

Master Marketer Newsletter

<http://mastermarketer.tamu.edu>

Volume 10•Issue 1•March 2010

In this Issue

Master Marketer Highlights	1
Producer Profile	1
Guest Column	2
Choice Website	3
Farm Assistance Update	3

Master Marketer Highlights

2010 Amarillo Master Marketer Program

Despite the most severe Panhandle winter in over 20 years, the Master Marketer Educational System conducted 6 events in Amarillo during January and February. Coordinated by Dr. Steve Amosson, Amarillo hosted the 21st Master Marketer program, the fifth time this event has been held in Amarillo in its 14 year history, along with five Advanced Topic Series workshops.

The 2010 Master Marketer class consisted of 58 participants (12 women) who were farmers, ranchers, and grain merchants. Wheat, sorghum, corn, and cotton were the primary crops grown by the class with livestock interest being mainly stocker cattle and cow/calf pairs. Over 1/3 of the class was under the age of 35.

Congratulations! - Amarillo 2010 Master Marketer Graduates



Thanks to all presenters and staff that make Master Marketer possible and thanks to the producers and agriculture organizations (Texas AgriLife Extension Service, Texas Corn Producers Board, Texas Farm Bureau, Cotton State Support Committee, Risk Management Agency-USDA) that support this program. The evaluations conducted at the conclusion of the programs continue to highlight the relevancy and excellent quality of information offered by Master Marketer. One participant wrote: "If you're an elevator merchandiser, you should be here to help your customers. If you're a farmer or rancher, you can't afford not being here."

In the Advanced Topic Series, Dr. Amosson offered more in depth coverage of topics important to producers and related to the specialties of many of the Master Marketer speakers. These included "Profit Maximizing: Crop Insurance and Risk Management Decisions — Art Barnaby; "Identifying Weather Risk and Incorporating It Into Your Marketing Plan" — Elwynn Taylor; "Selecting, Developing & Working a Technically Based Marketing Plan" — Alan Brugler; "Advanced Marketing Tools and Strategies for Producers" — Darrell Holaday; and "Developing This Year's Marketing Plan for Feedgrains" — Mark Welch and Steve Amosson. Total attendance for the 5 ATS programs was 148.

Master Marketer Highlights are Continued on Page 3.

Producer Profile - Lee and Paula Gibson

Lee and Paula Gibson are graduates of the 2010 Amarillo Master Marketer Class and reside in Dumas, Texas. Together with their two sons Braden and Brett they are 4th and 5th generation farmers on the same land that has been in the family for more than a century. Over the years, they have expanded their operation of farming corn, wheat, cotton, sorghum, and triticale and started a year-round composting business, Nature's Way Compost. The biggest influence in their operation is having the family involved.

The Gibsons have participated in past Master Marketer programs and continue to do so in hopes for the best possible outcomes in marketing their crops. The biggest challenge they face today is market volatility. When they were first farming, a person didn't need to watch the markets once a week because markets weren't changing often.

Farming technology is ever-changing too. All of the Gibsons' equipment has auto-steer and they are able to do much more now compared to when they began managing in 1978. For example, just last week they measured a sprinkler with satellite for a replacement. Along with its benefits, also come the costs of affording the latest in technology. With today's many challenges, they recommend keeping in good graces with the bankers as it is important in this economy. Everyone is facing tough times and paying close attention to financials is necessary.

Major trends in the industry are seen throughout their operations and businesses. Plant technology has improved with the genetics involved in the crop varieties they grow. There was a time cotton couldn't be grown where they farm because the varieties wouldn't mature during the growing season — the genetics simply weren't there. Irrigation has changed from row water to high pressure sprinkler systems and now to low pressure and low density. Sprinkler packages have proven more efficient with water and finances.

For the past three years, Lee and Paula have worked with DeDe Jones in Risk Management with the Farm Assistance Program of Texas AgriLife Extension. With their assistance, the family has improved their knowledge of risk analysis and made several changes in their management. The Gibsons focused on their expenses and made decisions on which direction to take their operations, where spending money was necessary, and where they could tighten their budgets. Paula can't say enough about Farm Assistance, especially for the analysis used in starting their composting business, Nature's Way Compost.

Producer Profile is Continued on Page 3.



Guest Column

Dr. John Robinson,

Associate Professor,
Extension Specialist-Cotton Marketing,
Department of Agricultural Economics,
Texas AgriLife Extension Service

Cotton Market Outlook

The cotton market continues its interesting path in 2010. After an atypical fall price rally took Dec'10 to the upper seventies, the new year saw a reversal to below 70 cents. This was associated with a strengthening of the U.S. dollar and a pullback in speculative buying. Then the nearby contracts began trading higher than Dec'10, indicating shorter supply/stronger demand for old crop cotton. This inversion of nearby/deferred futures prices peaked in the March'10 delivery notice period when the March'10 and May'10 contracts traded up over 80 cents (Dec'10 was around 72 to 73 cents). Part of what supported the nearby contracts was a major merchant firm taking delivery of large quantities of March cotton (which would seem to indicate strong export demand).

Meanwhile, what about the outlook for the 2010 crop? This is the time of the year when most cotton analysts focus on the new crop outlook, and particularly on the U.S. and northern hemisphere production outlook. Most forecasts, mine included, have been expecting an increase in U.S. planted acreage to around 10 million or more. The reasoning has been higher winter-time cotton prices, relative to corn, soybeans, and wheat, that we've seen in quite a while. Also there has reportedly been a higher-than-normal bit of winter-time forward contract offerings for the 2010 crop.

The first real benchmark of 2010 U.S. cotton acreage was revealed in early February with the National Cotton Council's report of 2010 planting intentions, based on an extensive grower survey in late December/early January. The NCC reported grower intentions of a 10% increase in U.S. upland and a 24% increase in U.S. pima plantings, for a total all-cotton planted acreage of 10.1 million acres. This estimate is right in line with most prior estimates that I either had or heard over the winter and at Beltwide. Since then, the USDA has published a guestimate of 10.5 million planted acres. The cotton market will now be anticipating the next major benchmarks of 2010 acreage and production: USDA's Prospective Plantings report (March 31), USDA's Planted Acreage report (June 30), and the August and September USDA supply/demand reports.

It is useful to compare the earliest planting intentions report (the NCC's) with the final planted acreage number to see what forces can impact grower intentions in the first half of the year. The historical change in intentions varies from year to year, and varies by region. In absolute value terms, the Southeast and Southwest regions average a 7% change between the final plantings and the early intentions. The MidSouth and West average a 9% change, probably reflecting the greater crop selection possibilities in those regions (as well as probability of periodic wet planting weather in the MidSouth). Some years (like 2007) it is very likely that the big percent declines in intended acres relative to actual plantings were due to dramatic increases in corn and soybean prices (which would naturally affect the MidSouth more). Changes in intentions in other years are more obviously attributable to the weather, e.g., the increase in Texas actual plantings in 2006 and 2009 was likely due to very dry planting weather. Bottom line: until we get confirmation later in the season, the market will be variously weighting and discounting the early planting intentions numbers due to these sorts of factors.

Assuming a U.S. planted acreage of around 10 million, average abandonment, and average yields, it is reasonable to project a U.S. all cotton crop of 15 to 16 million bales. Or maybe 17 million bales if USDA's planted acreage guestimate is correct. Doubtless there will be more foreign acreage too, but with apparently recovering world mill use, I am still expecting world demand to exceed world supply (by anywhere from four to eight million bales). This suggests that world prices may remain at relatively high levels (limiting the chances for an LDP payment in 2010/11). It also suggests to me that the chances are good to export at least 12 million bales of U.S. cotton, leading to 2010 ending stocks remaining below 4 million bales. That sort of an outcome suggests a sideways to gently lower path for Dec'10 futures, trading from where they are now (mid-70s as of this writing) to perhaps a harvest-time low in the mid-60s. There could certainly be some spring-time volatility in the Dec'10 contract before it settles down into the 60s. It looks to me like a good time to be shopping for puts or bear put spreads.

Choice Website

Daniel Hanselka,
Extension Associate,
Department of Agricultural Economics,
Texas A&M University

<http://www.lmic.info/>



LMIC
Livestock Marketing
Information Center

The Livestock Marketing Information Center (LMIC) was created in 1955 as a cooperative effort of Land Grant

Universities, USDA agencies, commodity associations and financial institutions. The purpose of the center is to provide livestock producers, researchers, industry personnel and others with economic analysis, market projections concerning the livestock industry, as well as access to research-based and industry information and data. The information and data focuses on production and prices of various livestock species and grains.

The LMIC website contains many newsletters, fact sheets, reports, and various publications related to 1) livestock and grain markets, 2) ethanol markets, and 3) U.S. animal identification systems. The Center's resources contribute to various areas that include economic education, applied research projects, and policy evaluations. Finding tables, charts, spreadsheets, analysis and commentary is easy as the website is well designed and user-friendly.

Master Marketer Highlights, Continued from Page 1:

Market-Based Strategies for How to Manage Your Price Risk for the 2010 Crop Season, Integrating Crop and Revenue Insurance

This is a one-day seminar designed to help cotton producers increase their understanding of options on cotton futures contracts and how they can be used in 2010 to help increase their returns from cotton. Sessions will cover the basics of cotton futures and options, specific hedging strategies involving the use of cotton options contracts, producer perspective, and a market outlook.

Instructors: Dr. Carl Anderson and Dr. John Robinson will discuss when and how to use a variety of option strategies including: fences, 3-ways, and calendar back spreads. Mr. Mike Stevens of Swiss Financial will serve as Discussion Leader.

Sponsors: Cotton Incorporated in cooperation with Plains Cotton Growers, Inc.

Where: Holiday Inn Hotel & Towers, 801 Avenue Q, Lubbock TX

When: Wednesday, April 7, 2010; 8:30 am - 5:00 pm

There is no attendance fee and lunch will be provided. Please register to reserve your seat as space is limited. To register, email Kay Wriedt at kwriedt@cottoninc.com or call 919-678-2271.

Farm Assistance Update

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



With the crazy weather hopefully behind us, we know that you are anxious to get in the fields. With that in mind, FARM Assistance wants to remind you that it is not too late to meet with one

of our specialists and develop a long-term strategic plan tailored to your operation. The annual FARM Assistance process provides an assessment of the performance of your operation in the future, and provides analysis to help you choose among alternative plans. Writing down your goals and keeping them in your FARM Assistance report gives you the opportunity to re-evaluate and assess your progress toward achieving those goals each year.

Also, we would like to welcome the newest member of the FARM Assistance team, Jonathan Baros. Jonathan holds B.S. and M.S. degrees from Texas A&M University in the field of Agricultural Economics. As a member of the Financial and Risk Management Assistance (FARM Assistance) group, Jonathan provides long-term, strategic financial analysis for Texas farmers and ranchers in an effort to provide them with the information necessary to make better management decisions. Jonathan resides with his wife, Katie, in College Station, Texas.

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-TAMRISK (826-7475) or find us on the web at <http://farmassistance.tamu.edu>

Producer Profile, Continued from Page 1:

All four in the Gibson family have gone through the Master Marketer program and credit Texas AgriLife Extension for the wealth of information and phenomenal speakers from around the country that couldn't have been accessed if this program had not brought everything to them. Attributes to the program include the help of watching markets, marketing analysis, and technicals. Paula quoted Master Marketer as being a very good program and great source of information for weather patterns, the world outlook, and insurance.

If you are in the Dumas area and haven't run into Lee or Paula with their composting business or farming operation, you are likely to hear about their involvement in the community. Lee served on the school board for sixteen years and is currently on the Moore County Soil and Water Conservation Board. He and Braden have had several positions in the First United Methodist Church and are on the Farm Bureau Board. As part of Farm Bureau, Lee is a member of their Ag Lead Program II, a leadership program that focuses on agriculture around the world. Paula serves on the Moore County Health Foundation, the Greater Amarillo Affiliated Susan G. Komen Foundation, and the United Way Boards.



2124 TAMU, College Station TX 77843

Prepared by:

**J. Mark Welch,
Assistant Professor,
Extension Economist-Grain Marketing,
Department of Agricultural Economics,
Texas AgriLife Extension Service,
Texas A&M System
College Station, Texas 77843-2124**

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.

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

Issued in furtherance of Cooperative Extension Work in Agriculture and Home Economics,
Acts of Congress of May 8, 1914, as amended, and June 30, 1914, in cooperation with the
United States Department of Agriculture and Texas AgriLife Extension Service, Texas A&M System.

Partial funding support for the Master Marketer program has been provided by
the Texas Wheat Producers Board, Texas Corn Producers Board,
Texas Farm Bureau, and Cotton Inc.-Texas State Support Committee.