

# Master Marketer Newsletter

<http://mastermarketer.tamu.edu>

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## Master Marketer Highlights:

### Cattle Trails Wheat and Stocker Cattle Conference

The Cattle Trails Wheat and Stocker Cattle Conference will be held Tuesday, July 29 in Wichita Falls, jointly hosted by Texas A&M AgriLife Extension Service and the Oklahoma Cooperative Extension Service. The conference will be held from 8 a.m. to 2 p.m. at the Multi-Purpose Event Center (1000 5th St, Wichita Falls TX) and industry sponsors will have their products on display during the event. Registration is \$25 per person and includes educational materials, lunch, and refreshments. Producers are encouraged to preregister by contacting Allison Ha at the Texas A&M AgriLife Research and Extension Center in Vernon at 940-552-9941, ext. 225. For more information, visit <http://agrisk.tamu.edu>

Program topics and speakers include:

- Dr. Joe Outlaw, *Co-Director of the Agricultural and Food Policy Center at Texas A&M University and AgriLife Extension Economist from College Station* - The Farm Bill, The Policy Center's Software Decision Aid, and How the Farm Bill Impact Will Influence Area Wheat Producers' Incomes.
- Stan Bevers, *Texas A&M AgriLife Extension Economist and Professor in Vernon Texas* - Expectations for the Wheat and Stocker Cattle Markets.
- Dr. Chris Richards, *Oklahoma State University Department of Animal Science Professor in Stillwater, Oklahoma* - Nutrition and Health of Stocker Cattle.
- Dr. Mark Gregory, *Oklahoma Cooperative Extension Agronomist from Duncan, Oklahoma* - Update on Wheat Forage and Varieties.
- Dr. Tom Hairgrove, *Veterinarian and Texas A&M AgriLife Extension Animal Health Specialist and Program Coordinator in College Station* - Stocker Cattle Health Management and the Use of Antibiotics in Food Animals.



Partial funding for this program was made possible through a grant funded by USDA and the Risk Management Agency.

### USDA's World Agricultural Supply and Demand Estimates (WASDE) Report

Wheat. As expected, USDA lowered the production estimate for the 2014 U.S. wheat crop in the June WASDE Report. Production is now estimated at 1.942 billion bushels as average yield was cut from 42.7 bushels per acre to 42.3. This is a 21 million bushel reduction from the May production estimate.

However, the production decrease was more than offset by decreases in use resulting in a higher ending stocks number than last month. First, for 2013/14, USDA raised ending stocks 10 million bushels on lower exports and feed use. This was carried over as an increase in beginning stocks for 2014/15. Then in new crop wheat, USDA lowered food, feed, and exports by a total of 45 million bushels. The net impact of these changes was an increase in wheat ending stocks of 34 million bushels with the stocks to use ratio increasing from 25% last month to 27%.

Feed Grains. USDA made no changes to the U.S. corn or sorghum supply and demand balance sheets in the June WASDE Report. Ending stocks of corn at the end of the 2014/2015 marketing year are still expected to be 1.726 billion bushels, a 50% increase over last year's 1.146 billion bushels. Revisions were made to world corn numbers: supply is up 2.7 mmt on increased production estimates from Europe and the FSU-12; consumption is up 1.8 mmt on higher feed use; ending stocks are up about 1 mmt.

Estimated days of use on hand at the end of the marketing year are now a 68.9 day supply, up from 68.7 last month and 65 days of supply last year. This would be the fourth consecutive year of increased corn supplies, and like wheat, midway between 10-year and 20-year averages.

Cotton. The June WASDE Report for new crop cotton included mildly bearish numbers for both the U.S. and world. Given the rains over Texas in late May and early June, USDA increased their forecast of 2014 U.S. cotton by 500,000 bales. The end result was a moderate increase in forecasted ending stocks, which would suggest that our price outlook be adjusted lower. As a result, we are looking for Dec'14 futures to trade between about 72 and 82 cents per pound. The foreign and world cotton numbers form USDA paint yet another picture of excess production over consumption, and record ending stocks in excess of 100 million bales.



## To ARC or Not to ARC, That is the Question

**J. Mark Welch,**

Associate Professor and Extension Economist-Grain Marketing,  
Department of Agricultural Economics,  
Texas A&M University

U.S. farm policy is designed to support and sustain the safest, most affordable, and most reliable supply of food and fiber in the world. The latest farm bill, The Agricultural Act of 2014, eliminates familiar commodity support programs in the 2008 bill: direct payments, counter-cyclical payments, and ACRE. In their place, producers must choose between two new commodity programs, Price Loss Coverage (PLC) or Agricultural Risk Coverage (ARC).

**PLC** PLC is similar to the counter-cyclical payment program that pays on base acres if the national marketing year average price falls below the target price. In the language of the new farm bill, the old target price is called the reference price. The reference price for wheat in the 2014 farm bill is \$5.50 per bushel. If the national marketing year average price is above the \$5.50 reference price, no PLC payment will be made. If the marketing year average price falls below \$5.50 (as it was most recently in 2009, \$4.87) PLC would generate base acre payments calculated as the difference between the reference price and the marketing year average price times the farm's payment yield times a PLC payment fraction of 0.85. Actual yields do not affect payment levels.

**ARC** ARC is more similar to the old ACRE program--it pays on base acres if actual revenue in a given year falls below a benchmark guaranteed level of revenue. Actual revenue is calculated as that year's county average yield times the same year's marketing year average price. Benchmark revenue is calculated the same way only it is based on a five-year Olympic average (high and low values excluded) of county yields and a five-year Olympic average of national marketing year average prices. ARC pays when the ARC revenue guarantee is greater than actual county revenue, subject to a payment fraction of 85% (same as PLC) and a payment cap of 10% of benchmark revenue in any given year.

While PLC pays only on a decline in price, ARC can generate payments due to a decline in yield. During farm bill debate, ARC was referred to as a program protecting against shallow losses and PLC a program to protect against deep losses. As USDA and the Farm Service Agency finalize program rules, the Agricultural and Food Policy Center, Texas A&M University and others will offer various forms of online decision aids. The first payments for either program will not be made until after September 2015 for the 2014 crop.

Another factor which will impact the PLC versus ARC decision is that only PLC participants will be able to add the Supplemental Coverage Option (SCO) to their crop insurance coverage. SCO is a new crop insurance product that provides county level coverage for insured losses (yield or revenue depending on the underlying insurance product purchased) from 86% down to the coverage level of the underlying policy.

Producers will also have the opportunity to update base acres for crops planted anytime from 2009 to 2012. If they choose, they may also update payment yields to 90% of the 2008 to 2012 crop year averages. This has particular significance for PLC since payment yields directly affect calculated payments.

Secretary of Agriculture Tom Vilsack has stated that the sign-up for the 2014 farm program will likely be sometime in late 2014 or early 2015. The advantage of a late sign-up period for wheat producers is that the yields and MYA price for 2013/2014 will be known and much of the 2014/2015 MYA price and yield information will be established. This degree of certainty over short term benefits of each program will need to be weighed against longer term expectations regarding yields and price. As will the relative importance of the Supplemental Coverage Option, available only under PLC.

Continued on Page 3.

## Choice Website

**Emmy Williams,**

Extension Specialist,  
Department of Agricultural Economics,  
Texas A&M University

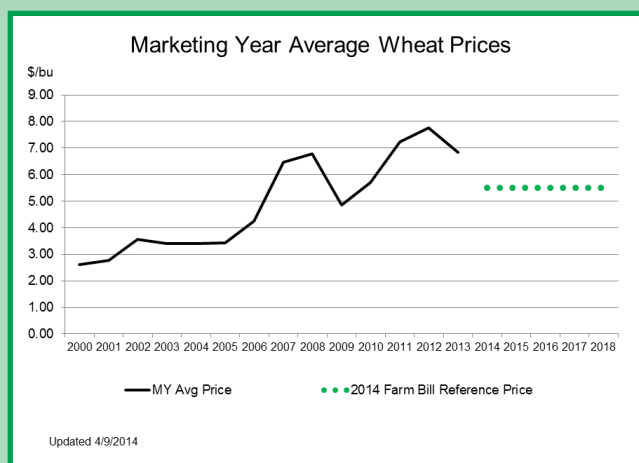
<http://agriflife.org/texasaglaw/>

Tiffany Dowell is an Assistant Professor and Extension Specialist specializing in Agricultural Law with the Texas A&M AgriLife Extension Service. Licensed to practice law in New Mexico and Texas, Tiffany writes the Texas Agriculture Law Blog focusing on water law, oil and gas law, leasing, property rights, right to farm statutes, and animal cruelty issues. Keeping current with legal issues impacting Texas agriculture, you are sure to find the latest in news stories, legal opinions, and legality basics on the blog.

The Texas Agriculture Law Blog also houses "Checklist Publications" concerning hunting leases in Texas, grazing leases in Texas, and pipeline easement negotiation. The checklists are written for both parties considering leasing options. The publications are free and available through the blog in the Texas A&M AgriLife Extension Bookstore.

## To ARC or Not to ARC, That is the Question Continued From Page 2.

Figure 1.



*The opinions and recommendations expressed are solely those of the author and are intended for educational purposes only as part of the Texas A&M AgriLife Extension Service. The author and Texas A&M AgriLife Extension Service assume no liability for the use of this information.*

## Farm Assistance Update

**Steven Klose,**

Professor and Extension Risk Management Specialist,  
Department of Agricultural Economics,  
Texas A&M University



100 years ago (May 8, 1914) President Woodrow Wilson signed into law the Smith-Lever Act establishing the national Cooperative Extension System. The partnership between federal, state, and local governments was created "In order to aid

in diffusing among the people of the United States useful and practical information on subjects relating to agriculture, uses of solar energy with respect to agriculture, home economics, and rural energy, and to encourage the application of the same..."

For more on the history, check out the May 8th entry in the Texas A&M AgriLife Extension's 14 in '14 series: <http://agriflife.org/extension100>

Last month I had the opportunity to attend an event celebrating Extension's 100th Anniversary. As you would expect, there was much discussion that day about the last 100 years as well as the next 100 years; how knowledge, technology, and education methods have changed; and how they will continue to change. Some of you may be reading this newsletter from an email or a web link. Imagine explaining that to Senator Smith and Representative Lever back in 1914. One thing, however, remains the same. To paraphrase the event's keynote speaker, Lowell Catlett from New Mexico State University: Regardless of how technology changes how we do business, Extension's business is still "people helping people."

As Texas A&M AgriLife Extension marks our 100 year history, our FARM Assistance group is indeed proud to serve the agricultural community in Texas. As much as anybody, we are people helping people, serving farmers & ranchers individually, helping them with their unique strategic management problems and solutions. We look forward to the opportunity to help you. Contact us toll free at 1-877-TAMRISK or check us out online at: [farmassistance.tamu.edu](http://farmassistance.tamu.edu)

# TEXAS A&M AGRI LIFE EXTENSION

2124 TAMU, College Station TX 77843

**Prepared by:**  
**Emmy L. Williams, Extension Program Specialist and**  
**Dr. J. Mark Welch, Associate Professor and Extension Economist-Grain Marketing**

**Department of Agricultural Economics,**  
**Texas A&M AgriLife Extension Service,**  
**Texas A&M System,**  
**College Station, TX 77843-2124**

If you would like to receive this newsletter by email,  
or have any other questions about the Master Marketer System,  
please contact Emmy Williams at [emmywilliams@tamu.edu](mailto:emmywilliams@tamu.edu) or (979) 847-6143.

An archive of newsletters can be found online by visiting  
<http://agecoext.tamu.edu/programs/marketing-programs/master-marketer-program/newsletters/>

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without regard to race, color, sex, disability, religion, age, or national origin.

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