

Master Marketer Newsletter

<http://agecoext.tamu.edu/marketer/list.htm>

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Texas Agricultural Extension Service, The Texas A&M University System



Master Marketer Highlights

Industry Review of Master Marketer Program - On July 10, a group made up of Master Marketer graduates, commodity leaders and major funders of the program met in College Station to evaluate and provide future direction for the Master Marketer Program. This meeting should prove very beneficial as the upcoming sessions are planned. The committee put in a hard day critiquing the current program and providing many excellent suggestions for improving future sessions. Their work was very much appreciated.

New Educational Materials - In addition to the risk management educational materials (read more about this in the TRMEP Update section), a "Marketing Club Cookbook" has been developed to assist marketing clubs in determining how and in what order to use the educational materials and in planning and leading the educational program of a marketing club. These materials, along with other information can be found on the Master Marketer Web site or by calling Dean McCorkle at 409-845-9589.

Teleconference Network - With the leadership of Dr. Carl Anderson and representatives from several states, a series of teleconferences have been set up and made available to marketing clubs in Texas and the other participating states. After one initial test of the system with just a few clubs, the teleconference series was kicked off in full force in August with Mr. Billy Dunavant as the main speaker. Willard Sparks was the featured speaker in September. Other scheduled speakers are:

October 13—Joe O'Neill, New York Cotton Exchange

November 12—Daryl Good, University of Illinois

December 15—Ed Jernigan, the Jernigan Group

Contact your county agent or Carl Anderson (409-845-8011) if you would like for your club to participate.

Master Marketer Update Meetings - Special update workshops are being planned for Master Marketer graduates at the various locations around the state. You will be receiving more about

these meetings later. All the meetings are designed to meet the special needs of Marketing Club leaders covering topics requested by Master Marketer participants. Although the workshops are taught at an advanced level, there may be other individuals who could benefit if they have adequate experience and knowledge prior to the workshop. The workshops will be available to whoever would like to attend. The meetings are likely to be as follows:

South Texas—Wharton - November 2, 1998

South Plains—Lubbock - January 26, 1999

Rolling Plains - Vernon - March 2, 1999

Central - Waco - March 3, 1999

Information about these meetings will be advertised in the media and will also be listed on the Master Marketer web site.

Marketing Clubs around the State - This section will often include information about individual marketing clubs in Texas.

Any club in the state with special news and/or information about programs that have been successful, please call Jackie Smith at 806-746-6101. We would like

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to hear from you about anything you think should be shared with other clubs. In the future, this section will likely include information about some of the older clubs that are still successful, new clubs trying to get started, some of the very active clubs, or even some groups who do not even call themselves clubs but have still been quite successful.

In addition, if you have information about any meetings that could be of interest to other clubs, you can get it on DTN and/or the Master Marketer web site by calling Jackie Smith at 806-746-6101, faxing it to 806-746-6528 or e-mailing to j-smith34@tamu.edu. That same information will also be included in this newsletter in the future.

Master Marketer Program recognized with National Award - The Master Marketer Program was recognized by the

Partial funding support for the Master Marketer program has been provided by the Texas Wheat Producers Board, Texas Corn Producers Board, and the Texas Farm Bureau.

American Agricultural Economics Association on August 4 in Salt Lake City, Utah. The Master Marketer coordinating team received the Distinguished Extension Program Group Award. Many others in addition to the team should also be recognized for contributing to the success of the program. Credit should also go to the funders of the program, county agents who first introduced it to potential participants, Texas A&M administration, the outstanding participants and the speakers.

Calendar of Coming Events

Marketing Teleconference:

Oct. 13—Joe O'Neill, New York Cotton Exchange
Nov. 12—Daryl Good, University of Illinois
Dec. 15—Ed Jernigan, the Jernigan Group

Master Marketer Update Meetings

Nov. 2 - South Texas—Wharton
Jan. 26, 1999 - South Plains—Lubbock

Guest Column - Outlook for Feed Grain Prices

Dr. Bill Tierney, Extension Ag. Economist - Grain Marketing
Kansas State University

Final Corn & Milo Crops Could Be Larger.

As of the of September 27, the nation's corn crop (based on the percent mature) seemed to be about week ahead of its thirteen year average. Similarly, 22 percent of the crop was harvested, also above average for this time of year. Using the weekly figure for the corn crop's condition and maturity, it's possible to project final corn yields. Corn yields are projected to be 135.7 bushels, about three-and-a-half bushels above the USDA's September estimate of 132 bushels. The model's projection has a standard error of plus or minus 3.5 bushels. At the time this material was being prepared, no unusually early freeze was being predicted. However, given that 89 percent of the crop was mature (and therefore invulnerable to freeze damage) it seems unlikely that a widespread killing freeze would cause significant losses. Using the weekly figure for the milo crop's condition and maturity, milo yields are projected to be 69.7, that's 2.2 bushels above the USDA's September estimate of 67.5 bushels and about 3.2 bushels below "trend" yield. The model's projection has a standard error of plus or minus 5.2 bushels.

Corn and Milo Exports Lagging

Although the "official" marketing year only begun on September 1 for corn and grain sorghum, on average, 29 percent of corn and 31 percent of grain sorghum (milo) exports are booked as of mid-September (based on data from 1975-1997). This year, export commitments of corn were 373 million bushels, 17 million bushels less than last year. On average,

about 529 million bushels of corn exports are booked by this date. This year's mid-September figure implies that just 23 percent of the USDA's projected 1,625 million bushels has been booked. There have been seven other years when the ratio of mid-September export commitments/final exports was as low or lower (i.e. in 1994 the ratio was only 14 percent).

Among notable changes in this year's by-country exports versus last year is the unusually low level of export commitments to Japan (only 124 million bushels compared to 176 last year). On average, Japan books 172 million bushels by this date (just over one-third of their total annual purchases). On the other hand, commitments to Korea were 26 million bushels compared to last year's 20 million bushels. Corn commitments to Mexico were 33 million bushels, 19 million bushels more than last year and the largest figure in seventeen years.

Export commitments of grain sorghum were 39 million bushels, 1 million bushels more than last year's figure. This year's figure implies that 20 percent of the USDA's projected 195 million bushels has been booked. However, on average, 31 percent of annual milo exports are booked as of this date. Consequently, it appears that milo export activity is lagging and may not be sufficient to meet the USDA's latest projection. Export commitments to Japan (the number one market for U.S. sorghum exports) were only 12 million bushels, less than half last year's 26 million bushels. Export commitments to Mexico (the number two market for U.S. sorghum exports) were 23 million bushels, considerably above last year.

Corn Prices Likely To Follow "Normal" Crop Seasonal Pattern

If the final corn crop is 1-2 percent larger than the September estimate (and if harvest is not unduly delayed by wet weather) than "typical" harvest pressure could push December corn futures down to the \$1.90 level. This is considerably lower than the harvest lows projected by a "seasonal" of the month-by-month average price of the nearby corn futures contract. The seasonal was constructed using as a "bench-mark" the midpoint of the range of the USDA's September price projection as a benchmark (\$2.00). This is achieved by taking the national cash price seasonal for "normal" years and adding to that the national average basis for "normal" years. This suggests that the monthly "average" price of the December futures contract will be \$2.08 in November.

After the harvest lows are set, then the remainder of the year could see a price pattern similar to other "normal" crop years. In a typical "normal" crop year (something other than a year in which a "short crop" occurred), the season's lowest prices come at harvest, followed by higher prices till the June-July period. As of October 5, the July corn futures price was

\$2.37. Assuming the fundamental outlook is correct and the market follows the seasonal for "other" years, July corn futures are already at the average level that would be expected.

Consequently, producers may want to price any remaining crop now and then wait for the harvest lows to "pick off" the largest possible LDP. Farmers with on-farm storage may want to consider a "storage hedge" (selling July 1999 futures and storing corn or milo until late June before delivering the crop to a local elevator or feedlot). Recently, the "spread" between the July 1999 and the December 1998 corn futures contracts was \$.26. This "spread", when measured as a percent of the "carrying costs" was the highest its been (for early October) in over 25 years. The combination of the "carry" and the likely appreciation in the basis (following harvest), should generate a significant return above the producer's physical storage costs and interest expense.

Market Competition

In an attempt to stimulate competition among clubs, and to share different ideas on how producers might market future crops and livestock, we are proposing to run a marketing competition. In this segment of the newsletter we will provide a sample farm situation and let clubs compete with one another to see who can do the best job marketing the farm's wheat, corn, sorghum, cotton, and livestock. In each quarterly newsletter, we plan on having a progress report on what each club is doing in each category. The winning club can have the bragging rights as well as share with the other clubs how they were successful in marketing their crops and livestock.

We need to know how many clubs are interested in participating in the competition. If your club would like to be involved, please give Mark Waller a call (409 - 845 - 8011) or send him an E-mail at mwaller@tamu.edu by December 15, 1998.

Several of our faculty are meeting this month to discuss possible ways to run the competition. If you are interested, we will start the competition with the next newsletter. If there is little or no interest, we will design something else for this segment of the newsletter.

Inside the Texas Agricultural Extension Service

Stan Bevers, Associate Professor and Extension Economist, Texas Agricultural Extension Service.

Using BudPro to Calculate Breakeven Prices

Agricultural producers need to develop marketing plans. A major component of a marketing plan is an estimate of the necessary price to cover all costs based on expected yields (breakeven price). BudPro is designed to assist agricultural producers with this estimation. The BudPro for

Windows software includes one program for all crops and one for stocker cattle. The software analyzes user supplied information to determine expected returns, expenses, and breakeven prices. These programs are intended for planning purposes only.

An early meeting for any marketing club should be determining costs of production. Club members can be sent the BudPro worksheets prior to the meeting and have the majority of the information completed before the meeting. Once the meeting starts, members can then agree upon specific costs such as living expenses and machinery complements. An agreed upon cost of production can then be used to track paper or live trading positions within the club. Following the meeting, individual producers can then use this information as a baseline and adjust the numbers to reflect their own numbers. Most economists are available to assist with the meetings.

Anyone interested in receiving more information on BudPro can contact your local county extension agent or district economist. The BudPro for Windows software includes both CropPro and StockPro and the cost is \$100. They can be purchased separately for \$50 each.

Texas Risk Management Education Program Update

The main focus during the past few months has been to fine tune the FARM Assist decision support system while completing the analyses for the demonstrators. The current financial crisis caused by the drought has expedited the need for FARM Assist by farmers and ranchers across the state. As a result, FARM Assist is being offered state-wide. On the risk management curriculum side, we continue to develop and distribute materials every 4-6 weeks.

In District 3, the FARM Assist analyses for the demonstrators are being completed. Open enrollment for FARM Assist began in late October. Adoption of this program is expected to be high in light of the current economic situation. Several meetings are being conducted across the district to inform lenders about FARM Assist. Plans are being made for the Vernon Master Marketer reunion to be held in March. Preparation is also underway for a SPA workshop to be held at the Vernon Research and Extension Center in May.

In District 1, Fall begins with the first participants using FARM Assist. Early interest has been high, with many data collection meetings with producers already scheduled. Eleven meetings with agricultural lenders have been conducted to raise awareness of FARM Assist. Response from those attending was overwhelmingly positive, with most lenders agreeing to assist in the promotion of FARM Assist to their agricultural borrowers. A new marketing/risk management club has been initiated in Sherman County under the guidance

of Walter Lasley, Jr., a graduate of 1996 Amarillo MM program.

Enrollment for Master Marketer VI, set for January-February, 1999 in Amarillo, is off to a fast start. Upwards of 60 agricultural producers from the Panhandle and surrounding areas will participate in TAEX's award-winning intensive 64-hour risk management education program.

The Texas Risk Management Education Program (TRMEP) is in full swing in Extension District 2. FARM Assist, which is receiving a great amount of interest from area producers, agribusinesses, and lenders, was officially kicked-off on September 15 in this area. At this point in District 2, we are continuing to service the cooperator producers that have helped us develop FARM Assist and currently have over 40 producers in the process of getting started with the program in the sign-up process.

As a part of the TRMEP, a comprehensive set of risk management curriculum is being developed by Extension Economists with the Texas Agricultural Extension Service and Kansas State University Cooperative Extension Service. The curriculum, which consists of a 4 page publication, lesson plan and overhead visuals, is being distributed to Master Marketer graduates and county extension agents as they are developed. To date, 25 sets of curriculum have been developed. Some curriculum you can expect to receive over the next 3 months include publications on share leasing, cash leasing, land ownership, estate tax, farm income tax, labor management, hedging strategies for milk, and grain price seasonality.

The Choice Web Site

<http://www.agribiz.com>

Agribiz.com is a product of Frank Beurskens, owner of Frank Beurskens Consulting ,Inc., in Normal, Illinois. The site is billed as "a free information resource for the global agricultural community." It is a very large site with more information than you can look at in one sitting. However, it is worth a second look. Agribiz.com focuses primarily on feed grains as you might expect since it originates from the upper mid-west. The first page has three main links: 1) Search and Research, 2) Markets and Analysis, and 3) News and Articles. Depending on your computer and your connection, and because it is a rather large collection of information and links, some pages may take a while to load.

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