidelines can help you sell consistently at profitable levels. These guidelines form the basis of a marketing plan, which is referred to as "Profit-based Marketing." This chapter lays out how to develop a marketing plan and sell your crops profitably in your local cash market. We focus attention on selling grain through cash contracts (e.g., forward contracts) during the pre-harvest window.

The 5-Step Marketing Plan

Profit-based Marketing is a five-step plan designed to aid decisions such as when to sell, at what price to sell and how much to sell during the pre-harvest marketing window (early spring through early fall for Arkansas row crops). The five-step plan reaffirms marketing discipline through conservative production estimates, anchoring decisions on production costs, setting a profit benchmark, and executing sales. The following sections provide detailed examples of how to establish a marketing plan. Furthermore, marketing outlines are provided at the end for on-farm use.

Step 1: Estimate Production

Estimating production means forecasting how many bushels of a crop you will have to sell at harvest. By doing so, one can make a more informed on-farm marketing decision. This number is determined by multiplying the number of acres you are going to plant (or have already planted) by an estimate of your yield.

It's important to note that yield estimates must be conservative to minimize non-delivery risk at harvest (more on this later). Yield estimates can be derived from various sources, such as the farm's actual production history (APH) or a five-year average based on on-farm yield records. Regardless of how a farmer chooses to estimate their yield, it's important that the data is accurate and can be reasonably achieved. Using acres and yield estimates, you can determine how many bushels to market during the pre-harvest window through a cash-forward contract with your local elevator.

Consider the following scenario in Table 1. In this example, a farmer is interested in marketing their crop in the pre-harvest window. The farmer has just finished planting 1,000 acres and records the crop's respective acreage. Based on recent harvest records, the farmer conservatively expects their corn and soybeans to yield 180 bushels per acre and 50 bushels per acre, respectively. Based on this information, they estimate having 90,000 bushels of corn and 25,000 bushels of soybeans to sell at harvest. With this information in hand, the farmer has a reasonable expectation (assuming no catastrophic losses) for this season's production.

Table 1. Estimating On-Farm Production

Crop	Acres		Expected Yield (bu/ac)	Expected Bushels to Sell
Corn	500	x	180	**= 90,000**
Soybeans	500	x	50	**= 25,000**

Step 2. Determine Production Cost ($/acre)

Upon estimating on-farm production, the next step is to determine production costs per acre. In this case, we only consider per-acre variable costs and exclude non-cash expenses, such as depreciation. To accurately estimate production costs, a user should refer to their own on-farm budgets or utilize the University of Arkansas's crop enterprise budgets (available for free here), which provide detailed estimated costs per acre for the average Arkansas farm (Loy et al., 2024).

Continuing through our example, consider Table 2 below. In this scenario, the farmer used the University's enterprise budgets to develop an estimated production cost for their corn and soybeans. They estimate that production expenses amount to roughly $835/acre and $605/acre for corn and soybeans, respectively. Using this information, the farmer can now determine a target profit margin, which will be used to calculate their target price to contract.

Table 2. Estimated Corn and Soybean Production Costs, Source: UADA Enterprise Budgets, 2025

Costs ($/acre)	Corn	Soybeans
Land Expense	$150	$150
Seed	$134	$72
Fertilizer	$333	$120
Herbicide[1]	$62	$156
Drying	$34	-
Labor	$11	$10
Fuel	$63	$54
Repairs & Maintenance[2]	$48	$43
Total Production Cost	**$835**	**$605**

[1]Soybean herbicide cost also includes insecticides and fungicides
[2]This category also includes operating capital interest

Step 3. Set a Profit (or Breakeven) Goal

Picking a profitable goal is the most subjective part of the marketing plan. While setting a profit target takes knowing where prices are going to go out of the picture, it's necessary to have some knowledge of what a good profit level is, as well as how realistic it will be to achieve that goal in the current economic climate.

For example: What is the farm's profitability range historically? Setting your cur-

rent profit goal within this range of returns is a good first step. Alternatively, a farmer may also ask themselves: What annualized return could one get in an alternative investment instead of investing that money in producing crops? This could be used as a benchmark to help you determine a reasonable profit goal. Furthermore, the profit margin should account for line items such as family living expenses, debt service or business growth needs.

The desired per-acre profit margin is treated as an additional production cost item. Essentially, the profit is baked into expenses to ensure they are covered when calculating a target price. Table 3 below continues the example from this chapter. Based on the farmer's needs, they estimate that a $100/acre profit margin is reasonable. The farmer includes this profit margin in their estimated production costs and can now determine a target price for their commodities to reach this goal (see Table 3 below).

Table 3. Setting a Target Profit Margin

Crop	Est. Production Expenses	Target Profit Margin	Total "Cost"
Corn	$835.00	$100.00	**$935.00**
Soybeans	$605.00	$100.00	**$705.00**

Step 4. Calculate a Target Price

Calculating a target price works exactly like calculating breakeven prices (as previously discussed in the Enterprise Budget Factsheet). At this point, the farmer has estimated their expected per-acre yield, determined their costs, and has "baked in" a profit margin based on their needs throughout the year. Using this information, they must now determine the per-bushel price necessary to cover expenses and profit margin.

Referring to Table 4 below, the farmer calculates a target price of $5.19/bu and $14.10/bu for their corn and soybeans, respectively. It's worth noting that in today's agricultural economy, receiving that target price for either commodity is a long shot. Again, this example is just for illustrative purposes, and the profit margin can be adjusted downward to ensure that target price expectations are realistic. In many cases, especially in the current climate, excluding a profit margin and calculating a target price only at breakeven (i.e., a price that exactly covers expenses) is a reasonable approach.

Table 4. Calculating a Target Price

Crop	Expenses + Profit Margin		Est. Yield per Acre	Target Price
Corn	$935.00	÷	180	**= $5.19**
Soybeans	$705.00	÷	50	**= $14.10**

Step 5. Lock in the Target Price!

Immediately act and lock in the target price with a target contract, a forward contract, or a futures hedge (more on these contracts later). This final step ensures that a profitable price is locked in, removing price risk and uncertainty from your operation. Targets, forwards, and futures all allow you to fix or lock in a price before you deliver your grain. In subsequent chapters, we discuss in detail the specifics of how these types of strategies work.

Conclusion

Marketing grain is never easy. Having a plan — and sticking with it — is the best way to manage prices associated with volatile markets. Setting price targets to forward contact grain early in the calendar year will give you the best chance of marketing your grain at profitable levels. Determining what profit levels you need and setting

price targets based on these goals will take subjective speculation about where prices are going to go out of the picture and ensure that you make the best marketing decisions in current economic conditions.

Procrastinating in the hope that prices will increase is a bad decision; more often than not this strategy will leave you selling the bulk of your grain at harvest time, when prices may be at their lowest. If you set profitable price targets and they hit, this is a good thing. Don't regret making this choice because prices are going even higher. FOMO — the "fear of missing out" — is not a good way to market grain. You can always sell more grain when you hit your targets – either for delivery this year or next. And if your targets don't hit because prices remain low all year, the worst thing that can happen is that you must sell all your grain during the harvest or post-harvest period — something you'd likely have to do with no marketing plan in place anyway. By choosing to lock in profitable prices during the pre-harvest marketing window, you reduce uncertainty and anxiety over what prices may do. It's a good feeling to be done with something after having accomplished your goals.

My Marketing Plan

Instructions: *Use this page to help build your profit-based marketing plan. Work through each step in order. Be conservative in your estimates, realistic in your goals, and disciplined in execution.*

STEP 1: Estimate Production:

Crop	Acres	Expected Yield (bu/ac)	Expected Bushels to Sell

*Note: Expected Bushels = Acres * Expected Yield (bu/acre)

STEP 2: Determine Costs Per Acre:

Cost Category	$/acre	Notes
Operating		
Fixed		
Overhead		
Total Expenses		

*Note: The example given only considered operating costs. Please consider any relevant costs in your calculations. Notes section is provided for multiple crop calculations.

STEP 3: Set a Profit Goal:

Crop	Est. Expenses (Step 2)	Target Profit Margin	Total "Cost"

*Note: Add estimated expenses (step 2) to the target profit margin to calculate total "cost."

STEP 3: Set a Profit Goal:

Crop	Expenses + Profit Margin (Step 3)	Est. Yield per Acre (Step 1)	Target Price

*Note: Target Price = $\frac{(Expenses + Profit\ Margin)}{(Est.\ Yield\ per\ acre)}$

STEP 5: Lock in Target Price with a Contract!

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