

Master Marketer Newsletter

<http://mastermarketer.tamu.edu>

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Master Marketer Highlights

Advanced Topic Series by Dr. Stephen H. Amosson

I'm truly excited to announce an Advanced Topic Series (ATS), which is a series of one and two day short courses that will be offered during January and February in Amarillo. Never before has a faculty of this expertise level been assembled to teach short courses to producers in Texas. Each of the instructors for the ATS courses was selected based on their expertise and communication skills. They were given the freedom to develop their course based on what they felt producers needed to know to improve their profitability.

A total of five short courses will be offered. The first will be "Developing this Year's Marketing Plan for Feedgrains" taught by Dr. Mark Welch and myself on January 19 & 20. The objective of this two day workshop is to gain a better understanding of the fundamentals affecting the feedgrains market for the upcoming year with the ultimate goal of developing a written marketing plan for the 2010 crop. We also conducted this course last year and the response and feedback was so positive that I decided to repeat it again this year.

One of the leading crop insurance authorities, Dr. Art Barnaby from Kansas State University, will be presenting a one-day course entitled "Profit Maximizing: Crop Insurance and Risk Management Decisions" on January 29. In this course, Art will discuss crop insurance options and the most cost effective levels of participation. In addition, time will be spent discussing the new risk management programs SURE and ACRE and explaining the tradeoffs/interactions between these and crop insurance.

Alan Brugler, president of Brugler Marketing and Management out of Nebraska, will be the instructor for a two-day course (February 8 & 9) entitled "Selecting, Developing, and Working a Marketing Plan". Alan will discuss the different types of marketing plans, the drawbacks of each, and how to set the rules on when to abandon or modify the plan, which gets into a combination of time and price based targets, seasonals, probability and charts among other things.

The always interesting Dr. Elwynn Taylor, from Iowa State University, will provide his insight into weather patterns and how to integrate weather expectations into your marketing plan in a one-day course held on February 23. Yield trends, a balance sheet approach, and the use of growing degree days will be discussed. The effect of high temperatures, low precipitation, and how you evaluate stress impacts will be addressed.

The final ATS offering will be on February 26 and taught by a popular Master Marketer speaker, Darrell Holaday, a marketing consultant from Kansas. In this course, "Advanced Marketing Tools and Strategies for Producers", you will learn some of Darrell's favorite marketing strategies and gain an understanding of how and when to utilize some advanced marketing tools such as covered calls, storage hedges, synthetic options and OTC swaps to improve your marketing. (Continued on Page 3)

Producer Profile - Charles Ring

Charles Ring is a third generation farmer where he farms approximately seven thousand acres of cotton, sorghum, corn, and now sunflowers in partnership with his brother in San Patricio County. Between him and his brother they have four sons and a daughter from college age and younger and utilize them on the farm during the summer months. He grew up farming in St. Paul, Texas, a small town north of Sinton, and was involved in 4H. While in college at Texas A&M University in College Station, he was on the Soils Team and in the Agronomy Society and graduated Magna Cum Laude with a degree in Agronomy.

Charles recalls how farming has changed over the years. He believes he is one of the few his age who actually picked cotton when he was a child and remembers his dad having manual cotton pickers in the field. The 1960s were the end of manual cotton picking when the cotton strippers came along. They actually bought their first picker to second pick behind the hand pickers. By then, hand picking a second time wasn't practical and was gradually going away entirely.

The most beneficial change Charles has seen is the addition of new planters. He recalls moving from the old conventional style of shovels covering up seed and then packing it down with another roller. Now it is all done in one operation with a 60 foot wide planter. The Ring Brothers have also built an onsite grain storage facility which has allowed them the flexibility to wait for "wanted" prices without the hassle of paying for off-site storage and this has made them some money over the years.

Charles notes, one of his biggest challenges today is the price of technology. He questions how much he can afford to pay for technology when commodity prices don't increase at the same rate. They farm with tractors equipped with GPS units and with a push of a button, one drives from one end of a turn row to the other. The farm machinery is outfitted with monitors that track equipments' operations for the day and are able to compare records for each field over a period of time. He says its like working in two different worlds from when he started.

Charles is a member of TALL 8 (Texas Agricultural Lifetime Leadership) and received their outstanding alumni award last year. He attributes TALL with his current service as the U.S. Grains Council's Asian Team Action Leader, as the San Patricio County Farm Bureau's President, and on the Corn Board. Lastly Charles quotes, "There are times I wish my career had led me in a different direction, but my addiction to the farm won out."



Guest Column

Dr. Lawrence L. Falconer,

Professor,
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Coastal Bend Update

2009 was a very challenging year for Coastal Bend crop and livestock producers. Weather conditions in the lower Coastal Bend were marked by the worst drought since 1917. In general, weather conditions were marginally better in the northern half of the Coastal Bend, but much of the area was designated to be in an exceptional drought by the National Drought Mitigation Center during most of the 2009 crop year.

The 2009 drought is particularly damaging as it follows a drought that occurred during 2006. Substantial liquidation of herds has occurred in the cow-calf sector throughout the Coastal Bend due to these droughts. The production shortfalls in two of the last four crop years has put severe financial pressure on businesses in the agricultural support sector, as well as the agricultural production sector. This is particularly evident in the cotton sector, as the gins, oil mill and cotton compress throughput has been substantially curtailed.

Outlook for 2010

The outlook for the agricultural economy in the Coastal Bend for 2010 depends on whether winter and spring rains can replenish subsoil and topsoil moisture conditions. As shown in Figure 1, the rains that occurred in September and October have provided some relief to areas generally north of the Aransas River, but almost all of the Coastal Bend remains in abnormally dry to exceptional drought conditions. Meteorologists at the National Weather Service Center in Corpus Christi are forecasting above normal rainfall during the winter, and hopefully that forecast will come to fruition.

If moisture conditions improve, there is hope that 2010 can be a good year for Coastal Bend agriculture. Cost of production is projected to decline by 16% per acre for cotton and 12% for grain sorghum in the Lower Coastal Bend relative to 2009, primarily due to lower fertilizer and fuel costs. For the Upper Coastal Bend, cotton production costs are projected to decline 12% per acre and corn cost of production is expected to be down 25% per acre relative to 2009. Current futures price levels for cotton and feed grains are attractive relative to these lower projected costs of production. If subsoil moisture conditions were at normal levels it is likely that there would be considerable activity in forward pricing the 2010 crop at this time. However, with current moisture conditions still far below normal, forward pricing activity is limited.

One particular area of concern for 2010 is the outlook for rice production in Colorado, Wharton and Matagorda counties. These three counties account for over 50% of the rice produced in Texas, and production in these counties is heavily dependent on surface water provided by the Lower Colorado River Authority. The water stored in the Highland Lakes has currently dropped to levels that will likely lead to at least a partial curtailment of 2010 water deliveries to the irrigation districts in these counties. Given lower expected costs of rice production for 2010 and improving rice prices, an increase in rice acreage would be expected for 2010 if this water shortage did not exist.

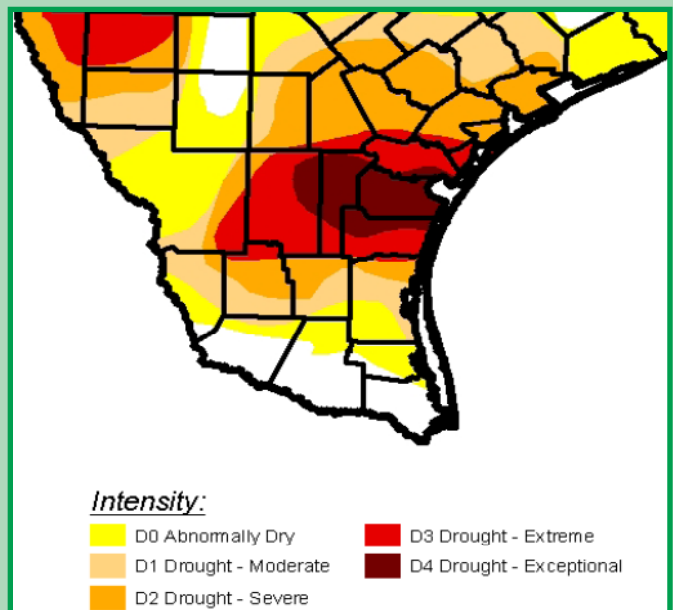


Figure 1. U.S. Drought Monitor, November 10, 2009.

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The registration fee is \$75 for the one-day courses and \$125 for the two-day courses. The registration fee includes the cost of instruction, materials, lunch and all breaks. Registration is limited to 50 participants on a first come basis and pre-registration is required. Online registration is available for these courses at <http://agrilifevents.tamu.edu/> For more information concerning the ATS and the registration brochure visit the Master Marketer website at <http://mastermarketer.tamu.edu/> or contact Jane Planchon at (806)677-5600 or JAPlanchon@ag.tamu.edu.

Profitability Workshop By Dr. Jackie G. Smith

The primary objective of this workshop(s) is to provide the tools and the data along with the skills to evaluate the potential profitability of alternative crops for the 2010 crop year. Each participant will receive a handout that includes a printed copy of the presentations and selected crop budgets. Also, each participant will receive a CD which will contain an Excel file with all the budgets and breakeven tables as well as a number of supporting files and web addresses to help each participant in using the spreadsheet on their own computer.

The workshops are funded by a grant from the Texas State Cotton Support Committee. The grant enables the development of the crop budget projection tool, conduction of training workshops, data to be continuously updated, and tools and information to be readily available to producers. The producers will be able to go home with a spreadsheet that they can fine-tune with their own cost data and make accurate comparisons of the profitability of cotton and sorghum, for example. This comparison spreadsheet includes four cotton budgets and seventeen other crop budgets that can be quickly evaluated with expected input costs and crop prices. The Excel spreadsheet is also designed to allow users to examine the impact of different crop share rental arrangements on landlord and renter's net income.

Extension Risk Management Specialists Jay Yates and Jeff Pate of Lubbock, and Extension Cotton Marketing Specialist John Robinson and Extension Grain Marketing Specialist Mark Welch of College Station will help conduct the workshops. Other topics on the agenda include: input price trends and projections for 2010, basis, cash contracts, and forward pricing tools using futures and options.

Workshops are slated for February 9 and March 23, 2010 at the Texas AgriLife Research and Extension Center in Lubbock (Located on 1294, 1/2 mile East of I-27. North of the Lubbock Airport.). The workshops will run from 9 a.m. to 4 p.m. Registration costs \$20 per person, and includes lunch and refreshments. To register, contact Wendy Durrett at 806-746-6101. For more information, contact Smith or Yates also at 806-746-6101 or visit <http://southplainsprofit.tamu.edu/>

The local County Extension Agents in Cochran, Gaines, Hale, Hockley, Lamb, and Terry Counties may be hosting additional workshops and should be contacted for the information concerning them.

Choice Website

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<http://farmassistance.tamu.edu>

You may have recognized the FARM Assistance Program being mentioned in previous issues of this newsletter; where this particular issue focuses on the program's website. The FARM (Financial and Risk Management) Assistance Program, which is part of the Texas AgriLife Extension Service's Risk Management Education Program, was created in 1997 to provide long-term, strategic financial analysis for Texas farmers and ranchers in an effort to provide them with the information necessary to make better management decisions. These analyses, which are conducted on an individual basis, provide producers with an independent assessment of the financial strengths and weaknesses of their current agricultural operation as well as provide an estimate of the risks inherent in their operations. Further, the program enables participants to evaluate the impacts of alternative production and/or business strategies on their operations and gauge how those impacts compare with their current business activities.



As a result of the data that is collected from individual farmers and ranchers throughout the state of Texas, FARM Assistance maintains an extensive database of financial information that is used to conduct research on agricultural industry topics ranging from emerging trends to state and federal legislative impacts. This wide cross-section of data provides a unique opportunity for industry groups, policymakers, individual producers, and others to obtain insight into topics that affect Texas agriculture and, consequently, make more informed decisions.

The FARM Assistance website also has a section for publications where you'll find current and past newsletters, reports on various agricultural-related topics, and other documents. Finally, the site has a useful list of website links to Texas A&M University and other university and state affiliated organizations, alongside other risk management sites.

**Happy Holidays from your friends at
Master Marketer and**



Improving Lives. Improving Texas.



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If you would like to receive this newsletter by mail,
or have any other questions about the Master Marketer system,
please write Emmy Williams at elwilliams@ag.tamu.edu or call 979-845-8011.

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