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Master Marketer Newsletter

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Texas Cooperative Extension, The Texas A&M University System



Choice Website

The choice website for this issue is the National Ag Risk Education Library at <http://www.agrisk.umn.edu/>. Based at the University of Minnesota, this web site is a national site containing risk management education materials from across the country. The Ag Risk Library serves as a national risk management publication clearinghouse and can be a useful tool for producers and others looking for quick and understandable risk management information. Texas Cooperative Extension is well represented, as the 80+ risk management fact sheets contained in our Risk Management Education Curriculum Guide are available on the risk library site.

Listed within the site are many fact sheets on price and production risk, marketing plans, financial risk, legal risk, and crop insurance. The Ag Risk Library contains a wealth of instructional information that is well organized. Start by clicking on "Ag Risk Library" on the left side. This takes you to a page that lists the risk topics available for you to choose from.



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Master Marketer Highlights

Vernon Master Marketer Program

The next Master Marketer Program will be held in Vernon. The first regular 2-day session will be January 20-21, 2004, with the futures and options leveling workshop on January 19, 2004. By the time this newsletter is distributed, there may still be room for more participants. If you know of anyone qualified and interested, please have them contact Stan Bevers as soon as possible at (940) 552-9941.

Advanced Topic Series (ATS) Workshops

The ATS is a series of one and two day short courses designed around the important marketing and management issues producers say are most important to their success. Five different types of short courses have been developed and will be offered to producers at various locations around the state beginning in December 2003. The courses were specifically designed for Master Marketer graduates or anyone prepared to participate in advance workshops. The courses include Developing This Year's Marketing Plan, Pulling the Trigger, Advanced Futures and Options, Advanced Technical Analysis and Evaluating Crop Insurance Alternatives. The course instructors are leaders in their fields and expert communicators. For more information you can call Steve Amosson at (806) 677-5600 or Mark Waller at (979) 845-8011. More details regarding times and locations are available on the Master Marketer Website at <http://mastermarketer.tamu.edu>.

Master Marketer for Ag Lenders

The Master Marketer for Ag Lenders program will be offered in June 2004 in Dallas. This is an in-depth risk management program designed specifically for lenders who work with agricultural producers and agribusinesses. It would be very helpful in marketing this program if you would suggest this program to lenders who need to gain a better understanding of the risk management tools farmers and ranchers use. Any lenders interested in attending can contact Jackie Smith at 806-746-6101.

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Marketing Club Corner

By Rob Borchardt

As promised, I'd like to highlight the Ochiltree County marketing club. Ochiltree County is located in the Northern panhandle and borders Oklahoma. As you may remember from the last newsletter, Scott Strawn (CEA-Ag in Ochiltree County) was the winner of the 2003 County Extension Agent of the Year Award for Marketing Club Support. And with good reason! Scott was instrumental in starting one of the most successful clubs ever. The club began in 1996 after a couple of producers came back from the Master Marketer program and contacted Scott about starting a club. That club lasted about a year and was very typical of most clubs. They started out meeting monthly and covering the suggested topics. At about the 1-year mark, attendance dropped off and they disbanded. Three years later, Ochiltree County had a couple more producers go through Master Marketer and the club was revived, but only for a few months. It wasn't until the third Amarillo Master Marketer program (2002) that things began to change. One of the graduates from the 1996 program, Danny Krienke, offered to pay the tuition for anyone from the county who signed up for Master Marketer and didn't get their moneys worth. That guarantee attracted seven producers from Ochiltree County to the 2002 Master Marketer program and Danny did not have to backup his guarantee. Those seven came back and joined with the previous graduates and Scott to form a very successful marketing club. Scott shared with me how they got started. He and the club made a commitment to each other that they would meet for six weeks and then re-evaluate whether to keep meeting. That was over a year ago.

The current club has been meeting weekly since March of 2002 and attendance is still remarkable. The only time they don't meet is during the summer months so the mem-

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Guest Column

Alan Brugler is President of Brugler Marketing & Management LLC in Omaha, NE. He is a registered Commodity Trading Advisor, and the instructor for the Advanced Technical Analysis courses offered through the Master Marketer ATS program.



There is a trade axiom that says “buy the rumor, sell the fact.” There is also one that says “If you trade the news, you lose.” Both have been applicable to the cattle and cotton markets over the past few months. In cattle, we had the BSE animal in Alberta last spring. That resulted in a sharp decline in the cattle market from mid-May to early July on consumer demand worries. Ultimately imports of all Canadian cattle and beef were halted for 4 months. Then the market rallied on the realization that the U.S. beef supplies alone couldn’t meet consumer demand. Later the market was torpedoed by changes in the daily price limits and margins at the CME. We have had record wide choice/select spreads in the past few months, record high futures and cash cattle prices, and record high beef prices.

In cotton, we have a larger U.S. cotton crop of 18.22 million bales, according to the November USDA report. USDA has raised and then lowered projected U.S. ending stocks and world stocks over the past few months. The world stocks for cotton are now projected (by USDA) to be the tightest relative to demand since 1994/95. China has been a mammoth buyer in the world market. Futures rallied from 51.65 to 84.80 in 10 months, and then lost 14% of that gain in less than two weeks.

While in hindsight it is easy to say that the best strategy was to ignore the markets, feed cattle (or grow cotton) and market them when they were ready, but that was extremely difficult to do in the real world. It was also a very challenging market for hedgers and for speculative traders alike.

Can you predict the next news event? Can you predict when the funds will exit their long positions? Does 75 or 80 cent cotton reflect the tight world stocks situation? At Brugler Marketing, we favor two other trade axioms: “traders open their wallet before they open their month”, and “the news is always the most bullish at the top.” We believe that sound fundamental analysis can get you to profitable levels, but it takes discipline to sell there. Technical analysis plays a role in that discipline for a lot of ag producers.

What are some lessons we may have learned from the cattle and cotton markets of 2003?

- 1) The trend is your friend.
- 2) Trend following technical systems worked very well on the long term charts.
- 3) “High” and “Low” prices are relative terms.
- 4) The presence of large pools of spec or commodity trading fund money can exaggerate price moves.
- 5) Put options and spreads are very cheap price insurance in a major bull move, relative to hedging with futures.

Here’s a very simple technical system that works well in trending markets like we have seen in cattle, cotton, soybeans and several other commodities this past year. It’s a simple MACD plot on a weekly continuation chart, taken from the free side of www.barchart.com. With MACD, you buy when the signal line crosses the MACD line, shown on this histogram as the point at which the bars point up from zero rather than pointing down. You require more aggressive hedge coverage when the histogram crosses to the negative numbers.



As always, we remind you that there is a risk of loss in trading futures and options, just as there is in the production of the physical commodity. Past performance of an advisor or an analysis system is not necessarily an indicator of future success!

FARM Assistance Update

Participants in the Tomorrow’s Top Agricultural Producers (TTAP) program just completed the 3rd session of the program which included a FARM Assistance analysis of each participant’s operation. Developing a FARM Assistance analysis served two purposes for the participants: 1) get the participants – most of whom are early in their careers – thinking about long-range planning and the challenges related to it, and 2) it yielded an in-depth, long-range financial analysis that is a component of the business plan they are each putting together. Working through this process with this group reminds me of how important long-range planning is, and how important some decisions are – especially those big decisions made early in our careers that can impact our businesses and our lives for years to come.

For the past couple of years we have been placing increased emphasis on marketing the FARM Assistance program to cattle producers. This effort started when Will Phinzy joined our group as the risk management specialist in Uvalde. A major part of Will’s efforts are directed towards working with cattle producers. Recently we partnered with the Texas & Southwestern Cattle Raisers Association (TSCRA) and received a grant that allows TSCRA members to receive a \$100 discount off the \$250 FARM Assistance subscription fee. This effort provides an educational benefit to TSCRA’s members and allows us to work with more producers in the cattle industry, which is a vital part of Texas agriculture.

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Tomorrow’s Top Ag Producers Program (TTAP)

The third of four sessions was completed on November 13, 2003 in Dallas with the participants having just completed their FARM Assistance risk management analysis for their individual operations. Session 3 was devoted to exploring a variety of risk management tools, with an emphasis on marketing. The final session of the 14 month program will be January 12-15, 2004, in Kerrville.

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bers can concentrate on production. From fall through spring, they meet every Tuesday evening at 7:00 p.m. in a private room at a local restaurant. They eat the buffet and begin the meeting by 7:45. One reason for meeting weekly is so the members can stay in touch with each other in order to participate in the options market. When they began trading, they all pitched in about \$100. As other members joined the group, they were allowed to “buy shares of the account” in order to participate in the marketing experience. The club trades only the commodities grown in the county and they have made both “winning” and “losing” trades.

When I asked Scott how they line up that many speakers and keep people coming, he said: “We have gotten past the point of speakers. Occasionally we’ll have outside speakers, but mostly we meet and share thoughts, strategies, newsletters, and other commentaries and come up with a consensus about the market. Sometimes, we have to agree to disagree, but the majority always rules.” While the club is now semi-closed, the members are very open to each other’s ideas. The things that make this club successful are many, but certainly include desire, commitment and leadership. Having been to several of their meetings, I can tell you that the knowledge gained and relationships formed from this experience will far outlast the club.

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