

Master Marketer Newsletter

<http://mastermarketer.tamu.edu>

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Master Marketer Highlights

San Angelo Master Marketer Graduates



Bill Thompson, Extension Economist and Wade Polk, Extension Program Specialist in Risk Management hosted the just completed Master Marketer program in San Angelo. This year's class was made up of 37 farmers and ranchers with operations growing primarily cotton, wheat, sorghum, and corn and livestock interests including cattle, sheep and goats, and hogs.

This year's participants expressed the need to better understand how markets work and what tools are available to manage price risk. They recognized the need to set time aside to focus on marketing, but want to find information that is relevant, concise, and readily available. Some were frustrated with attempts to lock in prices in the past. They were talked into using tools they really did not understand and were disappointed in the results. They realized the need to develop budgets to calculate break even costs in order to evaluate pricing opportunities.

Comments gathered at the completion of Master Marketer showed success in meeting some of these needs. One producer indicated that he or she understands marketing components much better and is more comfortable asking questions and talking about marketing. Another producer commented that he now has more resources to use in marketing and better understands how and when to use different marketing tools. The importance of discipline in marketing was expressed as well as the need for support through marketing clubs and other resources. Another participant stated that the main benefit of attending Master Marketer was it showed him new marketing information he was not aware of, and new ways to look at and utilize information he was already looking at.

(Continued on Page 3)

Marketing Club Corner



The following contains excerpts taken from an article in the Farm Press (Feb 19, 2009 10:43 AM, By Ron Smith, Farm Press Editorial Staff).

Budgeting, Marketing Play Key Roles in 2009 Crop Production Planning

Kenneth Wright spent a lot of time this winter pouring over figures, trying to find ways to match production cost cuts with what's likely to be a 15 percent income reduction from a Hunt County, Texas, wheat, grain sorghum, corn and soybean operation. He's spent a lot of time this winter working over budgets, looking for ways to trim expenses. He and son Kendall also will watch markets closely, closer than usual perhaps, looking for opportunities to lock in a profitable price.

"Typically, we forward price about 80 percent of our wheat crop," Kenneth says. "We contract in steps, a little at a time throughout the year. I think we may see an opportunity to sell \$6 wheat, but we have to watch for it."

Kendall, who handles most of the marketing chores while his dad handles budgets, says an independent broker helps with marketing. "I've worked with this broker for six years," Kendall says. "I'm on the phone with him four or five times a day."

They sold wheat back in the fall for just over \$8 a bushel. "I wish we could get that now." He'll watch for other opportunities. "Marketing is extremely important this year."

He and his dad participated in a **Texas AgriLife Extension Service Master Marketer** course several years ago and both say the experience taught them a lot about selling commodities. "I enjoy the marketing. It's a challenge and I keep up with it every day," Kendall says.

Kenneth says he and his son will do little out of the ordinary this year, no drastic cropping changes to cut costs. They'll tweak production expenses where possible, watch markets even closer than usual and make the best yields they can. "We're doing what we always do, just a little closer to the vest," Kenneth says.

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Guest Column

Stan Bevers,
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Cattle Markets Feeling the Effects of Outside Markets

The cattle markets couldn't have been happier for 2008 to end. However, just like the old cliché, "be careful of what you wish for", cattlemen are facing some of the same 2008 issues coupled with new unexpected issues in 2009. Let's look at each segment of the industry.

The cow-calf industry has reaped higher calf prices since 2004. This move to a higher price plateau was caused by several factors. First and foremost, the number of breeding females in this country has been decreasing since the peak in 1975 (see Table 1). While drought in many areas of the country certainly aided this liquidation, long term profitability of cow-calf operations was (and is) the driving force behind it. Coupled to this profitability issue is a real estate market that determines the highest and best use for the land. The result is many marginal cow-calf producers selling their herd and their land. This trend of lower breeding females continued throughout 2008 and into January 2009.

On the ranch level, cow-calf operations experienced some of the highest operating costs in their history. Feed, fertilizer, and fuel were some of the culprits in 2008. Then came October 2008 when the financial crisis was felt at the auction markets. For cow-calf operations that didn't forward contract their calves or in some other manner have their calves priced, the prices received for their sale calves most likely didn't pay the bills.

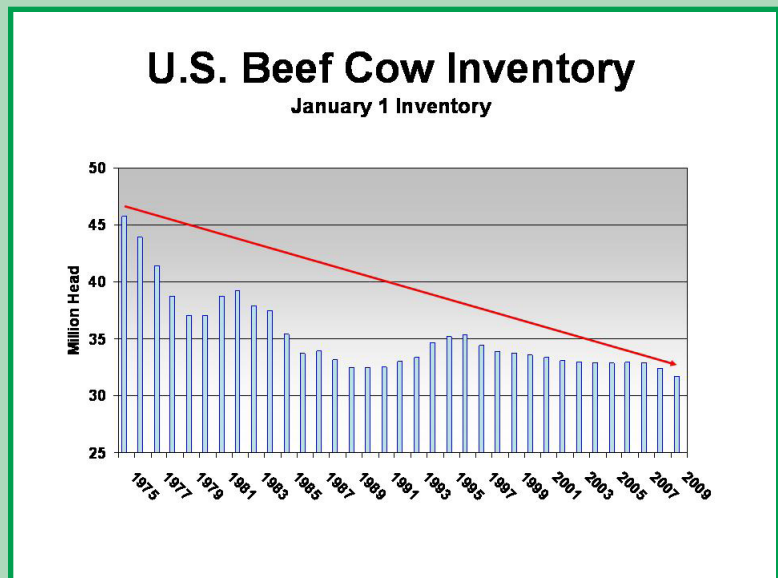
During 2008, the stocker cattle operators were being pinched from two sides; feed costs and inflated small grain prices. Many stocker operators and feedlot managers believed the way around high corn costs was to put stocker cattle out on small grains pastures. However, wheat growers faced with higher fertilizer costs and then the possibility of selling their wheat for \$8.00 per bushel or higher began to balk at putting cattle on their pastures. Stocker cattle lease rates went higher.

Feedlots felt the effect of higher corn prices on their cost of gains and fewer cattle to be found to be put on feed while beef demand began to slow and then fall. This was all before the collapse in October 2008. Beef demand began slowing from its recent peak in 2004 and accelerated the decline after October 2008.

Each segment of the cattle industry had felt uncommon effects prior to the financial collapse. Now, with the financial markets struggling to gain a footing, each segment is faced with difficult choices. Since the financial crisis, beef demand has fallen further. Exports, while rebuilding from the BSE event in December 2003, are faced with a slowing world economy.

Given the circumstances that cattlemen have been through, how could anyone be optimistic about being in the cattle industry? There's no doubt that the industry is changing. However, those that remain in the industry will be a part of a leaner industry. At some point, the financial situation will straighten out and confidence will return to all of the markets. When that happens is still up in the air. However, at that point, beef consumers will find fewer players in the cattle industry and prices higher than before.

(Table 1 U.S. Beef Cow Inventory)



Choice Website

Daniel Hanselka,

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<http://www.eia.doe.gov/>

The Energy Information Administration (EIA) website provides a wide array of energy-related data, information, and publications pertaining to renewable and alternative fuels, energy sources, and environmental issues. The website focuses on several key areas of renewable energy that include: 1) energy production, consumption, net imports, and more, 2) electricity consumption, capacity, and generation, 3) solar and wind energy, 4) financial indicators, 5) fuel consumption and vehicle use, 6) ethanol production and stocks, 7) international renewable fuel consumption, 8) environmental emissions, and 9) crude oil, electricity, natural gas, and fuel prices.

The site also has a section for publications where you'll find reports on various energy-related topics, press releases, congressional testimony, presentations, and other documents. The article entitled "A Primer on Gasoline Prices" provides a good description of the factors that affect the price at the pump. The EIA website is also a good source for market information for gasoline and diesel fuel, natural gas, heating oil and propane, and petroleum; monthly and yearly energy forecasts; and international energy outlooks.

Master Marketer Highlights, Continued from Page 1:

Many participants commented on what an exceptional value Master Marketer was. They knew their \$250 registration fee could not have covered all the expenses and compensated the high quality of speakers that shared in the program. Thanks again to the **Cotton State Support Committee, Texas Farm Bureau, Texas Corn Producers Board, and the Risk Management Agency** for their generous support in making this program possible.

2010 Master Marketer Program Set

The next Master Marketer Program will be held in Amarillo in 2010. The leveling workshop will kick off the program on Tuesday, January 12 with Session I being held January 13-14, Session II on January 27-28, Session III on February 10-11, and Session IV on February 24-25. Keep a look out for registration information as seating will be limited.

Farm Assistance Update

Nicole Gueck,

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Just as the rest of the nation is taking stock of its overall financial health in this challenging economy, farm businesses and farm households should also make a concerted effort to measure their financial health, not only now, but on an annual basis. Which financial measure is the best indicator of success for an individual producer? In reality, there probably isn't just one measure that incorporates all of the factors that contribute to the broad label of financial success.

Part of the FARM Assistance process offers you an opportunity to benchmark your performance. The FARM Assistance ProScore was developed to effectively measure the strength of an individual producer's financial outlook using a combined measure of profitability, cash flow, and equity growth. The composite index allows one producer to be compared to another producer or a group and is capable of comparing farms of different sizes, regions and types. In addition to direct comparisons between farms, the ProScore allows a producer to evaluate his outlook relative to all the participants in the FARM Assistance program by looking at percentile rankings.

So how do you stack up? Are you doing as well as others in your position? Could you be doing better? Are you in a good position to withstand the financial risks that likely lie ahead?

If you are interested in having us do a 'check-up' on the financial health of your farm business, please give us a call at 1-877-826-7475 or find us on the web at <http://farmassistance.tamu.edu>

Risk Management Program Guide Updated



We are currently updating the Risk Management Curriculum Guide. The guide provides additional knowledge on the risks that impact producers' decisions and the tools and options considered in managing these risks. Check out the Risk Management Education Curriculum Guide at <http://agecoext.tamu.edu/resources/library/risk-management-curriculum-guide.html> for the continual updates. We also have this information available on a downloadable CD upon your request (email Emmy Williams at elwilliams@ag.tamu.edu or phone 979-845-8011).



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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 or call 979-845-8011.

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