

Master Marketer Newsletter
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Master Marketer Update

More Recognition for the Master Marketer Program - On June 5, the Master Marketer team was in Washington D.C. to receive the Department of Agriculture (USDA) Secretary's Honor Award. It was presented by Secretary of Agriculture Dan Glickman. The award is the result of taking a good idea, developing it with long range planning and recruiting the best possible teachers and participants to make it a reality. In addition to the team, many others should also be recognized for contributing to the success of the program including the funders of the program, county extension agents who first introduced it to the potential participants, Texas A&M administration, the outstanding participants and the speakers.

Industry Review of Master Marketer Program - Several Master Marketer graduates and key individuals have been invited to participate in the second industry review of the program. Many good suggestions and ideas resulted from the July 1998 review. The group will meet in College Station August 17 & 18 to evaluate the program and discuss possible modifications. The group will also be asked for input on the agricultural lenders program and the new producers program.

Uvalde Master Marketer Program in the Fall - The Uvalde Master Marketer program begins September 27 - 28 and will mark the program's first stop in Southwest Texas. A special leveling workshop will be offered on September 26. The leveling workshop is for anyone who thinks they need a better understanding of the basics of futures and options before beginning the regular Master Marketer sessions. There is no additional charge for the leveling workshop. If you know of someone who is ready to participate in the Uvalde Master Marketer program, please have them call Joe Pena in Uvalde at 830-278-9151.

Abilene/Vernon in January and February 2001 - Stan Bevers (940-552-9941) will be coordinating a Master Marketer program in Vernon starting January 16, 2001. Jason Johnson (915-653-4576) will be coordinating the Abilene Master Marketer which begins January 17, 2001. Dates for leveling workshops will be announced later.

Ag Lender's Program - A group of agricultural lender's from around Texas met with the Master Marketer team in San Antonio last September to consider the need for a special training program for lenders. The group confirmed the need to develop a program for lenders in the area of risk management/marketing. The plan is to offer a two session, five-day fee-based course once a year in June. The location for the program will likely rotate between Amarillo and San Antonio. The first course is tentatively scheduled for June 12-14 and June 27-28 of 2001 in Amarillo.

Cotton Funding to Support Master Marketer Program - Beginning in 2001, Cotton Incorporated will likely be joining the Texas Corn Producers Board, Texas Wheat Producers Board, Texas Farm Bureau, and Houston Livestock Show to provide state-wide support for the Master Marketer program. The Master Marketer coordinators were recently informed that the Texas State Support Committee had recommended that the Master Marketer proposal be forwarded for consideration in the Cotton Incorporated budgeting process.

June 20 Technical Analysis Workshop in Lubbock - At the request of several Lubbock area Master Marketers and marketing club members, there will be two technical analysis workshops held at the Texas A&M Research & Extension Center north of Lubbock. A class for beginners, which will introduce the basic tools of technical analysis, will be held June 20, 2000 and will be taught by Jackie Smith. An advanced workshop will be taught by Alan Brugler of DTN in early Fall. For information about the June 20 workshop, contact Jackie Smith at (806) 746-6101 or by e-mail at j-smith34@tamu.edu.

Benefiting From a Professional Marketing Plan

Dr. John Miller*

Hurley & Associates of Texas

College Station, TX.

Toll free: (877) 697-8944

As the planting season is drawing to a close, I have been getting more questions from farmers about the markets. Is corn going to \$3.00? Will we see price levels above those seen last year? Doesn't it seem like prices are going to go through the roof? These questions ultimately come down to deciding whether or not we should be selling. I must admit, however, that when the markets recently reacted strongly to weather, I found myself falling into the same thinking - trying to outguess the market.

Rather than making marketing decisions based on what-ifs, I would encourage farmers to make these decisions based on sound business and financial rewards and to use the available marketing tools to minimize the risk associated with those decisions. It is very important to understand that there are tools available for protecting our marketing decisions in the face of uncertainty about weather, production, and price. There is more risk in doing nothing than in making profit-oriented decisions utilizing these tools.

The inherent risk associated with agriculture suggests to me that farmers would benefit from learning ways to capture profits from short-lived pricing opportunities that might come their way, while at the same time protecting the risks of a shorter crop or higher markets. Part of the learning process is acquiring the knowledge of how to best use basis information, when to use storage and when to deliver out of the field, when to use or not use contracts such as cash forward pricing, basis, hedge-to-arrive, or delayed pricing, and when to incorporate the use of options or futures. It is also important to think through these tools and realize that they are tools, not lottery tickets. Therefore, the focus should be on profitability and not the hope of outguessing the market.

While the vast majority of American farmers have excelled at managing the risk associated with production, more emphasis is needed on managing the risk associated with marketing their commodities. The fact that the volatility in the price range in any crop year can be a determining factor in financial success suggests that the marketplace, not efficiency, will define the future. To address this problem, a marketing consultant can be a valuable resource for developing and implementing a marketing plan that offers price protection and executes with discipline in the marketplace.

A major benefit of using a marketing consultant is the peace of mind to concentrate more intently on production activities at critical times, with the knowledge that someone is monitoring the markets with their

best interest at heart. Another benefit is that a well-written plan becomes an important communication tool for lenders. Lenders are beginning to request a realistic marketing plan that integrates marketing objectives with the borrowers production and financial management plans. Once a marketing decision framework is in place, the discipline provided by the consultant will permit execution that is consistent with a predetermined plan that meets the expectations of all stakeholders.

*Dr. John Miller is a farm marketing consultant for Hurley & Associates of Texas.

Inside the System

National Risk Management Education Workshop

Members of the Texas Master Marketer Program will be presenting the Master Marketer program and results at a National Risk Management Education Workshop in St. Louis, Missouri on June 6-7, 2000. Stan Bevers and Dr. Ken Stokes will be representing the Texas program. The program is sponsored by several universities including Auburn, Delaware, Minnesota, Nebraska, Texas A&M and Washington State. The program highlights successful risk management programs from many universities across the country.

Because of the success of the program in Texas, several other states have begun to implement similar programs. The University of Minnesota Master Marketer Program is now two years old. A single program was held in Mankato in 1999, while in 2000, three programs were held in Willmar, Albert Lea and Moorhead.

During the St. Louis workshop, Texas A&M faculty will team with Minnesota to present a combined program. Bevers will present the format of the Texas program as well as some of the results from the post-two year surveys from Amarillo, Lubbock and Vernon. Mr. Ed Usset of Minnesota will then present how the Master Marketer program was implemented in their state.

Texas Risk Management Education Program Update

The evaluation of extension programs is important in measuring program impacts, success, and shortcomings. FARM Assistance program subscribers are asked to complete and return an evaluation form following the completion of their analysis. Roughly one-third of the subscribers have returned their evaluation form and we are very pleased with the feedback received thus far. Every producer that has returned their evaluation stated that the analysis provided them information that will allow them to make better management decisions in the future.

Many producers provided comments on their evaluation. Here are a few that will give you an idea of their perception of the value of the FARM Assistance analysis:

“Everyone that is serious about staying in agriculture should not pass this program up.” – Ben Dieterich, McLennan Co. producer

“Having someone come to your home or office and help you gather information you have and put it in a package that you can read and understand so easy is and will be very beneficial to me and my family. Thanks” – Ronnie Hirt, Glasscock Co. producer

“This has been a valuable tool in evaluating the upcoming decisions I will need to make in the future to keep my farming operation viable.” – John Gaulding, Jefferson Co. producer

“Sending three kids off to college in the next several years while maintaining a profitable farming operation will be a challenge. Our analysis indicated we are likely to meet the increased financial requirements while expanding our farm.” – unknown Panhandle area producer

We are pleased at the feedback received thus far. If you have any questions regarding this program or would like to learn more about it, please call Dean McCorkle at 1-877-826-7475 (toll free).

Choice Web Site

This quarter’s featured website is the Internet trading site **TradeSim**, hosted by the University of Illinois at Urbana. The address is <http://agec16.agecon.uiuc.edu>. This trading simulation site provides a realistic environment for those who wish to learn to trade commodity futures and options. TradeSim incorporates timely price data, providing participants an opportunity to test their skills and knowledge about the market. Prices are provided by DTN and FarmDayta, and are downloaded once every hour during the period from 6am until 7pm. Approximately 40 different commodity contracts are available on TradeSim.

A trader can submit an order to buy or sell a contract at any time of the day and chooses a commodity, particular contract available for trade at the time of request, number of contracts and type of the order. There are 3 types of orders the trader can submit into the system -- market, limit and spread orders. The trader is given the latest available price for the contract for information purposes. The order submitted by the user is filled with the next earliest hourly price of the trading session. All transactions are processed at the end of the day.

At the present time the TAMU Department of Agricultural Economics has an agreement with TradeSim where producers can participate in the trading simulation for \$10/ 3 months. Those interested should contact Blake Bennett via e-mail at b-bennett@tamu.edu. Please include your name, address, county, and e-mail address.

Prepared By:

Dean McCorkle
Extension Economist - Risk Management
Texas Agricultural Extension Service
Department of Agricultural Economics
Texas A&M University
College Station, Texas 77843-2124
(979) 845-9589

Contributors to this issue were Stan Bevers, Rob Borchardt, Jackie Smith and Mark Waller.