

Master Marketer Newsletter

<http://mastermarketer.tamu.edu>

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Master Marketer Highlights

Vernon Master Marketer Graduates

On February 29, 2008 we had another 50 graduates complete the classroom portion of the Master Marketer program. This year's program was held in Vernon Texas, with four sessions running between January 15 and February 28. It appears from the pre- and post-test scores and the evaluations, the program went very well. Participants rated speakers highly and there was certainly room for optimism given the current record high price levels for several crops. Rapidly increasing costs, on the other hand, seem to be keeping everyone a little cautious. In recent years, we have used a pre-test and post-test to determine if we are properly covering the basic points for a successful program. This year's average scores increased from 54.47% on the pre-test to 77.37% on the post-test. Hopefully our new graduates will continue their risk-management education through marketing clubs or other efforts, and capitalize on some rewarding opportunities as the year unfolds.



Personnel Management Course

The third annual personnel management workshop will be offered in San Antonio Texas on April 16-17, 2008 at the Windcrest Civic Center. The workshop has been held for the last two years in Amarillo (2006) and Lubbock (2007), and received very good reviews. As a result of the perceived value/success, 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, check the brochure on the Master Marketer website at mastermarketer.tamu.edu or call José Pena at (830) 278-9151.

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Marketing Club Corner



Mark L. Waller,

Professor,
Associate Department Head-Extension,
Department of Agricultural Economics,
Texas A&M University

Volatility and the Need for Good Planning

While many crop producers are excited about record or near record crop prices, the rapid escalation in input costs are very concerning. For livestock producers, the costs are increasing, but output prices haven't. For everyone, market volatility and risk seem to be ramping up to very undesirable levels. Even some of the grain and cotton merchandising firms are finding the market volatility hard to handle. Opportunities to forward contract or use hedge-to-arrive contracts have declined over the last couple months as merchandisers have found it difficult to maintain adequate margin account funding in the face of such price increases. This may be an opportune time for marketing club members to be working together as groups on developing production and marketing plans for the coming year.

Comparing notes across members, and even across clubs, can give an idea of what others are planning to do. This can also determine if you have missed anything important while laying out your own plans. One of the main advantages of participating in a marketing club is networking and sharing information. Use your club to your advantage and plan some activities for this winter/spring that will move you all forward.

Remember to keep an eye on profits rather than trying to guess/forecast market peaks/highs. If additional education/help is needed, you may want to look at some of the upcoming workshops announced in this newsletter, or think about something like the profitability workshops that have been offered in Districts 1 and 2 this winter. Discipline is always tough when markets get wild with so much uncertainty. It is easy to feel overwhelmed by the different forecasts, news/rumors, and multiple scenarios that can be played out over the coming year. Having a good set of a production and marketing plans in place and thinking through the possible scenarios ahead of time, can reduce emotional stress levels and maintain a focus on profitability.

Guest Column



Wayne A. Hayenga,
Professor Emeritus, Extension Economist and Attorney,
Department of Agricultural Economics,
Texas A&M University

Tax Benefits for Farmers

Good, no GREAT, news for farmers who expect 2008 to be a most profitable year. The Economic Stimulus Act of 2008 was signed into law on February 13, 2008. In addition to the tax rebates we have all read about in the newspaper, two income tax provisions were included that should be beneficial for farmers are:

2008 Boost in Section 179 Depreciation (first year write-off of equipment). For 2008 the maximum amount of expense method depreciation allowed increases from \$125,000 to \$250,000. The law also boosts the phase-out for this benefit from \$250,000 to \$800,000 of equipment purchased.

The 2008 law did not change the qualifications for the expense method of depreciation. Tangible personal property, such as machinery and equipment, and property contained in or attached to a building, such as refrigerators, office equipment, testing equipment, and signs qualify. So do breeding livestock, including horses, cattle, hogs, sheep and goats. Property used as an integral part of production, or of furnishing transportation, research facilities, or a facility used for the bulk storage of fungible commodities (grain bins) qualifies. Finally, single purpose livestock or horticultural structures qualify.

2008 Return of Bonus Depreciation. The law provides for a return of the bonus depreciation we had several years ago. In 2008, farmers can write off 50% of the cost of new property. Generally, to be eligible, the property must be placed in service before January 1, 2009.

The Domestic Production Activities Deduction

For farmers (and other businesses) who pay W-2 wages to employees, there is a Domestic Production Activities Deduction (DPAD) that was put into the tax law in 2004. Why should this be an interesting topic in 2008...because it appears many farmers have not taken advantage of the deduction that they were eligible for in the past years. In fact, some professional tax advisors may not have discussed this deduction with their taxpayer client because of the complexity of the calculation and reporting.

The Domestic Production Activities Deduction is the lesser of:

1. A percentage of the smaller of: (a) the taxpayer's Qualified Production Activities Income (QPAI) for the tax year, or (b) the taxpayer's taxable income. It is 3% for tax years beginning in 2005 and 2006, 6% for tax years beginning in 2007-2009, and 9% in later years, or
2. 50% of the W-2 wages of the taxpayer for the tax year.

Qualified Production Activities Income is the excess (if any) of: (a) domestic production gross receipts for that tax year, over (b) the sum of the cost of goods sold that are allocable to those receipts; and other expenses, losses, or deductions which are properly allocable to those receipts. Domestic production gross receipts are the taxpayer's gross receipts derived from a sale of property that was manufactured, produced, grown, or extracted "by the taxpayer" in whole or "in significant part" within the U.S.

The DPAD is limited to 50 percent of the W-2 wages paid by the taxpayer for the tax year, taking into account only wages that are paid to the employees of the taxpayer. W-2 payments to domestic servants in the taxpayer's private home are not qualified; but, for married taxpayers filing jointly, one spouse may take into account wages paid to employees of the other spouse in determining the amount of W-2 wages, provided such wages are paid in a trade or business of the spouse and the other requirements are met.

Farmers who pay W-2 wages should be eligible for this tax benefit. If you don't know if you claimed the benefit, look at your tax return. Form 8903 is used to get the benefit. If you did not file a form 8903 since 2004, check with your tax advisor to see why not.

Choice Website

Daniel Hanselka,

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Department of Agricultural Economics,
Texas A&M University

<http://lubbock.tamu.edu/>

The Cotton-DVD website is run by the Department of Soil and Crop Sciences, Texas A&M AgriLife. The Cotton-DVD website was developed to provide producers/growers, researchers, industry personnel, and others access to a large quantity of information pertaining to cotton production systems. The information focuses on several key areas of production and management that include 1) general production, 2) irrigation, 3) fertility, 4) insects, 5) weeds, 6) nematodes and diseases, 7) harvest, fiber quality, and ginning, and 8) agricultural economics. Each section includes publications and research reports addressing issues relative to that aspect of cotton production.

The website contains a link to a newsletter entitled "Cotton Physiology Today" that provides in-depth discussion of technical and production issues as the cotton growing season progresses. Such issues include growth and development, soil management, tillage, rotation, variety selection and planting decisions, fertility, pest management, plant physiology, plant mapping, use of plant growth regulators, crop management, defoliation, and fiber quality and contamination.

Finally, the site has a useful list of website links to other cotton-related sites, various grower associations, research and extension centers, and several USDA agency sites.

Farm Assistance Update

Steven Klose,

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

Unprecedented Change. Can you describe the current status of production agriculture with those words, or is this another in a long line of fundamental industry swings? In either case, a producer's ability to navigate these times and the coming years is instrumental in producing a profit. The FARM Assistance team has already worked with many clients this spring helping them evaluate the financial implications of their plans and strategies in a changed and changing industry. Are you squeezing all the profits out of today's opportunities? Have you considered your financial risk exposure with higher cost of production? No one knows exactly what the future holds, but with recent shifts in commodity markets and super inflated production costs, now is a good time to re-evaluate the financial outlook for your operation and be prepared for the possibilities. Contact FARM Assistance toll free at 1-877-TAMRISK or online at: farmassistance.tamu.edu

The FARM Assistance team welcomes a new member this spring. Nicole Gueck joined our staff in College Station in February. Nicole received an Animal Science degree in 2000 and an Agribusiness Masters in 2005, both from Texas A&M. She comes to us with an excellent background including five years of risk management consulting and two years of commodity marketing experience. She has worked with a wide array of agricultural producers (horticulture, grains, cotton) both inside and outside the state of Texas. We are excited about Nicole joining our team and welcome her back to Texas.



Improving Lives. Improving Texas.

Master Marketer Highlights

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Livestock Risk Management Workshop

To assist cattlemen with their risk management skills, the Texas AgriLife Extension Service is partnering with the Risk Management Agency of the USDA and the National Cattlemen's Beef Association to offer a one-day Livestock Risk Management Workshop on April 14, 2008 at the Texas AgriLife Research and Extension Center, 6 miles southwest of Vernon Texas on Highway 70. The program will run from 9 a.m. to 3:30 p.m. There is no registration fee for this workshop, however, interested participants do need to reserve a spot. For more information or to register contact Stan Bevers at (940) 552-9941 ext. 231, s-bevers@tamu.edu, or go on-line at <http://agrisk.tamu.edu>.

Beef Cattle SPA Workshops

The Texas AgriLife Extension Service has set the dates for its 2008 Beef Cattle Standardized Performance Analysis (SPA) workshops. The dates, starting times, and locations are: (1) April 22, 8:30 a.m., Young County Arena, Graham Texas, (2) April 30, 8:30 a.m., Management Instruction and Research Center, 7945 Grape Creek Road, San Angelo Texas, (3) May 7, 8:30 a.m., Texas AgriLife Research and Extension Center, US Highway 70, Vernon Texas. For more information and to register contact Bill Thompson at (325) 653-4576, w-thompson@tamu.edu, or Stan Bevers at (940) 552-9941 ext.231, s-bevers@tamu.edu.



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Prepared by:

A handwritten signature in black ink that reads "Mark L. Waller".

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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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