

# Master Marketer Newsletter

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## Master Marketer Highlights

### Master Marketer Program in the Valley

The next stop for the Master Marketer program will be Weslaco this fall. The workshop dates are:

September 26 -27

October 10 -11

October 24 - 25

November 7-8

A leveling workshop will be held on September 25.

Dr John Robinson will be the local facilitator and will be actively recruiting participants during the next few months.

### Master Marketer Dates and Locations for 2002

In 2002, the Master Marketer program will be back to Amarillo in January and February and at a central Texas location in the Fall. An update meeting for Master Marketer graduates has been scheduled for Amarillo, February 12, 2002. Other locations will be announced as specific local arrangements are completed.

### Advanced Topic Series (ATS) to kick off in 2002

Special advanced two-day short courses will be offered at various locations around the state beginning in 2002. Advanced topics identified by the Master Marketer Industry Resource Committee will be taught in highly applied workshops by the best available instructors. Producers from Texas as well as other states are currently being surveyed to provide input on the specific topics to be taught first. The most likely ATS short courses to be offered first will be Advanced Futures and Options and Developing this Year's Marketing Plan.

## Guest Column

### The Best We've Had!

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The beef cattle business has been good for the last two years. Very good! So it is natural to ask “is this bubble about to pop?” Anything can happen, of course, but all the factors that we expect to have the most impact on beef cattle prices look favorable at present. The most positive thing has been the improvement in beef demand over the past two years. A strong economy, active consumer spending and a multitude of new “heat and serve” beef products have sent beef demand skyrocketing.

But what about this year's economy? The economy should remain strong this year, but probably not with the same high growth rates we experienced in 1998 and 1999. Consumers have not backed off spending on convenience foods yet and are not expected to this year. Away from home eating is still strong - just try to get in a good steak-house without a 30 minute to one hour wait.

There is one concern about the economy that we must watch. That is the cost of energy, especially gasoline prices. It is quite possible we could see gasoline prices this summer at \$2.00 per gallon or more. Consumer dollars spent on gasoline could certainly affect spending on convenience items such as “heat and serve” beef items. This should not be enough to wreck the beef cattle market, but it could and probably will be enough to take \$4 or \$5 per hundred weight (cwt.) off of feeder cattle prices and \$2 to \$3 cwt. off of fed cattle prices.

Probably the most asked beef question this year has been about the impacts of **hoof and mouth** disease and BSE or mad cow disease. I hesitate to put both in the same paragraph because there has been so much confusion over the two. Hoof and mouth, more frequently call “foot and mouth” in the news media (I guess because they are accustomed to having their foot in mouth), has been eradicated from the United States since 1929. Hoof and mouth outbreaks are not new. Somewhere in the world we have always had hoof and mouth disease and the U.S. has been successful in keeping it out of our borders. That is not to say we can't get it, but I strongly believe, if we do, we can keep it fairly isolated. It will be devastating to the individuals whose herds are affected, but it probably can be limited to a small percentage of our livestock. The biggest problem with hoof and mouth and its affect on our beef cattle market is consumer misunderstanding and perception.

A BSE outbreak within our borders would be devastating to our total domestic beef market. But, I think our chances of having a BSE outbreak in the U.S. are quite slim. BSE in Europe could open doors for U.S. beef exports.

On the beef supply side everything is too bright. In fact, with the exception of short-run fed cattle supplies everything is about as good as we could have it. Total **cattle and calves** inventories were down again this January at 97.3 million head. Beef cow inventories were down to 33.4 million head and this year's calf crop estimate was down slightly to 38.6 million head.

FI beef cow slaughter for the first 4 months of 2001 was up 11 percent. If you compare beef cow slaughter, however, from October 2000 through April 2001, you will find it at about the same level as a year ago. So most likely what we had, given cheap grain and slaughter cow price seasonalities, was a carryover of non-productive cows to the higher spring market. A possible impact of this could be an overestimated calf crop for 2001, since most of these cows held over for the spring market were probably counted as productive cows.

U.S. beef cattle producers did show they intended to start rebuilding herds by holding more heifers back as replacement cows. These replacement heifer numbers were reported at 5.6 million head, up 2 percent from a year ago. If we do hold more heifers back as replacements in 2001 it will be 2003 before they start producing calves, so go figure.

In the short run or through the summer months we will have more fed cattle to market. The April **Cattle On Feed** report indicated we had 3 percent more cattle on feed than a year ago. Those cattle will be marketed this summer. Feedlot placements have been relatively low, down 9 percent in March, and are expected to trend down from last year's levels for the remainder of the year. Fed cattle supplies will drop below previous year levels during the fourth quarter of 2001. Feeder cattle and calves are currently being placed on feed at lighter weights than a year ago. That trend will continue for the rest of the year as we have depleted yearling cattle supplies.

Fed cattle prices have already dropped from the \$80's cwt. and will continue to decline this summer. If beef demand weakens because of gasoline prices or some other factor, fed cattle prices could drop as low as the \$67 -\$69 cwt. levels. They should, however, remain around \$70 - \$71 cwt. Fed cattle prices are expected to rebound this fall. If beef demand continues strong throughout 2001, fed cattle prices could surpass \$80 cwt. again this fall.

Feeder cattle and calf prices will follow the trend of fed cattle prices. Calf prices should hit their lows in August and September and rebound this fall to possibly new highs for the year if feedgrain prices remain relatively low. All in all, 2001 should be a banner and record year for cattle prices. All the variables affecting cattle prices line up that way.

## Marketing Club Corner

By Rob Borchardt

*This is a new column that will periodically focus on highlighting marketing clubs across the state that are trying new and innovative educational methods to enhance their marketing education.*

First, let me briefly describe my background prior to becoming the new “Statewide” Marketing Club Coordinator, headquartered in Vernon. Prior to this position, I was the Risk Management Specialist in District 3 (Vernon) for three and one-half years where I had the opportunity to work with several marketing clubs and I became a strong believer in the marketing club concept. I have seen many producers, who were traditionally focused on production, shift some of their efforts to marketing and begin to look at their operation as a business rather than an occupation, simply by participating in a marketing club. In these times of rising input costs, and low commodity prices, marketing is one of the few areas where producers can add to the bottom line. One of my favorite quotes from the Master Marketer Program is: “the markets are not going to give you anything, you have to take it.” That is exactly what I believe a marketing club should do; teach producers how to create a workable marketing plan, how to recognize pricing opportunities, and how to use different pricing strategies to accomplish their pricing objectives when possible. Now, let me inform you of some new activities that we have developed to aid the marketing club educational process.

First, Jackie Smith and I have created a “Cotton Marketing Competition” exercise for marketing teams to see who can achieve the highest net price by harvest on paper, using available hedging/pricing tools. We are in the process of finding a sponsor to establish a cash award for the top marketing team. As of May 1<sup>st</sup>, there were only two teams signed up so their chances of winning the prize are pretty good. If you would like to compete, give me a call or see the Master Marketer web site for more details: <http://mastermarketer.tamu.edu/info/cotcomp.htm>

Finally, let me make you aware of our efforts with regard to marketing club evaluation. Of all the evaluation that has been done with the Master Marketer Program, one area that has not been measured is the “impact” that marketing education has made on marketing club participants. In this age of accountability, it is extremely important that we document what producers are learning, and if that learning is making a difference in the way they do business. For these reasons, we have designed a Pre/Post Test that we would like to administer to all **new** marketing club members. All Master Marketer graduates and county Extension agents will be receiving a copy of this Pre/Post Test that will replace the one that was included with the Marketing Club Cookbook you received. If you have a marketing club that has recently started, or will be starting soon, please help us administer this evaluation. In fact, if you will give me enough warning, I will come and administer the test myself.

Let me close by saying I look forward to working with all of you. And, if I can ever do anything to assist your efforts in marketing education or attend any meetings you may be having, I will be happy to do so. Please feel free to contact me anytime.

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## **Texas Risk Management Education Program Update**

A new risk management specialist has been hired to serve the Panhandle area (Extension District 1). Diana “DeDe” Jones, originally from Stephenville, started with the Extension Service in October and is doing an outstanding job of working with producers in the FARM Assistance program. DeDe holds both a bachelor's degree in Agricultural Economics and an M.B.A. in Marketing from Texas Tech University. Her activities focus on analyzing the financial performance and associated risk of alternative financing, investing, and operational decisions for crop and livestock producers in the Panhandle. DeDe can be reached at (806) 359-5401.

### **FARM Assistance Data**

While personalized strategic analysis is the focus of the FARM Assistance program, we have developed a data base system for storing and managing FARM Assistance data. The data, which is provided by each producer during the FARM Assistance process, includes production and cost estimates as well as projected measures of financial performance and financial position.

We are in the process of mailing personalized reports to all FARM Assistance subscribers that will contain some key data from their analysis compared to different groups of FARM Assistance participants. This will allow subscribers to compare their operation to similar operations in their district and the entire state.

While the FARM Assistance reports have proven to be very valuable to producers, the type of information we can now obtain from the data base and provide back to producers will hopefully lead to interesting and productive discussions between the producer and the risk management specialist, and ultimately allow producers to make more informed decisions.

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Contributors to this newsletter were Jackie Smith and Rob Borchardt.