

Master Marketer Newsletter

<http://mastermarketer.tamu.edu>

Volume 7 • Issue 2 • June 2007

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Master Marketer Highlights

Personnel Management Conference

A Personnel Management Workshop was held April 3-4 in Lubbock, at the Holiday Inn Plaza Hotel on the South Loop. The curriculum for the conference was designed with agricultural managers in mind, and the team that organized the conference (Jackie Smith, Steve Amosson, Danny Klinefelter) brought in six nationally known speakers to address personnel management issues such as hiring employees, retaining employees, multicultural workforce issues, conflict resolution, and legal issues. Evaluation information suggests that the 70 participants who attended the program were excited about the material that was presented, and what they learned.

Master Marketer/Advanced Topics Series Survey

As many of you are aware, Emmy Williams is helping us conduct a brief survey so that we can get some input from you about your perceptions of the future of the Master Marketer and Advanced Topics Series programs. We are also trying to obtain some information about the ways in which you would like to see us disseminate information in the future. By now you should have received the original survey, and may have also received a follow-up postcard from Ms. Williams. We do value your input. If you have not yet had the opportunity to respond to the survey, please take a few minutes in the near future to and send it back to us.

New Grain Marketing and Policy Extension Economist Arrives

During the month of June our new Grain Marketing and Policy Extension Economist arrived in College Station and took up residence here in the Blocker Building. Mark Welch comes to us from his previous position as a Research Associate with the Cotton Economics and Research Institute at Texas Tech University in Lubbock. Before getting his PhD in agricultural economics at Texas Tech, Mark operated a cattle feedlot and irrigated farm in Castro County in the Texas panhandle. He raised wheat, corn, cotton, and sugar beets and continues as trust administrator for the family farm. Mark and his wife Brenda have two daughters, Lindsey and Kelsey.

Marketing Club Corner



Mark L. Waller,
Professor,
Associate Department Head-Extension,
Department of Agricultural Economics,
Texas A&M University

For several years now the Southern Extension Marketing Committee has been trying to enlist Extension Specialists, County Agents, and Producers to participate in a trading competition as an educational activity. I am pretty sure that we have discussed this in the marketing club corner segment before, but it may have been two or more years ago. I thought this might be a good opportunity for you to think about it again. The commentary below is an excerpt of what was recently sent by Walt Prevatt at Auburn University.

2007 SEMC FACTSim Trading Competition

The Southern Extension Marketing Committee (SEMC) is again hosting a competition for teams that wish to learn more about trading futures and options and to test their skills in trading. This is the fifth annual competition with teams of 5 competing for team awards and individuals from all teams competing for individual awards. The winners are awarded certificates that can be framed and cash dependent on the number of teams participating. The competition this year will begin June 18 and end the Friday prior to the Southern Outlook Conference in late September where the winners are announced and awards handed out. Traders can begin official trading anytime after June 18.

Each trader that enters the competition will be given \$50,000 (funny money) to cover margin requirements and any losses the trader incurs during the trading period. If the trader loses all of that money, they can request a loan for additional capital (\$50,000 limit) with an initial borrowing fee of 10% and an interest cost of 12% per annum.

FACTSim is the platform for trading these products, using real time data to price the trades made by traders in the competition. Teams of 5 can be organized with a (continued on page 3)

Guest Column



Melvin Brees,
Market/Policy Extension Associate,
FAPRI, Food and Agricultural Policy Research Institute,
University of Missouri

Reprint from FAPRI's Decisive Marketing series
Summary of USDA crop reports and market reactions
June 11, 2007 – Tighter Wheat Supplies

The USDA's June 11, 2007 World Agriculture Supply and Demand Estimates (WASDE) projects declining wheat supplies along with almost no changes for US corn and soybean supply/use projections.

Projected harvested wheat acreage is increased to 52.2 million acres, but yield estimates are reduced by 0.2 bpa to an expected average 2007 yield of 41.5 bpa. This results in total wheat production of 2.168 billion bushels, which is down six million bushels from the May estimate. Export projections are increased 25 million bushels in anticipation of tightening world supplies. The net result of these adjusts are a decrease in projected 2007-08 wheat ending stocks from 469 million bushels (May) to 443 million bushels (June). This is below the average pre-report trade ending stocks estimate of 490 million bushels, but within the range of the pre-report expectations. World wheat production estimates declined 6.7 mmt, reflecting production problems primarily in Russia and the Ukraine. World wheat 2007-08 ending stocks continue to decline. They are now projected at 112.03 mmt and the lowest in 30 years! Wheat price projections are increased by fifteen cents per bushel and expected to range from \$4.50 to \$5.10.

Old crop corn exports estimates are reduced by 50 million bushels resulting in like increases to 2006-07 corn ending stocks and 2007-08 beginning stocks. Although some expected good crop condition rating to increase yield projections, mixed early growing season conditions caused the USDA to make no changes to 2007 corn production estimates. Corn use projections for 2007-08 were also unchanged from the May reports. Expected 2007-08 expected ending stocks of 987 million bushels reflects only the increase in beginning stocks and is within the range of pre-report trade estimates. Corn production for Brazil and Argentina is increased and increased exports for Argentina and EU-27 are expected to nearly offset the decrease in US 2006-07 corn exports. World 2007-08 corn ending stocks are expected to increase from last month's estimate of 90.25 mmt to 91.80 mmt. Projected corn prices for 2007-08 are unchanged with a range from \$3.10 to \$3.70.

No changes were made to 2007-08 domestic soybean supply and use estimates. Ending soybean stocks are still expected to decline from 610 million bushels (2006-07) to 310 million bushels (2007-08). However, the tighter US supplies are reflected in USDA's first look at 2007-08 world soybean supply and use estimates. World ending stocks are expected to decline from the current year's 63.6 mmt to 54.0 mmt in the coming year. The expected price range was increased by fifteen cents reflecting current pre-harvest marketing opportunities. Prices are projected to range from \$6.65 to \$7.65.

Although the report contained some bullish news for wheat, news for corn and soybeans was limited. Any changes to US corn and soybean production/use estimates will have to wait until after the June 29 USDA acreage and next month's WASDE reports. This will keep markets focused on weather conditions and any possible acreage shifts that may have occurred during the mixture of a wet/dry and delayed/rapidly caught up planting season. Futures prices were sharply higher following the report with double digit gains across the board and Kansas City Hard Red Winter wheat futures touching limit up at one time during morning trading.

Choice Website

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FutureSource.com
<http://www.futuresource.com/>

This is one of those websites that has a tremendous amount of information. While we hope that you will find stuff here that can help with your hedging/risk management activities, there is also a lot of information related to speculative trading. As with many such sites, there is some stuff that you can find at the site for free, and there are a lot of different options/bells and whistles that you can add for a fee. The site is easy to utilize if you need to have quick access to futures prices and charts over the Internet. It is also a source of market information/commentary that may be of use if you are trying to determine what is moving prices during the day. The commentary is broken into sections so that you can look specifically for things related to grains, meats, etc. If you have a minute, you may want to check it out, and see if it is something you want to add to your list of favorites.

Marketing Club Corner, continued from page 1:

fee of \$150. We have had teams of specialists, growers and students. Team results are calculated as the total profit of the top 4 traders.

I encourage you to organize your teams and let me know when you are ready to begin the competition. Provide me with a team name at sickle@ufl.edu and I will give you information for opening your accounts on FACTSim to begin trading. I can give you a grace period up until the end of June to practice your trading skills in FACTSim and then reset your accounts back to their original parameters. I look forward to another spirited competition.

-John J VanSickle

Farm Assistance Update

Melissa Jupe,
Extension Program Specialist-Risk Management,
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The broad objective of the FARM Assistance program is to improve decision-making in and for the agricultural industry of Texas. In order to broadly achieve this stated objective, the FARM Assistance group publishes a series of short articles under the banner of FARM Assistance Focus. This spring, two topics were on the forefront of the minds of both our clients and specialists.

The first topic relates to the drought South Texas ranchers faced throughout late 2005 and 2006. While rain is now abundantly falling throughout most of the state, ranchers across the state faced some tough choices regarding their herd management strategies. Long Term Financial Impacts of Drought Management Strategies (2007-1) by Kaase et.al. and Drought Recovery in South Texas Ranches (2007-2) by Young et.al. provides relevant data on various alternative management strategies.

The second topic relates to the on-going Agricultural Water Demonstration Initiative (ADI) project conducted with the Texas Water Development Board, Harlingen Irrigation District, south Texas agricultural producers, and Texas Cooperative Extension and other agencies. The two studies written this spring evaluate the economic viability of various irrigation methods (surge, furrow and drip). The first article, Surge Irrigation Illustration for Cotton in the Lower Rio Grande Valley (2007-3), illustrates the viability of surge irrigation as an efficient water delivery system. The second article, Impact of Volumetric Water Pricing for Cotton Comparing Furrow versus Drip Irrigation in the Lower Rio Grande Valley (2007-4), evaluates irrigation of cotton at various potential water rates allowing for a more realistic look at the viability of drip irrigation. You can find these and all of our publications at <http://farmassistance.tamu.edu/publications>.

As the potential for a new farm bill approaches, please keep in mind that the FARM Assistance team can help assess the likely impacts these changes could have on your operation. Please contact one of our local offices or call 877-826-7475 to set up your next appointment.

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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 elwilliams@ag.tamu.edu.

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Issued in furtherance of Cooperative Extension Work in Agriculture and Home Economics, Acts of Congress of May 8, 1914, as amended, and June 30, 1914, in cooperation with the United States Department of Agriculture and Texas Cooperative Extension, The Texas A&M University System.

Partial funding support for the Master Marketer program has been provided by the Texas Wheat Producers Board, Texas Corn Producers Board, Texas Farm Bureau, Houston Livestock Show and Rodeo, and Cotton Inc.-Texas State Support Committee.