

Master Marketer Newsletter

<http://mastermarketer.tamu.edu>

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We want to send our warmest holiday wishes for a very Merry Christmas and a prosperous New Year. After surpassing the 1000th graduate of the Master Marketer Program this year, we are well on our way to marking our 20 year anniversary. Thank you so much

for the support, suggestions, and stamina – it has kept us all moving forward!

Farm Assistance Update

Steven Klose,

Associate Professor and Extension Economist,
Department of Agricultural Economics,
Texas A&M University

Here we are at the very end of the 2008 Farm Bill. By the time you are reading this, we could have a new Farm Bill, or we could still be waiting. There might be a one year extension of the 2008 Farm Bill; or there's a chance we could have some temporary fix for dairy policy and still be waiting for the rest. Any of those situations bring significant strategic planning questions for your farm operation. One thing is fairly certain: the eventual loss of the direct payment. Have you considered the bottom line financial implications of losing direct payments? What plans could you put in place to replace some of that revenue? Do you need to expand, or maybe you need to downsize?

A significant benefit to our FARM Assistance analysis service is the ability to analyze multiple "what if" scenarios. Many of our clients over the past year have already studied these scenarios for their operations. Although answers to these questions are difficult and elusive, keeping an eye on your financial future is the best way to prepare and make the most informed decisions. Contact FARM Assistance toll free at 1-877-TAMRISK or online at: farmassistance.tamu.edu

Master Marketer Highlights

2013 Master Marketer Program

Not to worry you haven't missed your Master Marketer 2013 opportunity. In case you haven't heard, the 2013 Master Marketer Program is scheduled for El Campo beginning in September. Mark your calendars for the Leveling Workshop, September 17; Session I, September 18-19; Session II, October 2-3; Session III, October 16-17; and Session IV, October 30-31. Registration information and a finalized agenda will be available in the March 2013 newsletter. If the fall is throwing you off schedule, we will be back on track in 2014 with the following Master Marketer program to begin in January in Vernon with the coordinating efforts of Stan Bevers.

Mark Your Calendars...

John Robinson will be presenting the following "Cotton Market and Policy Outlook" programs: Jan. 14 (am) in Perryton, Jan. 14 (pm) in Spearman, Jan. 15 in Groom, Jan. 16 in Dumas, Jan. 17 in Haskell, Jan. 23 in Lamesa, Jan. 24 in Bailey/Floyd County, Jan. 25 in Muleshoe, and Jan. 29 in Bryan. For more information, please call 979-845-8011 or email jrcr@tamu.edu

The 2013 Blackland Income Growth (BIG) Conference will be held in Waco on Feb. 5-6 at the Extraco Events Center, 4601 Bosque Blvd. Commodity sessions include beef, grain, horticulture, rural land management, cotton, forage, wildlife, and horse along with a private applicator training and testing course. For more information, visit <http://stephenville.tamu.edu/blackland-income-growth/conference-information/>

Steve Amosson and Mark Welch will be conducting the programs "Introduction to Futures & Options" on Feb. 12 and "Developing This Year's Marketing Plan for Feedgrains" on Feb. 13 & 14. Both courses will be held at the A&M AgriLife Center in Amarillo, 6500 West Amarillo Boulevard. Contact Steve Amosson for more information at 806-677-5600 or s-amosson@tamu.edu

Choice Website

In today's world, information is available at our fingertips in just a matter of seconds. Our problem is no longer finding the needed information but now is knowing if it comes from a reliable resource. Here at Texas A&M AgriLife, we have added another dimension to our available resources with our very own channel on YouTube.

<http://www.youtube.com/>
and search "agrilife"

The video aspect provides another view of our personnel, educational programs, and learning opportunities. From nutrition, 4-H projects, wildlife management, gardening and water issues, to farming and ranching business, Texas A&M AgriLife has experienced professionals in the field. Videos are organized by content, while some are region specific; there are others that are offered in a second language.

AgriLife Needs You!

“Requests for Survey Responses”

J. Mark Welch, John R. Robinson, and Emmy L. Williams
Department of Agricultural Economics, Texas A&M University

In guiding the design of our future educational programs regarding risk management, it is essential to gain insight from producers, merchants, processors, and lenders. In the past five years, the environment for trading futures contracts has changed significantly. A survey of participants in the Texas A&M AgriLife Master Marketer program is being conducted to assess the degree to which the changing climate of futures trading has impacted their ability to implement price risk management strategies.

Futures markets are important in determining the value of many agricultural commodities, from spot and forward contracts (adjusted for time, place, and quality) to price guarantees on crop insurance products. Producers and users of agricultural commodities have relied on futures markets to manage price risk, confident that 1) cash and futures prices move together over time, 2) cash and futures prices converge as the contract approaches expiration, and 3) funds held in margin accounts as a performance bond were secure in segregated accounts at the brokerage firm.

In changes, commodity prices across the board have experienced dramatic increases in volatility. Volatile markets increase the cost of maintaining margin accounts, often beyond the financial credit limits of the trader. For example, the spike in cotton futures in March 2008 reportedly strained several large cotton merchant firms to the point of bankruptcy or ceasing operations (Davis, 2008). Several markets have experienced a lack of convergence at expiration exposing hedgers to significant basis risk in addition to price risk. Recently two futures commission merchants, MF Global and Peregrine Financial Group, were found to have misappropriated customer funds. Account holders discovered that not only are their assets unaccounted for, additionally, they may share in the loss of the bankruptcy proceedings of their broker.

These factors may have shaken the confidence and trust in futures contracts as an effective tool of price risk management. In the words of one Michigan elevator manager, “[Farmers] expect us to provide and maintain competitive, perpetual marketing programs to assist them with their risk management. How will we be able to effectively manage the increased volatility and price risk, and place our hedges with confidence if the very integrity of exchange-based futures trading is in jeopardy?” (Gonzalez, 2012)

Anecdotally, Extension economists in Texas have noted similar sentiments from producers who previously were users of futures and options markets. In compiling the survey data, a poster will be presented at the 2013 Southern Agricultural Economics Association (SAEA) annual meeting in Orlando, Florida in February and a summary of responses will be made available on the Master Marketer website at mastermarketer.tamu.edu

You may or may not have noticed a survey mailed to you on behalf of the coordinators from the Master Marketer Program. We are asking for your full cooperation in responding to this anonymous survey in determining whether risk management practices and tools used in agriculture are changing. It is your very own feedback that allows us to develop, tailor, and deliver these top-notch programs.

References

Davis, A. 2008. “In Mystery Cotton-Price Spike, Traders Hit by Swirling Forces,” Wall Street Journal, 13 August 2008, A1.

Gonzalez, Sarah. “Former MF Global Customers Share Hardships with Ag Committee”, Agri-Pulse Communications, http://www.agri-pulse.com/Former_MFGlobal_customers_hardships_Ag_committee.asp. Accessed 10 September 2012.

Cattle Trails Cow-Calf Conference

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*Texas and Oklahoma to jointly host event to be held January 15
in Lawton, Oklahoma*

A cattle industry recovering from the drought will be the focus of the Cattle Trails Cow-Calf Conference, a joint effort between Texas A&M AgriLife Extension Service and the Oklahoma Cooperative Extension Service, to be held January 15 in Lawton, Oklahoma.

This annual conference provides cow-calf producers the most up-to-date information on topics that influence cattle profits, said Stan Bevers, AgriLife Extension economist in Vernon, Texas.

The slogan of the conference is "driving your cattle to profits," although Bevers said the last couple of years have made it tough to generate any profit.

The conference, which alternates between Texas and Oklahoma each year, will be from 8 a.m. to 3 p.m. at the Comanche County Coliseum, 920 South Sheridan, in Lawton. Registration is \$25 per person and includes educational materials, a noon meal and refreshments.

The keynote speaker for the event will be Garrett King, agricultural liaison for U.S. Representative Frank Lucas from Oklahoma. Lucas is the current House Agriculture Committee Chairman. King will provide a farm bill and congressional update from Lucas' office.

Improvement in the moisture situation has created some optimism with ranchers, Bevers said. But before any restocking of cattle takes place, the condition of their pastures should be assessed.

Two speakers will address pasture conditions and recovery, he said. Jack LeClair, DuPont Crop Protection range and pasture specialist of Saint Jo, Texas, will cover drought recovery and invasive weeds, while Dr. Bob Gillen, Western Kansas Agricultural Research Center's department head at Hays, Kansas, will cover the impact of drought on the Southern Plains grassland.

Traits and tools for retention and replacement of beef females will be discussed by Dr. Megan Rolf, Oklahoma Cooperative Extension beef cattle management specialist, Stillwater, Oklahoma. Dr. Dan Hale, AgriLife Extension meat specialist, College Station, Texas, will give participants a virtual packing plant tour to close out the meeting.

Industry sponsors also will have their products on display during the event. For more information on the event, go to <http://agrisk.tamu.edu>.

Producers are encouraged to pre-register by contacting their local AgriLife Extension county agent, their Oklahoma Cooperative Extension county educator, or by contacting the Southwest Oklahoma Area Extension office at 580-255-0546.

TEXAS A&M AGRI LIFE EXTENSION

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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 contact Emmy Williams at emmywilliams@tamu.edu or (979) 847-6143.

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 A&M AgriLife Extension Service are open to all citizens
without regard to race, color, sex, disability, religion, age, or national origin.

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