

Master Marketer Newsletter

<http://mastermarketer.tamu.edu>

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Master Marketer Highlights

Master Marketer scheduled for January 2009 - San Angelo

The next Master Marketer Program is scheduled to run from January through March 2009 in San Angelo, Texas at the Tom Green County 4-H Center (3168 North US Highway 67). The session dates are: Leveling Workshop, January 20; Session I, January 21-22; Session II, February 4-5; Session III, February 18-19; and Session IV, March 4-5. Early registration is strongly encouraged with a cost of \$250 per individual for the 64-hour curriculum. Participants have the option of registering online at <http://agriflifevents.tamu.edu/events/details.cfm?RegistrationID=190>. More information can be in the brochure on the Master Marketer website at http://agecoext.tamu.edu/fileadmin/Master_Marketer/sanangelo2009brochure.pdf.

Thanks to Texas Corn Growers, Cotton Support State Committee, and Texas Farm Bureau for their support in the Master Marketer Program.

2009 Feed Grains Workshop

The 2009 Feed Grains Workshop is scheduled for January 7-8 at the Texas AgriLife Research and Extension Center, 6500 Amarillo Blvd. West, Amarillo, Texas. Gain a better understanding of what will be affecting the feed grains market in the coming year through sessions that focus on the relationships between oil, ethanol and corn prices, developing a marketing plan, fundamentals, and technical analysis. Pre-registration is required and attendance is limited. For more information, please contact Jane Planchon at (806) 677-5600 and view the brochure online at http://agecoext.tamu.edu/fileadmin/Master_Marketer/Workshops/09_Feedgrain_Workshop_Brochure.pdf.

Personnel Management Conference

A Personnel Management Conference will take place March 3-4, 2009 at the Waxahachie Civic Center (2000 Civic Center Lane, Waxahachie, TX 75168). This two-day conference is designed around agricultural enterprise managers and the problems they face managing human resources. Top ag industry experts will cover topics in legal considerations, retaining and hiring employees, conflict resolution, and multicultural workforce issues. The brochure is available at http://agecoext.tamu.edu/fileadmin/Master_Marketer/Personnel_Management/2009_PMC_Brochure.pdf. Also, participants have the option of registering online at <http://agriflifevents.tamu.edu/events/details.cfm?RegistrationID=245>.

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Marketing Club Corner

The following three bullets are Market Outlooks offered by our Marketing and Policy Specialists. These publications cover the latest in market trends and indicators and most are updated weekly. Here you will find the specialists' takes and the graphs and charts that are used in providing comparisons and/or forecasts. You can gain access to these outlooks by viewing <http://agecoext.tamu.edu/programs/marketing.html>

-**Dr. David P. Anderson's** publications include the Livestock Monitor which can also be found through the Data Transmission Network (DTN) by looking under news and selecting local news. The Livestock Monitor covers varying highlights in the livestock sector including (certainly not limited to) cattle on feed numbers, byproduct values, and cow and sow slaughter. Not only will you find the latest in livestock outlooks but an archives section provides information on past markets.

-**Dr. John R. C. Robinson** maintains The Cotton Marketing Planner. The Cotton Marketing Planner Newsletter focuses on farm-level implementation of strategies for Texas cotton growers to deal with yield and price risk. Topic headings include cost expectations, fundamental analysis and forecast, caveats, technical analysis and futures prices, marketing strategies, historical examples, and educational resources. Email John Robinson at jrcr@tamu.edu to receive a weekly e-mail notice of when the latest edition is posted on-line.

-**Dr. J. Mark Welch** writes the Feed Grain and Wheat Outlook Reports which can be found on the extension website and also on DTN by looking under news and selecting local news. The outlook publications feature current market situations and marketing strategies. Recent elements of these Outlook Reports include the impact of the macro economy on grain prices, identification of bellwether markets for grains, and tracking of crop condition ratings for clues to yield potential. If you would like to receive these Outlook Reports directly, send Mark your email address (jmwelch@ag.tamu.edu) and he will add you to his contact list.



Guest Column

John Miller,
President,
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Southwest Agribusiness Consulting is a firm that provides comprehensive price risk management services to farmers and ranchers across the south plains.

Start Addressing Fear About Commodity Markets by Asking Good Questions

The dramatic run-up in commodity prices from late 2006 to mid-2008 initiated substantial change in the way agribusiness handles cash and hedge transactions. Initially, the rapid increase in prices offered profit opportunities not seen in some time. However, the financial burden on merchants/handlers financing the purchase, storage, orderly delivery, and payment became so great that many had to limit (or stop) activities. Most merchants/handlers, limited by their available credit lines and concerned about the market unknowns, changed the way producer contracts are offered and financed. Just as the year-ago price explosion was heavily tied to 'outside' money, recent price declines have been dominated by the deleveraging of funds coupled with panic selling from main-street investors. The majority of market losses have been tied to dollar strength and weakness in crude and equities rather than traditional fundamentals as the chart below illustrates. While fundamentals, such as the continued need of grains for bio-fuels, will eventually return to center stage, the affects of recent price behavior will be felt for some time due to fears among agribusiness about market uncertainty.



Exaggerated price uncertainty, and the resulting financial unknowns, suggest to many that producers and users will bear more risk management costs, at least while the merchants, handlers and bankers adjust. This would imply producers and users holding their own futures positions, assisting middle merchants/handlers in meeting potential futures margin requirements, or using options to set price floors/ceilings. Obviously, a good understanding of hedge mechanics (options management for sure) is important. However, we must also ask ourselves the right questions since setting up the game correctly is critical. As producers/users, we are all asking ourselves questions such as:

- What Would Cause Commodity Prices To Dramatically Increase Again?
- Could Corn and Soybean Prices Increase Without Crude Oil Prices Increasing?
- What Will U.S. Farmers Plant In The Spring?
- Would a Continued Drop In Fertilizer Prices Bring More Corn Acres?
- Will Greater Foreign Production Permanently Reduce Exports?
- Can the U.S. Have a Strong Dollar and Strong Exports?

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Choice Website

Daniel Hanselka,

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<http://www.twdb.state.tx.us>

The Texas Water Development Board (TWDB) was created in 1957 to provide leadership, planning, financial assistance, information, and education for the conservation and responsible development of water in Texas.

The TWDB website provides a wide array of water-related data, information, and publications pertaining to water development and conservation. The data and information focuses on several key areas of water management that include 1) water availability and use, 2) surface water, 3) drought, 4) GIS mapping, 5) water resource planning, 6) desalination activities, 7) groundwater resources, and 8) innovative water technologies. The site also has a section for publications where you'll find current and past newsletters, reports on various water-related topics, press releases, forms, and other documents. The TWDB website contains a wealth of information on water conservation and management practices, water rights, state water plans, drought, and other water-related issues.

Finally, the site has a useful list of website links to other water-related sites and state-affiliated organizations and associations.

Guest Column,

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These are all very important questions, and highlight issues that will shape prices in the coming year. I would like to argue, however, that better questions in this highly uncertain environment are:

- What Are My Current Price Risks?
- How Can I Best Protect Against Those Risks?
- What Are My Potential Risk Management Financing Needs?
- Can My Finances Handle Big Swings in Prices Received or Input Prices?
- Am I Willing To Take On the Potential Monetary Outlays for Risk Management?
- Does My Lender Understand My Potential Needs Given Current Volatility?

In the current environment, we worry about holding futures due to unknown margin requirements. Holding futures qualifies as the true hedge, but creating a more defined monetary risk with options is appealing to producers and users alike. Short futures combined with call options (synthetic put) will create a more defined monetary risk for the producer until production is known. The put option alone would give an exact risk management cost. For the user, a put option combined with a long futures position will limit margin risk (synthetic call) while the call option alone will risk no more than your premium. Internalizing more risk management costs on the farm or feedlot is a big adjustment, but you will find tradeoffs from added flexibility. Holding your own positions buys time when negotiating cash contracts, provides flexibility in managing delivery schedules, creates opportunity when selling or buying at harvest, and gives more control over cash transactions. Perhaps most important is that the conservative use of futures and options can address your worst market fears and let you quickly take advantage of opportunities before production/usage is fully known. In fact, keeping fear under control alone may justify a stepped up use of futures and options.

Farm Assistance Update

Nicole Gueck,

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Howdy from FARM Assistance!

It is hard to believe the holidays are already upon us and another year has passed. Has another year gone by without you having a good handle on your financial situation and future plans? Are you thinking about your goals for 2009 and beyond? Experts have shown that designing a detailed plan will dramatically increase your success rate. Keep in mind that effective goals should be SMART (Specific, Measurable Achievable, Rewarding, and Timely).

No matter what stage of planning and organization you happen to be at, FARM Assistance is a great tool that can help you get and STAY organized as well as help you develop a long-term strategic plan with which to proceed. The nature of long-term financial planning requires an objective assessment of the current status of your operation and the future environment you expect to face. The annual FARM Assistance process provides an assessment of the performance of your operation in the future, and provides analysis to help you choose among alternative plans. Writing down your goals and keeping them in your FARM Assistance report gives you the opportunity to re-evaluate and assess your progress toward achieving those goals each year. We hope you have a safe and happy Holiday Season and that you will consider FARM Assistance as you begin your farm financial planning for 2009. Give us a call at 1-877-826-7475 or find us on the web at <http://farmassistance.tamu.edu> to learn more about FARM Assistance and to schedule a meeting today!



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Master Marketer Highlights
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Agriculture and The 2008 Credit Crisis

The Texas AgriLife Extension Service Economists have written a series of six articles dealing with economic stresses facing the ag sector today. The briefings cover topics in the current credit situation, price risk management, alternative business models, land value outlooks, and farm policy. You can find these articles online at <http://agecoext.tamu.edu> by clicking on the "Credit Crisis" link highlighted in yellow.

Don't Forget...

Bookmark our website at <http://agecoext.tamu.edu> to find our offerings in upcoming programs, updated articles, and the latest in ag markets. In this site, you will also find a direct link to the Master Marketer homepage. Please pass this newsletter along to anyone who might be interested and don't forget, you can join our email list by emailing elwilliams@ag.tamu.edu

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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

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

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