

# Master Marketer Newsletter

<http://mastermarketer.tamu.edu>  
Volume 7 • Issue 4 • December 2007

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## Master Marketer Highlights

### Master Marketer Scheduled for Vernon-January 2008

The next Master Marketer program is scheduled for January-February 2008 in Vernon, Texas. The specific dates for the program sessions are: leveling workshop, January 15; Session I, January 16-17; Session II, January 30-31; Session III, February 13-14; and Session IV, February 27-28. The brochure for the program can be found on the Master Marketer website at <http://mastermarketer.tamu.edu/location/brochure/vernon2008brochure.pdf>. For the first time this year, participants will be allowed to use a credit card and register over the internet by going to <http://tcevents.tamu.edu/>. Stan Bevers, the District Economist at the Vernon Research and Extension Center will be coordinating the planning for the meeting since it will be held there at the Vernon Research and Extension Center. The physical location of the facility is 11708 US Hwy 70 S., Vernon, Texas. Space is still available, and the deadline for signing-up is not until January 7, 2008. If you know someone who would like to attend the program please let them know, or call Stan with their contact information at (940) 552-9941.

### Livestock Risk Management Workshops

During October and November 2007, two Livestock Risk Management Workshops were held in partial fulfillment of a partnership with USDA-RMA. The first workshop was held October 22 at the Vernon A&M Center, while the second was held at the MIR Center, Angelo State University, San Angelo. Knowledge gained by the participants of both workshops was determined using a pre- and post-test. The tests consisted of 10 questions related to the livestock risk management insurance products covered. Overall, participants increased correct responses by 114% from pre- to post-test.

### Gainesville Master Marketer 2005: 2 1/2 Year Post-Evaluation Progress

Emmy Williams has been working with Blake Bennett to wrap up the 2 1/2 year post-evaluation of Master Marketer graduates from the Gainesville 2005 class. For those of you who were part of that class, and may not have turned in your evaluations yet, Blake will likely be contacting you in the near future, if he has not done so already. We are currently around a 50% response rate, and would like to get as close to 100% as possible.

## Marketing Club Corner



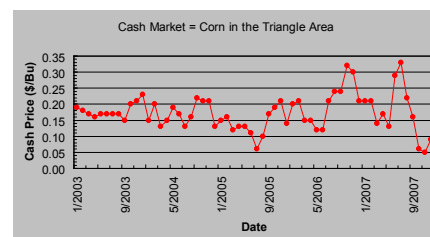
### Mark L. Waller,

Professor,  
Associate Department Head-Extension,  
Department of Agricultural Economics,  
Texas A&M University

### Basis Website Includes More Commodities

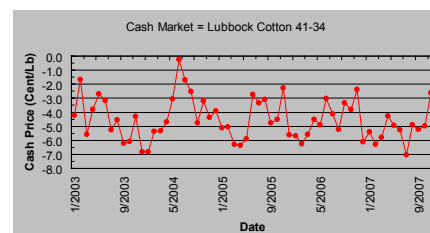
I wanted to take the opportunity this quarter to bring your attention to our basis website, and make sure that everyone knows we have expanded the number of commodities covered. The site was originally developed and included information for corn and wheat, largely because the corn producers and wheat producers provided grant funds to develop the website and build an interactive database on the web. With this tool, producers have access to this important information in a more timely manner than they could with the old paper version of our basis data. I have included a couple of graphs below showing nearby basis for corn and cotton covering the time period from 2003 through 2007.

Graph 3. Nearby Basis Prices for 2003-2007



Printed on 12/07/2007 Using Cash Prices Updated as of 11/29/2007

Graph 3. Nearby Basis Prices for 2003-2007



Printed on 12/07/2007 Using Cash Prices Updated as of 11/28/2007

(continued on page 3)

## Guest Column



**Danny A. Klinefelter,**  
Professor and Extension Economist,  
Department of Agricultural Economics,  
Texas A&M University

### *Risk Management Issues for Grain Producers*

The impact of ethanol and the cheaper dollar have been a major boom for grain prices the past two years. But this surge also has a second round of effects. Increased demand for inputs and rented land in addition to the pervasive impact of higher oil prices are rapidly squeezing margins back to more “normal” levels. Producers need to remember that one of the functions of a competitive market is to drive the return to the average producer to breakeven through both supply and demand responses. At that point the best managed farms are making money and still driven to expand, while others are losing money and being squeezed out. It’s a cruel and impersonal reality; but, it is also what causes a market economy to be more efficient and operating in a continuous improvement mode.

There are four particular risk related issues that I think grain producers need to be paying close attention to over the next few years. The first is that government commodity programs no longer provide an effective safety net. With market prices likely to remain above target prices in the near term, counter cyclical payments and marketing loan programs are basically non-factors.

The second is the increased volatility of prices. According to a University of Illinois report, grain price volatility has doubled over the past 5 years. For example, and these are hypothetical numbers, when corn prices were averaging \$2.00 per bushel, prices typically fluctuated within \$.50 of that amount over the marketing year. At \$4.00 corn, the fluctuations are more likely to be in the +/- \$1.00 range.

The third is the increased emphasis that is being placed on crop revenue insurance. Although there are times when a producer might be able to virtually insure themselves against a loss, the protection comes at a cost. For example, on my home farm in Illinois, we could have taken 85 percent crop revenue coverage in February, 2007 and virtually guaranteed we weren’t going to lose money. In our case, we are dryland, minimum till, roundup ready and we had already locked in most of our inputs so we didn’t have a lot of exposure on the cost side. However, the premium over our base coverage went from \$11.00 an acre to \$40.00. Thus, our profit potential was also cut. By employing a projected price:yield matrix using estimates of different price and yield probabilities, our likelihood of making or losing money went from 60.5 percent and 39.5 percent, respectively, to 47.5 percent and 0 percent, based on a cash rent of \$150 per acre. At a \$200 cash rent, the profit:loss probabilities fell from 36.25 percent and 63.75 percent, to 26.25 percent and 0 percent.

The fourth issue relates to producers operating under fixed cash rents versus those under share or flex-rent leases. Fortunately, in most of Texas fixed cash rents are not as common for row crops as they are in the Midwest. For those who do operate under fixed cash rents, there are several things to be concerned about in addition to the issues already discussed. Rents and input costs tend to be sticky downward. In the event of an economic downturn, in the short run producers with significant fixed costs will attempt to continue to rent ground even at a loss, if they believe they can more than cover variable costs. If the downturn is protracted or systemic rather than cyclical, there could be a major shakeout when the ability to qualify for credit runs out.

### Choice Website

#### **Daniel Hanselka,**

Extension Associate-Economic Impacts,  
Department of Agricultural Economics,  
Texas A&M University

<http://texasextension.tamu.edu>

It is hard to believe that in the past 4 years we have not featured the Texas Cooperative Extension (TCE) website in this column. The website offers valuable information and resources in four main areas located across the top of the web page: (1) Agriculture and Natural Resources, (2) Family and Consumer Sciences, (3) 4-H and Youth Development, and (4) Community Development. The Agriculture and Natural Resources section includes information about Extension programs in the areas of horticulture, gardening, plant disease, pesticide safety, entomology, integrated pest management, forestry, water conservation, and wildlife; just to name a few. Also, this section provides producers with decision-aids and resources pertaining to precision agriculture, risk management, financial management, economic planning, grazingland and ranch management, commercial nurseries, floral plants and vegetables. This section also includes a database for natural resource management of Texas rangelands. The Family and Consumer Sciences section contains information about programs in the following areas: health, food and nutrition, clothing, safety, money and finances, house and home, youth, and family topics including aging, parenting, childcare, and military. The 4-H and Youth Development section includes information pertaining to 4-H projects, publications, events and activities, news and updates, and a history and background of the 4-H program. Finally, the Community Development section contains information on community resources, economic development programs, data maps, and training opportunities.

If you are looking for articles or factsheets, click on "Visit the Bookstore" (left side menu) and you will likely find it there. The site also has links to all of the County Extension offices in the state. There is more information and subpages than we have room to describe so we hope you will visit the site and find something that is useful to your business and family.

### Farm Assistance Update

#### **Melissa Jupe,**

Extension Program Specialist-Risk Management,  
Department of Agricultural Economics,  
Texas A&M University

The latest publications from the FARM Assistance team reflect the active involvement we have with the Agricultural Water Demonstration Initiative (ADI). This initiative has allowed us to join forces with the Texas Water Development Board, the Harlingen Irrigation District, South Texas agricultural producers, Texas A&M University Kingsville, and other agencies. Currently we have assessed the impact of Narrow Border Flood and Micro-Jet Spray Irrigation Illustration for Rio Red Grapefruit in the Lower Rio Grande Valley (Focus 2007-5), Narrow Border Flood and 2-Line Drip Irrigation Illustration for Valencia, Navel and Marrs Oranges in the Lower Rio Grande Valley (Focus 2007-6), and the Impact of Volumetric Water Pricing for Seed Corn Comparing Surge vs. Furrow Irrigation in the Lower Rio Grande Valley (Focus 2007-7). The results of these studies have illustrated the decision of switching to alternative irrigation methods relies solely on the water availability and price structure. There is no true economic benefit to switch irrigation methods until the current water usage and price structure changes.

The FARM Assistance 2007 Annual Report will be available for distribution in early 2008. The Annual Report is one method for the FARM Assistance program to summarize the success levels of agricultural producers. The agriculture industry benefits by identifying and understanding the key attributes within various categories (success levels, crop farms/ranch operations, and crop production) that makes a producer more successful than others. We believe the power of information benefits everyone in the long run. Gaining an understanding of what makes a producer more or less successful than another will allow a producer to make changes if needed.

Even though the 2007 Farm Bill has not been sorted out as of yet in Congress, please keep in mind that the FARM Assistance team can help assess the likely impacts these changes could have on your operation. Please contact one of our local offices or call 877-826-7475 to set up your next appointment.



### Marketing Club Corner, continued from page 1:

As seen in the graphs, both corn and cotton have seen large changes in basis over the last six months. Having this information and being able to put it into perspective can be very important for a producer. It is also something that marketing clubs can spend some time working on at meetings during the winter months this year. The basis website can be accessed through the Master Marketer website at <http://mastermarketer.tamu.edu/>, or one could go directly to the basis website at <http://agecoext.tamu.edu/resources/basis-data/online.html>. The website now includes information for corn, cotton, grain sorghum, soybeans, and wheat. Since the information is contained as a database on the web, users can display output for various years either graphically or in tables. Please take a look and see what is available.

Prepared by:

*Mark L. Waller*

Mark L. Waller  
Professor, and Associate Department Head-Extension,  
Department of Agricultural Economics,  
Texas Cooperative Extension,  
The Texas A&M University System  
College Station, Texas 77843-2124

If you would like to receive this newsletter by email, or have any other questions about the Master Marketer system, please write Emmy Williams at [elwilliams@ag.tamu.edu](mailto:elwilliams@ag.tamu.edu).

Educational Programs of Texas Cooperative Extension are open to all citizens without regard to race, color, sex, disability, religion, age, or national origin.

Issued in furtherance of Cooperative Extension Work in Agriculture and Home Economics, Acts of Congress of May 8, 1914, as amended, and June 30, 1914, in cooperation with the United States Department of Agriculture and Texas Cooperative Extension, The Texas A&M University System.

Partial funding support for the Master Marketer program has been provided by the Texas Wheat Producers Board, Texas Corn Producers Board, Texas Farm Bureau, Houston Livestock Show and Rodeo, and Cotton Inc.-Texas State Support Committee.