

Master Marketer Newsletter

<http://agecoext.tamu.edu/marketer/list.htm>

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Texas Agricultural Extension Service, The Texas A&M University System



Master Marketer Highlights

Amarillo Program in January and February of 1999

On February 18, 63 new Master Marketers received their plaques at the completion of the 1999 Amarillo Master Marketer Program. This outstanding new group of marketing club leaders will be working with their county agents in the next few weeks to organize new clubs or revitalize existing clubs in their area. The new Master Marketer graduates were challenged to help complete the goal of the program by sharing their new knowledge with others in their community. They were asked to commit to a period of time of working with their county agent to multiply the effect of the Master Marketer training program by spreading the knowledge to a wider audience. The new graduates were urged to utilize the Marketing Club Cookbook and Curriculum Guides to help develop a plan for their meetings.

Update Meetings

By the time you read this there will have been a full round of Master Marketer Update meetings (Wharton in November 1998, Lubbock in January 1999 and Vernon and Waco in March of 1999). The purpose of these meetings is to provide timely updates targeted at the Master Marketer graduates with participation by others if space is available. Please provide the Extension Economists with suggestions for topics as well as speakers. With the continued generous support of industry groups, we have been able to maintain the same level of excellence in the update meetings as in the regular Master Marketer Program.

Upcoming Master Marketer Locations

The demand for the Master Marketer Program grows stronger all the time. Because we insist on maintaining high quality in the program, we must restrict the number of program locations and participants in each session. The next Master Marketer training will be held in Victoria this Fall. In January

and February of 2000, the program will be held in Lubbock. Many other states have observed the success of the program in Texas and are duplicating Master Marketer in their own states.

Telephone conferences are being used by many clubs to access the expertise of the best marketing specialists available. Clubs are urged to use this tool, but not as a replacement for good training in marketing and risk management basics that many marketing club members need before they can fully utilize the outlook and strategies normally provided on the tele-conferences.

Marketing Club Teleconference Network dates

March 12, 1999	August 13, 1999
April 13, 1999	September 14, 1999
May 14, 1999	October 12, 1999
June 15, 1999	November 12, 1999
July 14, 1999	December 14, 1999

The teleconference network provides access to the best available market analysts who might be reluctant to address an individual club. If you are interested in participating, contact Dr. Carl Anderson's office at 409-845-8011. Each month, almost 100 marketing clubs from all over the U.S. call in on the toll free line to hear the discussions and ask questions.

Another Award for the Master Marketer Program

The Master Marketer Program continues to receive recognition. In January, the Master Marketer team received the Vice Chancellor's Award for Excellence during the Texas A&M Agriculture Program Conference in College Station. With the support of industry groups, the Texas A&M Administration and county agents, the program has always attracted top notch participants and trained them in the best marketing educational program available anywhere.

Guest Column

Making Crop Insurance Work

Dr. Kenneth Stokes, Professor & Extension Economist
Texas A&M Research & Extension Center - Stephenville

In his State of the Union message, President Clinton called for a bipartisan effort to create a farm safety net that includes an improved federal crop insurance program. The President is reacting to a general consensus that the farm safety net is too close to the ground to be of any real help.

Weaknesses in the Crop Insurance Program

In spite of improvements, the USDA believes the crop insurance program still suffers major shortcomings which are:

- ! Basic CAT coverage is not sufficient to provide farmers an adequate safety net in times of severe stress, and not enough farmers buy higher levels of coverage -- only two-thirds of the farmers who have crop insurance purchase buy-up coverage.
- ! Farmers generally only obtain insurance based on expected market prices established at the start of the year. These prices may vary significantly from actual prices at the time of harvest. Also, current insurance products do not protect them against low prices that carry over year to year.
- ! Farmers who experience several years of adverse weather may be unable to obtain enough insurance to cover their costs of production because the coverage they can buy is linked to and limited by their actual production history. In many cases, farmers find their insurable yields declining as their premium rates increase - a problem especially acute in the Great Plains.
- ! Participation in revenue insurance -- which protects against falling prices while growing, remains relatively limited. Only about 16 percent of the corn and soybean farmers who buy up to the higher levels of coverage also take revenue insurance.
- ! Measured in value of sales, the livestock industry represents the biggest segment of American agriculture, but the current crop insurance statute does not permit USDA to extend coverage for livestock losses. The private sector only insures against livestock mortality and this coverage is used only sparingly.
- ! Crop insurance programs have not yet been developed for many important and economically significant crops. Thus, these growers are protected only through the limited coverage offered by the non-insured assistance payment (NAP) program.

Producer Forums

To correct these weaknesses, the USDA has proposed changes aimed at improving crop insurance and the farm safety

net. USDA will conduct at least three regional forums around the country on improving crop insurance. Through these forums and discussions with Congress, the Administration hopes to forge a bipartisan agreement on crop insurance reform. Producers working with their many commodity and farm organizations can influence the final outcome.

Other Problems with Crop Insurance

One of the guiding principals behind the Government's proposals is that crop insurance should cover as many farmers and ranchers as possible. USDA finds unacceptable the fact that only two-thirds of producers purchase buy-up coverage. This is viewed as a weakness because current government policy is that producers should bear the responsibility in managing their own risk using crop insurance and other management tools.

While USDA uses the national percentage to highlight the weakness, the actual percentage of producer's purchasing the higher buy-up coverage levels vary drastically across both regions and crops. In several southern states, only a quarter of the producers have buy-up coverage levels.

Crop insurance is designed to have a loss ratio of greater than one. Over time, the government expects to pay more in indemnities than is collected in premiums paid by either the government or the producer. With the expected loss ratio of greater than one, crop insurance should be a good purchase for all producers even without a premium subsidy. A lack of uniform participation at the various combinations of yield and price coverage, across all production regions, and for all insured crops indicates technical flaws with the program.

FCIC's rates are actuarially sound based on its loss ratio history. However, these rates do not take into account the dramatic increase in crop insurance participation which occurred after the Crop Insurance Reform Act of 1994. New users of crop insurance are paying insurance rates that cover all the abuses, fraud, and design flaws that benefitted the pre-1995 crop insurance users.

In recent years, FCIC has devoted much of its research and development efforts to creating policies for minor crops that were not previously covered. As Congress placed increased reliance on crop insurance, it did not increase the resources available to FCIC. Resources are not available within FCIC for a comprehensive review and evaluation of all the crop insurance policies.

It may be time for an external review of crop insurance programs and procedures. Funds for the external

Market Competition

The last newsletter included the following request in which we asked if your club was interested in participating in a marketing competition. So far only a couple of clubs have expressed interest. If you are interested, let us know fairly soon. If we do not receive some indication of interest from a larger number of clubs, we will drop this idea from the newsletter.

In an attempt to stimulate competition among clubs, and to share different ideas on how producers might market future crops and livestock, we are proposing to run a marketing competition. In this segment of the newsletter we will provide a sample farm situation and let clubs compete with one another to see who can do the best job marketing the farm's wheat, corn, sorghum, cotton, and livestock. In each quarterly newsletter, we plan on having a progress report on what each club is doing in each category. The winning club can have the bragging rights as well as share with the other clubs how they were successful in marketing their crops and livestock.

We need to know how many clubs are interested in participating in the competition. If your club would like to be involved, please give Mark Waller a call (409 - 845 - 8011) or send him an E-mail at mwaller@tamu.edu.

If you are interested, we will start the competition with the next newsletter. If there is not more interest, we will design something else for this segment of the newsletter.

Inside the Texas Agricultural Extension Service

Stan Bevers, Associate Professor and Extension Economist
Texas Agricultural Extension Service.

Since 1998 has come to a close, now is a good time to reflect upon the past year. Tax time reminds us to reconcile our finances. Have you ever considered reconciling your past production year with your financial numbers? A means to determining this reconciliation is the Beef Cattle Standardized Performance Analysis (SPA). With the current situation in the cattle industry, it is imperative that cow-calf operators know how their operation is performing from both a production and financial standpoint. To assist ranchers in completing this analysis, the Texas Agricultural Extension Service is offering Cow-calf Standardized Performance Analysis (SPA) Workshops in three locations across Texas. The first course will be April 28-29, 1999 in Perryton, the second will be May 25-26, 1999 in Vernon, and the final workshop will be June 2-3 in San Antonio. *These will be a working workshop where the ranchers will be assisted in completing their own analysis.* SPA provides ranchers an opportunity to analyze their ranch operation from both a production and financial side. SPA facilitates the comparison of an operation's performance

between years, producers, production regions, and production systems. SPA is intended to be used as an annual tool by the cow-calf producer.

These will be intensive workshops with the intent being ranchers completing the analysis for the 1998 calf crop. Confidentiality of the producers' data will be maintained. Individual conferences will be held with producers with each ranch being provided an assistant and a computer.

Interested persons can obtain additional information by contacting Stan Bevers at (940) 552-9941, Dr. Jim McGrann at (409) 845-8012, Jim Sartwelle at (806) 359-5401 or Dr. Larry Falconer at (512) 265-9203.

Also of interest is the Beef Cattle Business Management and Herd Health Economics IRM-SPA Consultant Certification Training. This training is being offered on August 6-8 in College Station. Please contact Jim McGrann for more information.

Texas Risk Management Education Program Update

As mentioned in the last newsletter, the FARM Assistance (Financial And Risk Management Assistance) program is being offered to producers state-wide. Both the search committee and the risk management team continue to work at identifying and interviewing qualified candidates for the Extension risk management economist positions to serve the rest of the state.

Thus far the following risk management economist positions have been filled:

- ! John Parker, District 11, Corpus Christi, started January 11
- ! George Knapek, College Station, started January 19
- ! Travis Booher, District 7, San Angelo, started March 1
- ! Kasey McGraw, District 10, Uvalde, started March 15
- ! Chad Hobbs, District 8, Stephenville, started February 1

We are very pleased that producer interest in FARM Assistance is high. Approximately 175 producers are either participating in the FARM Assistance program or are on a waiting list. The majority of these producers are located in the Panhandle, Southern Plains, Rolling Plains, and Coastal Bend areas.

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UNITED STATES DEPARTMENT OF AGRICULTURE
THE TEXAS A&M UNIVERSITY SYSTEM
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review could be funneled through land grant universities rather than into the FCIC or the private insurance companies. With its current structure, private insurance companies who have the ability to shift unwanted risk to the government have little incentive to change the program. Someone needs to be watching the public money since insurance agents and companies are usually not willing to change things that cut into their volume of sales.

Increased availability and public review of premium rates and procedures would lead to improvements. The FCIC should open to public scrutiny its "blackbox" that sets the crop insurance's market price. Often it is difficult to see any relationship between the market price set by FCIC and the corresponding futures price. Many flaws, such as county-to-county variations in "T" yields, and key insurance dates and rate differences, would become evident as more people looked at the numbers. At present, it is difficult for any one except insurance agents to see the rate differences across states, counties and crops.

Choice Web Site

<http://www.cme.com>

This quarter's featured web site is hosted by The Chicago Mercantile Exchange. The site provides a wide range of useful information from keeping up with current events to gathering fundamental and technical information needed to develop a marketing plan. Of particular interest to agricultural marketers is the **PRICES** link which contains 10- minute delayed futures and options prices and the **TRADERS CORNER** link which contains links to many reports, news, and other market resources. Be sure to check out the on-line simulated trading service under the **GETTING STARTED** link.

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