

Master Marketer Newsletter

<http://mastermarketer.tamu.edu>

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The Waco Master Marketer Program is right around the corner with registration closing on January 3, 2011. We still have openings and have provided a mail-in form for you on Page 3 of the newsletter. More information on the next Master Marketer program can be found online at <http://agecoext.tamu.edu/programs/marketing/master-marketer-program/program-calendar.html>



Marketing Club Corner

J. Mark Welch,
Assistant Professor,
Extension Economist-Grain Marketing,
Department of Agricultural Economics,
Texas A&M University

What was I thinking!?!?

The man who insists on seeing with perfect clearness before he decides, never decides. --Henri-Frédéric Amiel

I came across an article recently consoling dairy operators who had contracted milk this summer just prior to a significant price rally. Back in June, milk prices were about \$14.50 per cwt., up from \$10.00 per cwt. a year earlier. Producers who locked in their fall milk sales in June watched as prices climbed another \$2.00 per hundred to \$16.41 per cwt., a 13 percent increase in three months. The writer of the article, a market analyst with a major commodity trading organization, addressed the emotion these managers may be feeling in response to their marketing decisions.

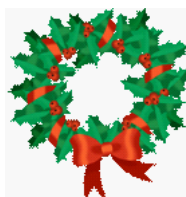
This is a situation to which farmers in Texas can relate. Since June, the average monthly prices of wheat, sorghum, corn, and cotton have increased 60 to 70 percent. For producers who sold wheat at harvest or contracted feed grain or cotton this spring or summer, the feelings of regret may be strong. What were you thinking? You were thinking that you were making the best decision you could at the time with the best information available. If these were cash sales, limited storage or cash flow needs may have played a role in your sales decision. If these were pre-harvest sales, you made your decision with marketing goals in mind as price objectives were met. The fact that prices went higher after you committed to a marketing position does not mean that a decision should not have been made. We will never have all the information we think we need to make an informed decision. If we continually wait until we think we do, we will never decide.

We all have times when we would like a do-over. But there are no mulligans in marketing. Rather than dwell on what could have been, the challenge is to consider where we go from here. What are the opportunities offered by the current price rally? As current season crop prices have risen, so have futures prices for 2011. The relevant question is not "What was I thinking?" but rather "How will I take advantage of this new opportunity?"

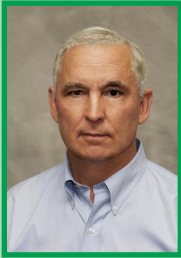
Advice from the dairy analyst is applicable for us all:

1. Have clear marketing goals in mind and prepare your marketing strategy in advance. Identify what you want to accomplish with your marketing (reduce price risk, cover production costs, etc.). Hoping to hit the high of the market is not a strategy, it's luck. Once you know your marketing strategy, you can identify the tools by which you will accomplish it.
2. Know the marketing tools available to you, know how they work, and use only the ones you are comfortable with.
3. Given the current price trend, identify the technical and fundamental factors that will signal something is changing. These are the triggers for when to put the tools to work.
4. Revise and refine. No marketing plan is perfect. At the end of the season, evaluate your marketing plan on whether or not it allowed you to accomplish your goals. Has your personal or professional situation changed, causing a change in your overall goals? Do you need to increase your familiarity with other tools that would broaden your marketing alternatives? Do you need to expand your sources of information for technical and fundamental analysis?

Making commodity marketing decisions is as much about emotions as it is economics. A well thought out and implemented marketing plan keeps emotion in check and adds discipline to commodity pricing. The individual farmer or rancher cannot control the price, but he or she can manage market opportunities. If you would like to refresh your understanding of markets and marketing or expand your marketing toolbox, join us in January for Master Marketer.



From Master Marketer and AgriLife Extension, we would like to extend our wishes to you for happiness during the holiday season and a prosperous new year in 2011.



Guest Column

Danny A. Klinefelter,

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Department of Agricultural Economics,
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Monitor Your Budget - The typical producer treats planning and analysis as a beginning and end of the year exercise. Even then, most of them see it as a chore rather than an opportunity. The most successful managers spend a great deal of time regularly monitoring and analyzing performance. By staying on top of things, they are much more likely to spot problems and opportunities before it's too late.

Business problems are like a cancer, they eat away at profits, liquidity and owner equity. But, spotted and addressed early enough, they are often treatable. Similarly with opportunities. Most of the best opportunities are only there for a short period of time and if they're not capitalized on, they're gone.

The simplest and one of the most useful monitoring tools is the annual projected cash flow budget prepared on a monthly basis. The process involves comparing actual month-to-month and year-to-date cash flows with projections. The focus is on the significant variances or differences on a line item basis. The question is why the difference occurred - was it timing, a quantity difference or a price difference? Any number in a budget ought to be tied back to the basis or assumptions on which it was developed.

Unfavorable variances can point to problems that need to be addressed immediately. In other cases the cause may be something that can't be corrected, but it may mean that plans for the remainder of the year need to be revised. Planned investments or purchases may need to be deferred or you may need to talk to your lender about any changes in borrowing or repayment plans.

Likewise, recognizing opportunities to forward price inputs or products when you can do better than your plan is equally as valuable. For example, more producers are using commodity options to set a price floor or ceiling when input or output markets offer the opportunity to beat the budget while retaining the potential to benefit from future price changes. Options obviously involve a premium, but that needs to be netted against or added to the price when evaluating the opportunity.

Monitoring also involves tracking leading indicators outside the business. Changes in the interest rate yield curve, energy prices, commodity stocks reports and carryover:use ratios and exchange rates are some commonly used economic indicators.

This external focus is too often overlooked. Comparing actual to budget is important, but it is only a historical perspective, i.e., looking at what has already happened. Regular budget analysis should also examine the assumptions built into projections and consider whether the bases for projections have changed and whether plans need to be revised. Timely action to address problems, to capitalize on opportunities, avoid problems or mitigate risks are what separate the winners from the average producer. It's much like a top coach or general who develops a detailed game or battle plan. Those who have been the most successful are those who are able to make mid-course adjustments in light of new information or because they recognized things weren't going as originally planned. Remember, the definition of strategic management is the ability to anticipate, adapt to, drive and capitalize on change.

The discussions that go into developing a budget or business plan also present an opportunity for learning and better communication both for the management team and for the development of potential successors. The ongoing review and adjustment process is equally as important. One study of farm borrowers over a period of several years found that, on average, they overestimated cash receipts by 15 percent and underestimated cash expenditures by 17 percent. If the errors were purely a function of market and production variability, revenues should have been underestimated as often as they were overestimated, and the same should have been true for expenditures. The identification of where errors occur most frequently can direct greater attention to the need for better information, where risk mitigation efforts need to be focused, and where biases tend to occur in assumptions. It's a critical part of continuous improvement and learning from mistakes. As a final comment, one of the most frequently overlooked uses of the process described is for family living budgets.

Farm Assistance Update

Jonathan Baros,

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



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? Have you thought about your

goals for 2011? Allow the experts at FARM Assistance help you achieve the very best for your operation. Our detailed analysis is a solid start to a better understanding of 2011 and the future of your operation.

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. 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 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 2011. 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. Happy Holidays from the FARM Assistance Team!

Choice Website

Daniel Hanselka,

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<http://feralhogs.tamu.edu/>

The Texas AgriLife Extension Service's feral hog website provides landowners and the general public with information on feral hog control, damage, diseases, and hunting tips. The website contains many newsletters, reports, webinars, and various publications related to 1) feral hog biology, 2) natural history, 3) damage management, and 4) control techniques. Under the "links" section, information is provided from other state agencies and affiliations you might find helpful. Of particular interest to farmers and ranchers, is the publication section that houses strategies on controlling, managing and trapping feral hogs. It contains information and illustrations on recognizing feral hog sign, feral hog trap designs, state and federal regulations for trapping and moving feral hogs, and other key management areas and issues.



Improving Lives. Improving Texas.

Master Marketer Program Registration Form

Name: _____
Address: _____

Phone: _____
Fax: _____
E-Mail: _____

Please specify information about your operation:

Location (county): _____

Occupation: _____ Producer _____ Other _____

Commodities produced

Crops (acres) _____ Livestock (head) _____
Corn _____ Cow/Calif _____
Wheat _____ Stocker _____
Sorghum _____ Sheep _____
Cotton _____ Goats _____
Other _____

Please describe any previous marketing courses taken or training received:

What marketing tools do you currently use?

Anyone who doesn't feel they are already at the intermediate to advanced level should attend the futures and options leveling workshop being held on January 11, 2011, before the beginning of the Master Marketer Program. There is no additional fee to attend the leveling workshop.

How to apply for the Master Marketer Program: Registration fee is \$250 per person. **Fee(s) may be paid by check or money order. Please make payable to account #222100-60025.** Send payment with completed registration form to:

Jason Johnson, 1229 North US HWY 281
Stephenville, Texas 76401-8992

If you would like to use a credit card and register on line, please go to: <http://AgriLifeEvents.tamu.edu>

Registrations will be accepted for up to 60 participants or until January 3, 2011



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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.

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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