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Master Marketer Newsletter

<http://mastermarketer.tamu.edu>

Vol. 6 • Issue 1 • March 2006

Texas Cooperative Extension, The Texas A&M University System

Master Marketer Highlights

Amarillo Master Marketer Graduates

On February 23, 2006, 63 graduates completed the Amarillo Master Marketer program. Congratulations to our 2006 graduates!



Tomorrow's Top Agricultural Producers (TTAP)

The TTAP program recently completed its second session in College Station. The third session will be in November 2006 in Dallas. Between now and November, the participants are completing their 2005 QuickBooks Pro accounting. Team members are assisting with closing their books and providing financial and production analysis for 2005. The TTAP participants will then come to Dallas with their business plan 75 percent complete through the financial plan portion. The third session will focus on their marketing skills and developing their marketing component of the business plan. The program's final session will be in January 2007 in Kerrville.

Advanced Topics Series (ATS)

In February, two Developing This Year's Marketing Plan-Cotton course took place in Dumas and Lubbock. The next and final ATS course for the 2005-2006 season will be Advanced Options for Cotton, held in Lubbock on March 7, 2006. If you would still like to sign up, visit the Master Marketer website at <http://mastermarketer.tamu.edu> and view the brochure. Be sure to notify Jackie Smith this week if you are interested in signing up.

Awards!

Members of the Master Marketer team received awards this year for their service to producers:

- Steve Amosson, SAEA Lifetime Achievement Award
- DeDe Jones, Texas Cooperative Extension Superior Service Award
- TTAP program team, Texas Cooperative Extension Superior Service Award

Marketing Club Corner



Mark L. Waller

Professor and Extension Economist-Grain Marketing and Policy
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Club Discussion Topic: What Is the Basis Going To Do This Year?

While many clubs often listen to or talk about price outlook and some discuss, or even track trades, how many of you are working on basis? If you are using futures and/or options as marketing tools and selling your cash crop in your local cash markets, you know that basis is very important. As a club/group of interested producers, producing similar commodities in the same geographic area, you should be talking about basis and working together to help one another grasp a better understanding of what the basis normally might be at different times during the year, and possibly identify when good opportunities are presenting themselves.

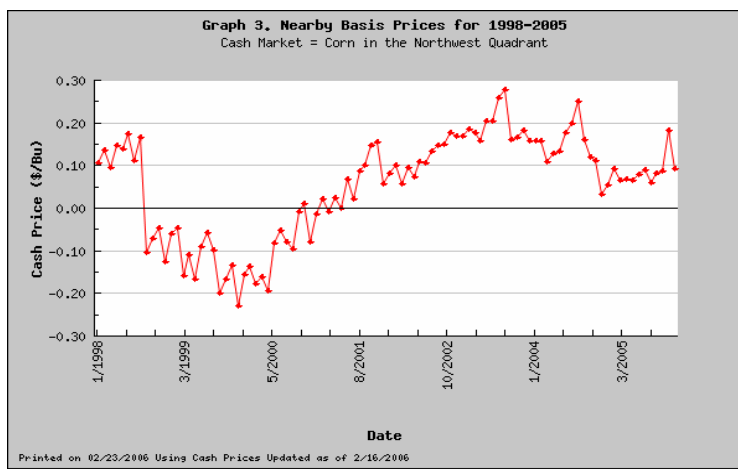
What can we expect basis to be at harvest this year? How will this year's basis compare to last year, or to the 3, 5, or 10 year average? Do you have some basis history that you can use for comparison purposes? Try out our basis web site at <http://agecoext.tamu.edu/resources/basis/> and see what it has to offer in the way of corn and wheat basis. The Texas Corn Producers Board and the Texas Wheat Producers Board have provided support funds to help us collect cash prices from cooperating elevators to add to the Agricultural Marketing Service (AMS) data we have been collecting for years. All of the information is housed in an interactive database that can be accessed through the Internet. You can look at the data in various tables or charts, and there are also publications linked at the Basis website to help you if you need some education or a refresher on the value/importance of basis to your marketing decisions. One example of a chart that can be created is pictured on page 4. It is very small and may be difficult to see in this column, but it shows the nearby weekly average corn basis for the Northwest quadrant region from 1998-2005. Other charts include Weekly Cash Price and Weekly Basis for up to fourteen different regions depending on the commodity.

What do you expect basis to do during and slightly after harvest this coming fall/winter? Start looking at the historical data now to help you get a more valid perspective on what might be possible this fall.

(continued on page 4)

Marketing Club Corner continued from page 1

By Mark Waller



Graph 2. Nearby Basis Prices

If we can be of any help in getting you more familiar/comfortable with the Basis web site, or if you have any suggestions, please don't hesitate to call 979-845-8011 or e-mail us with your questions.

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If you would like to receive this newsletter by email, or have any other questions about the Master Marketer system, write Elizabeth Spillmann at ershaw@ag.tamu.edu.

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The New Domestic Production Activities Deduction

Did you pay W-2 wages in 2005? If not, stop reading. If yes, continue on. You may benefit from a new tax law. The American Jobs Creation Act created a “domestic production activities deduction” as an incentive for a business to hire United States workers by providing a tax deduction to businesses that manufacture, produce, grow or extract items from a property within the United States. Therefore most farms and ranches, corporations, partnerships, limited liability companies, and agricultural cooperatives can qualify for the deduction if they meet the requirements.

The deduction is based on net income from qualifying production activities. The deduction for 2005 and 2006 is limited to the lesser of: (a) 3% of qualified production activity income, (b) 3% of the lesser of adjusted gross income or taxable income depending upon the business entity, or (c) 50% of Form W-2 wages paid during the year by the taxpayer. The deduction rate will increase to 6% for tax years beginning in 2007 through 2009, and then 9% for tax years after 2009.

The definition of a qualifying activity is the manufacture, growth or extraction of a variety of different items. Grain, livestock, fruit, and vegetable production as well as storing, handling, or processing clearly qualifies as production activities under this definition. However, custom service activities often provided by farmers such as trucking, custom plowing, spraying, or combining do not qualify.

For most farmers, qualified production activity income will be the net income from Schedule F, Form 1040, plus any raised livestock sales reported on Form 4797.

However, if non-qualifying receipts (such as custom work) are 5% or more of total gross receipts, records will be necessary to allocate expenses between the qualified and non-qualified activities.

Farmers that do not pay W-2 wages to employees will not get a benefit because the qualified domestic production deduction is limited to 50% of the taxpayers’ qualifying wages from Forms W-2 to employees. Also, payments to partners or limited liability company members are not W-2 wages.

A new Form 8903 is used to calculate the deduction, but this form was only recently published starting February 17, 2006, so this may be a challenge for March 1 tax filers, or they may need to do an amended tax return. Individuals claim this deduction as an adjustment to gross income, so the deduction does not reduce the taxpayer’s self-employment tax.

Farmers may also receive qualified production activity income and qualifying wage information from entities which do not pay tax of their own, including S corporations, partnerships, and limited liability companies. In addition, agricultural cooperatives may pass-through this information to their patrons on Form 1099-PATR.

As with any new law, this will require some study to do the proper reporting. Your professional tax advisor or IRS publications can give more information. If you want more detailed information on this new deduction and an agricultural example, write Wayne Hayenga, Professor & Extension Specialist, TCE, TAMU 2124, College Station, TX 77843-2124, or call (979) 845-2226, or email w-hayenga@tamu.edu. This article was originally written with J.C. Hobbs of Oklahoma State University and published in Texas Farmer-Stockman magazine.

Choice Website

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This month’s choice website is our own Master Marketer website. The reason we are highlighting our site this month is to inform you of the development of the Impacts section. As any Master Marketer graduate or other program participant knows, the Master Marketer team places strong emphasis on evaluation and assessment of both the technical aspects of the program but also its educational impact in both the long and short term. You may have also seen our economic impact numbers in brochures and publications and wondered where they came from. The Impacts section is brand new, and will be continuously updated when new data comes in for subsequent classes and as data continues to be published in different forms.

The Impacts section is divided into three sections; Master Marketer, marketing clubs, and ATS. The Master Marketer section covers the results from the 2 ½-year post surveys many of you have completed. The marketing club section covers the results from the marketing club survey conducted in early 2003. The ATS section covers the results from both the pre and post tests conducted at every ATS course, and the one-year post surveys that are sent to participants of the “Developing this Year’s Marketing Plan” courses one year later.

The first page of the Master Marketer Impacts section describes briefly the process by which the courses are evaluated. Clicking “Master Marketer Impacts,” yields the main Master Marketer page, containing a summary of the 2 ½-year post survey for each of the Master Marketer classes that have been evaluated so far. This table shows not only the average annual economic impact experienced by each class, but also these impacts as a percentage of producers’ gross annual income. Clicking on “See these impacts by Extension District” below the first table will yield a similar table which lists the attendance and average economic impact per producer by Extension District, and a complete breakdown of the impacts by district, crops and livestock. Next in this section is a chart of the current and projected cumulative impacts of the Master Marketer program. The next set of tables contains producer responses to selected questions about changes in marketing behavior and understanding of marketing

skills as a result of Master Marketer education. This is an abridged summary of the entire survey, which is linked to at the end of the page. Finally, the demographic information collected from the 2 ½-year post surveys was averaged and compared to the demographic information collected from the 2002 Texas Census of Agriculture.

By clicking on “view the complete results in survey form,” visitors can view the Master Marketer 2 ½-year post survey in its entirety and see the answers broken down for each question.

The marketing club impacts section is similar to the Master Marketer section, in that many of the same questions were asked of marketing club members. The difference is that only one marketing club survey was administered, whereas Master Marketer graduates received surveys at different times, staggered by the date of the program they attended. The complete survey results can be viewed by clicking on the link at the bottom of the page.

The ATS Impacts section has two parts. The first part is the results from the 1-year post survey for the “Developing this Year’s Marketing Plan” courses. This survey collected both demographic information and economic impact information as a result of producers’ implementing the marketing plan designed in the course. Clicking on “view pre and post test results” yields tables showing the pre and post test scores for each of the ATS classes for each season. Below these tables, the test scores are broken down by Master Marketer graduates and non-Master Marketer graduates. We have found that while both groups increase their scores from pre to post at a similar rate, graduates of Master Marketer tend to have higher average pre and post scores.

While you are visiting the Master Marketer website, please note that we are in the process of moving the marketing club curriculum guide onto this website. Check back soon for easier access to these files. Also, don’t forget about the Basis website, which is linked in our menu column. Prices are updated weekly to help you keep track of cash grain in your area. Don’t forget about these valuable resources when conducting marketing club education, or anytime you need a quick refresher of your Master Marketer knowledge.