

Master Marketer Newsletter

<http://mastermarketer.tamu.edu>

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Master Marketer Highlights

2012 Master Marketer Program

Mark your calendars now for the 2012 Master Marketer Program to begin January 17 in Plainview, Texas at the Museum of the Llano Estacado (1900 West 7th Street) on the campus of Wayland Baptist University. The Master Marketer Program is 64 hours of intensive marketing and risk management education for opportunities enabling Texas producers the possibility to improve their bottom line. Sessions are taught at a highly applied level while combining creative teaching and learning concepts to get successful results. Sessions are taught by some of the best speakers concerning topics involving weather, crop insurance strategies, financial management, futures markets, technical analysis, marketing plans, legal issues, and grain, cotton, and livestock fundamentals.

Pre-registration is required by January 9 and is available online at <http://agrifileregister.tamu.edu> More information can be found at http://agecoext.tamu.edu/fileadmin/Master_Marketer/Workshops/Plainview2012.pdf or by contacting Jackie Smith at 806-746-6101 or Mark Welch at 979-845-8011.

Teaming up with USDA's Risk Management Agency

The Master Marketer Program has entered into a cooperative agreement with USDA's Risk Management Agency to support risk management programs for cattle, forage, cotton, and grain producers in Texas throughout 2012. In this agreement, a range of programs will be offered from shorter (one-hour) to longer (64+ hours) courses where attendees can select the depth of training they need and/or have the necessary time to allot to courses.

The courses are taught from a hands-on perspective intended to make a difference in producers' current risk management practices. Farmers and ranchers can expect the following from upcoming programs being offered: addressing risk from existing and emerging risk management tools, appropriate use and features of existing and emerging risk management tools, and making sound risk management decisions. This cooperative agreement with USDA's Risk Management Agency provides a financial assistance to off-set costs in providing such programs to the enrolled producers. We hope you take advantage of the up-coming courses.

Continue to check

<http://www.facebook.com/AgriLifeMasterMarketer>
for upcoming programs.

Sheep and Goat Risk Management Workshops

Bill Thompson,

Assistant Professor and Extension Economist,
Texas AgriLife Extension Service,
Texas A&M University

Texas AgriLife Extension Service, USDA's Risk Management Agency, American Sheep Industry, and Texas Sheep and Goat Raisers Association are partnering on a series of Risk management workshops for Texas sheep and goat producers. Nine programs are planned overall - three of each covering commercial producers, small acreage operations, and the Standardized Performance Analysis (SPA) to integrate both production and financial records into a single analytical tool for sheep and goat producers use. The workshops have been scheduled to begin in May 2013 and take place in locations covering much of the Edwards Plateau region of Texas, the leading sheep and goat producing area of the U.S. Tentative locations include Brady, Brownwood, Fort Stockton, Fredericksburg, Granbury, Iraan, Kerrville, San Angelo, and Uvalde.

The sheep and goat risk management workshops will be utilized to educate producers on the use of the different types of livestock and forage insurance available in Texas. Program topics include market outlooks, marketing strategies, and measuring and reporting production costs. Producers can also expect thorough discussions of price seasonality and traditional and non-traditional consumers. An overview of the award winning Master Marketer program will be made to aware producers of additional risk management and market planning opportunities that are available.

Programs focused on commercial producers will receive comments from Dr. Danny A. Klinefelter on management transition as it relates to both the effects of an aging Texas sheep industry and the drought of 2011. Producers attending the programs for small acreage operations will be allotted additional time for creating a resource inventory and reviewing several associated operating budgets for crops and livestock.

Standardized Performance Analysis will be "re"introduced as a means for further assessing the strengths, weaknesses, opportunities and threats facing individual operators. The primary objectives of SPA are to determine a given operation's unit cost of production (breakeven price), its rate of return on assets, and Continued on Page 3.

Guest Column - Farm Doc Daily

Issued by Scott Irwin and Darrel Good

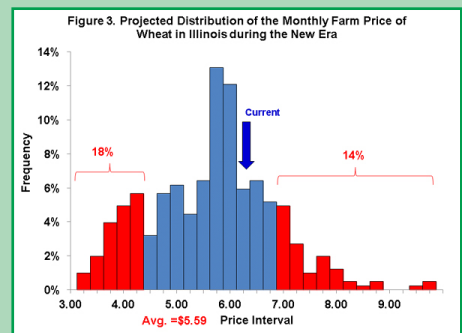
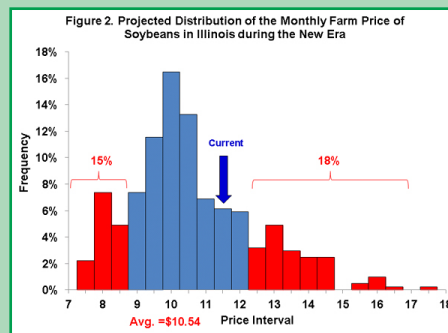
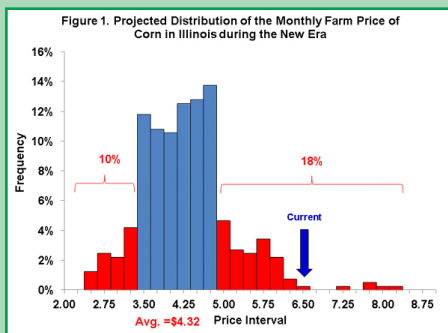
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Marketing Corn, Soybeans, and Wheat in the New Era

The purpose of this post is to take a more detailed look at the distribution of corn, soybean, and wheat prices we expect in this new era.

To develop expected distributions of prices, we started with the percentage deviations of monthly farm prices received in Illinois from the average price in the previous era. For example, the average (nominal) price of corn in the previous era (January 1973-September 2006) was \$2.42 and the price in January 1981 was \$3.20, or 32% higher than the average for the era. The average price for the new era to date (January 2007-October 2011) is \$4.32. We can then state an equivalent percentage deviation to the January 1981 price for the new era as $4.32 \times 1.32 = 5.70$. In other words \$5.70 represents the equivalent 32% deviation above the average price for the new era as \$3.20 does for the previous era. We did this same calculation for every month over January 1973-September 2006 to simulate the variability of prices we expect in the new era.



Figures 1, 2, and 3 show projected distributions of monthly prices of corn, soybeans, and wheat, respectively, in the new era. The distributions are developed by simply collecting the prices (as computed above) into the indicated intervals. In each case, note that the distributions are centered on the average price to date for the new era: \$4.32 for corn, \$10.54 for soybeans, and \$5.59 for wheat. The distributions allow us to project what might be considered "low" and "high" prices in the new era. The breaks in the distributions suggest the following rules of thumb for assessing prices:

| | Low Prices | | High Prices | |
|-----------------|-----------------------|------------|------------------------|------------|
| | Range | Chance | Range | Chance |
| Corn | \$3.50 or less | 10% | \$5.00 or more | 18% |
| Soybeans | \$9.00 or less | 15% | \$12.50 or more | 18% |
| Wheat | \$4.50 or less | 18% | \$7.00 or more | 14% |

Note that the categories were picked so that low and high prices occurred with about a 1 in 5 to 1 in 10 chance. Of course, it is important to keep in mind that these rules of thumb are no better than the projected distributions which they are based upon. We basically assumed that historical variation in prices will continue in the future, albeit at higher price levels.

Given the usual caveats, what does this imply for marketing old and new crop bushels today? With old crop prices about \$6.50 and new crop around \$5.25, the projected distributions indicate excellent pricing opportunities for corn. From a historical perspective, corn prices are clearly in the upper part of the distribution. Soybean and wheat prices are not high based on the distributions but they are nonetheless above the average projected for the new era.

As a final point, we think it is important not to forget how low prices can go even in this new era of substantially higher average prices. The projected distributions indicate there is a non-negligible chance of corn prices below \$3.50, soybean prices below \$9.00, and wheat prices below \$4.50.

Choice Website

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Risk Management Agency
<http://www.rma.usda.gov/>

The USDA Risk Management Agency (RMA) was created in 1996 by Congress to help producers manage their business risks through effective, market-based risk management strategies and solutions. RMA's goal is to promote, support, and regulate sound risk management tools to preserve and strengthen the economic stability of agricultural producers. In addition, RMA operates and manages the Federal Crop Insurance Corporation (FCIC).

Publications, handbooks, bulletins, decision tools, and data related to a variety of risk management issues can be found throughout the site. Of particular interest are the News, Crop and Livestock Policies, Data, and Tools and Calculators sections. These sections contain current news headlines affecting agriculture, crop and livestock policy reports and plans, insurance and price data, and insurance premium and price discovery tools.

For county specific policy provisions, from the RMA homepage, go to the Information Browser and select the Actuarial Information Browser, 2011 Reinsurance Year and Beyond option. A selection criteria box will appear allowing you to input the commodity to be covered, production year, insurance policy, state, and county. The report generated details production practices covered, unit structures available, projected and harvest prices, county T-yields, important policy dates, and other information as seen in the following image.

| Base County Dates | | |
|------------------------|------------|------------|
| Sales Closing Date | 03/15/2012 | 03/15/2012 |
| Cancellation Date | 03/15/2012 | 03/15/2012 |
| Earliest Planting Date | | |
| Final Planting Date | 06/01/2012 | 06/01/2012 |
| Acres Reporting Date | 07/15/2012 | 07/15/2012 |
| Premium Billing Date | 08/15/2012 | 08/15/2012 |
| End Of Insurance Date | 12/10/2012 | 09/30/2012 |
| Termination Date | 03/15/2013 | 03/15/2013 |
| Contract Change Date | 11/30/2012 | 11/30/2012 |

Farm Assistance Update

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So what lies ahead in the U.S. and World Economy? Many see a return of healthy economic growth while others warn the possibility of slipping into continued recession. And what will either turn mean now and in the future for the agricultural economy? In addition, the coming year may see changes in U.S. farm policy. Will federal budget problems result in simple continuation or a dramatic restructure of farm programs? In either case, a producer's ability to navigate these times in the coming years is instrumental in producing a profit. While the future is uncertain, keeping an eye on your financial future is the best way to prepare and make the most informed decisions.

The FARM Assistance team has already worked with many clients evaluating the financial implications of their plans and strategies in a changed and changing industry. No one knows exactly what the future holds, but with new levels in commodity markets and inflated production costs, now is a good time to re-evaluate the financial outlook for your operation and be prepared for the possibilities. Contact FARM Assistance toll free at 1-877-TAMRISK or online at: farmassistance.tamu.edu



Sheep and Goat Risk Management Workshops, Continued from Page 1

its strengths and weaknesses. The SPA process will identify and quantify financial, production, marketing, and human resource risks. An ancillary benefit of the SPA program is the development of state and regional databases. Completed SPA analysis are aggregated into the database for the express purpose of allowing a comparative analysis between production years, productive regions, productive systems, and user identified economic and climatic periods.

Finalized dates and location specifics will be available in the March 2013 Master Marketer newsletter.



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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 emmywilliams@tamu.edu

An archive of newsletters can be found online by visiting
<http://agecoext.tamu.edu/programs/marketing/master-marketer-program/newsletter-archives.html>

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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