

Master Marketer Newsletter

<http://mastermarketer.tamu.edu>

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In this Issue

Master Marketer Highlights	1
Marketing Club Corner	1
Guest Column	2
Choice Website	3
Farm Assistance Update	3

Master Marketer Highlights

Dairy Industry Conference

A one-day conference was recently held in Amarillo for Ag Lenders entitled "Understanding the Dairy Industry". The objective of the conference was to increase lender understanding of the dairy industry, financial requirements and how dairy financing could fit into their portfolio. A total of 34 High Plains Lenders attended. Attendees rated the quality of the overall conference at 5.73 on a 7 point scale. Pre- and post-tests were utilized to measure knowledge gained, showing a percentage increase of 133%.

Upcoming Risk Management Workshop

As a result of increased price volatility, higher price levels, and problems that developed within the pricing system for grain and cotton producers this year, Texas AgriLife Extension, and the Association of Agricultural Production Executives are teaming up to co-sponsor a workshop titled "Input-Output Risk Mitigation". Dr. Danny Klinefelter talks more about this workshop in the guest column of this newsletter.

Upcoming Personnel Management Conference

A personnel management workshop will be offered on September 9-10, 2008 at the Fifth Seasons West Hotel in Amarillo, Texas. This workshop will be very similar to the personnel management workshops held in Amarillo (2006) and Lubbock (2007), which received very good reviews. As a result of the perceived value/success of those workshops, it is being offered again. This workshop should be of help to those in need of assistance hiring and retaining employees, dealing with a multicultural workforce, facing conflict resolution, or battling legal issues. The speakers share many years of experience with a wide range of personnel management issues and are very effective communicators. For more information, contact Stephen Amosson at (806) 677-5600.

FACTSim Marketing Competition

The Southern Extension Marketing Committee will be hosting its sixth annual competition using the FACTSim educational trading platform for teams of five who wish to learn more about futures/options hedging/trading. The competition will run from early June through late September. The registration fee will be \$150 per team. For more information, contact Mark Waller at (979) 845-1751.

Marketing Club Corner



J. Mark Welch,
Assistant Professor,
Extension Economist-Grain Marketing,
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Should I Sell or Store My 2008 Wheat Crop?

As wheat harvest wraps up across Texas, producers are faced once again with the decision whether to sell their crop now or store in hopes of increasing the net selling price of their grain. For many, their memories of marketing last year's crop are of selling too soon and watching prices rise to record highs during the winter.

The decision to sell or store is based on two very different considerations. One is speculation in the cash market (the grower accepts all price risk) in hopes that prices will increase. A second consideration is the return to storage which is an altogether different proposition than price risk. If you believe there are sound reasons to expect higher wheat prices, then there are alternatives other than holding wheat in storage that usually outperform a cash speculative program. One such alternative is to sell cash wheat at harvest and buy distant futures contracts. This eliminates not only the costs of storage but also the risk of damage inherent in storing the physical product.

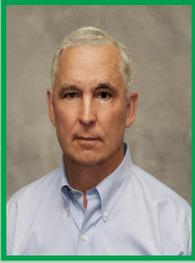
Return to storage is based on knowledge of basis levels for wheat in your area and the amount of premium in distant futures contracts relative to harvest-time futures. Returns to storage are favorable when basis improvement (from weak at harvest to stronger later in the off season) is expected to be enough to compensate for storage charges. This can be expressed as a storage decision formula:

$$\text{Returns to Storage} = \text{Expected Price} - \text{Today's Cash Price} - \text{Storage Costs}$$

where the expected price is the distant futures price minus the expected basis for that contract in your area at that time of year. Store the crop when the returns to storage are positive and sufficient to justify the acceptance of basis risk.

(Continued on page 3)

Guest Column



Danny A. Klinefelter,
Professor and Extension Economist,
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Risk Management Conference

Texas AgriLIFE Extension and the Association of Agricultural Production Executives are teaming up to offer "Input-Output Risk Mitigation - Allying Suppliers with End Users: Are There Potential Win-Win Alternatives?" The program will be held at the Barton Creek Resort in Austin, Texas from July 28 through 30, 2008.

Despite record farm incomes, top managers recognize that now is the time to be exploring options for better positioning themselves in dealing with the less favorable economic conditions that are almost certain to follow. Associated with these circumstances, are five primary driving issues that need to be analyzed in greater depth:

1. The increased volatility of input and output markets.
2. The multiple interfaces along the supply chain, i.e., the numerous points where one establishes a price and then must deal with the uncertainty on both the front and back ends of the transaction. The result is reduced efficiency and risk premiums built into the overall process.
3. Many of the traditional hedging tools (commodity futures) and derivative markets are behaving abnormally due to the impact of speculative fund investors.
4. The likeliness of change in the availability and terms of access to capital, and
5. The increasing impact of domestic and global macroeconomic conditions on firm level decisions, i.e., U.S. dollar exchange rates and shifts in global supply and demand for fuel, fertilizer, and steel, etc.

This is not to be an outlook program or a futures and options strategy short course. The program will focus on clarifying the risk drivers and their implications over the next 1-3 years. The goal is to help participants grasp the concepts of the involved issues and determine between temporary cyclical patterns and what are the longer term structural changes that could require new tools and/or different business models.

Presenters include well known extension and university educators, private consultants, agribusiness executives, and leading farmers from throughout the United States. Their objective is to aid participants in becoming better strategic managers in anticipating, adapting to, driving, and capitalizing on change.

At the conclusion of the program, organizers will 1) prioritize a list of topics to guide the development of a series of commissioned white papers written by recognized industry and academic thinkers that will assess the emerging business environment and propose potential strategies and models that will help producers to better manage these risks, 2) identify areas needing more targeted in-depth educational programs and 3) possibly initiate the formation of industry/producer discussion groups for exploring different business strategies.

The registration fee for the program is \$2250, which includes lodging and meals. Enrollment is limited to 100 participants, and is on a first come first served basis.

For registration information contact Danny Klinefelter at (979) 845-7171 or by email at danklinefelter@tamu.edu

Choice Website

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<http://www.iowabeefcenter.org/>

The Iowa Beef Center website is run by Iowa State University Extension. The Iowa Beef Center website was developed to provide cattle producers, researchers, industry personnel, and others access to a large quantity of the latest research-based information to improve the profitability and vitality of the U.S. cattle industry. The information focuses on several key areas of production and management that include 1) economics and markets, 2) forages, hay, and grazing, 3) feedlot operations, 4) cow-calf operations, 5) stocker/backgrounders, 6) environmental management, and 7) feed/corn co-products. Each section includes publications, research reports, and Excel spreadsheets addressing issues relative to the given aspect of cattle production.

The website contains various software programs, industry calculators, handbooks and related literature. These management and production tools address issues such as cattle feeding and nutrition, cattle marketing, grid marketing, feedlot management, financial analysis, business planning, horse and sheep nutrition, and other industry-related issues.

Finally, the site has a useful list of website links to other beef industry-related sites, various breed associations, research and extension centers, and state and government agency sites.



Improving Lives. Improving Texas.

Farm Assistance Update

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Addressing the needs of both individual producers and the agriculture industry as a whole, the FARM Assistance team has published several reports recently. The Texas Agriculture 2007: The Road to Success illustrates the activities and results of approximately 200 of the most recent program participants. The analysis utilizes FARM Assistance data to dissect and summarize producers of different levels of success, types, commodities, and practices in order to help all Texas producers improve their management information and financial success.

The FARM Assistance Focus Series publications are 3-4 page summary analyses of specific topics the team encounters while doing strategic planning across the state. Added to the Focus Series list recently is an analysis of various strategies to combine livestock and wildlife management enterprises on the same operation (Focus Series 2008-1). This study is an important look at the financial implications of the popular trend of reducing a livestock herd in favor of hunting enterprises. Another addition to the series takes a look at the new on-board moduling picker technology. The study (Series 2008-2) examines the financial impacts of four different cotton harvest equipment scenarios on a typical cotton operation in the Texas High Plains. A look at the bottom line for a whole farm, considering all the costs and savings, sheds light on the potential advantages of adopting this new technology. These and other topics can be found in the publications section of the FARM Assistance web site: farmassistance.tamu.edu/publications

Marketing Club Corner, continued from page 1:

In Texas, returns to storage for wheat are usually negative and result in a net selling price that is lower than a 'sell cash at harvest/buy futures' strategy. If your motivation for storage is price speculation, there are more efficient ways to participate in the market than physically holding the grain. If you think the opportunity exists to increase crop returns from returns to storage, an understanding of your local basis is the key.

For more on this subject, refer to "Sell or Store Decisions for Wheat" available in the Library section (under the Publications tab) of the Extension Agricultural Economics website at <http://agecoext.tamu.edu/resources/library.html>



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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 write Emmy Williams at elwilliams@ag.tamu.edu.

Educational Programs of Texas AgriLife Extension Service are open to all citizens without regard to race, color, sex, disability, religion, age, or national origin.

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