

Master Marketer Newsletter

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



Master Marketer Highlights

Industry Review Committee Meets in College Station

Six graduates from around the state and representatives from the statewide sponsors of Master Marketer met in College Station on Thursday, August 17. Feedback received from the committee is essential in developing and fine-tuning our educational programs. Roland Smith gave the group a review of the objectives of the program and Steve Amosson presented an overview of how the program has been implemented over the years. Mark Waller presented a summary of the various evaluations that have been completed and Dean McCorkle discussed the Master Marketer support system. Stan Bevers led the group in a discussion of how marketing clubs could be improved while Dickens County extension agent Joe Ben Chote discussed key factors affecting marketing club success. Stan also discussed the New Producer Program and solicited ideas from the group. Jackie Smith outlined the Master Marketer Lender Workshop scheduled for June 2001. The committee provided excellent feedback that will allow us to deliver effective educational programs to producers across Texas.

New Directions for the Master Marketer Program

Planning continues with focus groups for several new programs. The first of these is the Lender Program, which is in the final stages of development. The Lender Program, which is a risk management program with a marketing emphasis for agricultural lenders in Texas, will be offered for the first time in June of 2001. Several lenders have helped develop the five day, fee-based course that will be offered in June of each year. The first course is scheduled for Amarillo on June 12-14 and June 27-28. Anyone interested in this new program should contact Jackie Smith at 806-746-6101 or Danny Klinefelter at 979-845-7171.

The New Producer Education Program is scheduled to be offered for the first time in 2002. This will be a very in-depth program to be taught in four 3 - 4 day sessions over several months. A great deal of planning has already been put into making this program meet the needs of beginning producers in Texas. Anyone interested in this program should contact Stan Bevers at 940-552-9941 in Vernon or Greg Clary at 903-834-6191 in Overton.

Steve Amosson is leading the development of a series of Advanced Topic Seminars. These workshops will be scheduled in response to needs expressed by Master Marketer graduates around the state. If you have a special-advanced topic you would like to have addressed by the most qualified speaker available, contact Steve Amosson in Amarillo at 806-359-5401.

Abilene and Vernon in January and February

Abilene and Vernon will be the sites of the next Master Marketer programs. Stan Bevers will be coordinating the Vernon program which begins on January 16, 2001. Jason Johnson (915-653-4576) will be coordinating the Abilene workshop which begins on January 17, 2001. Please contact Stan or Jason for brochures or application forms.

Technical Analysis Workshop in Lubbock on October 16

An advanced technical analysis workshop to be taught by Alan Bruglar of DTN will be offered on October 16, 2000 at the Texas A&M Research and Extension Center north of Lubbock. This is a follow-up to the introductory workshop held in Lubbock last June. The one-day program will begin at 9:00 a.m. and finish by 5:00 p.m. The seminar is open to anyone but will be designed to meet the needs of producers who already have basic knowledge of technical analysis. Lunch and course materials are included in the \$30 registration fee. The class may fill up so contact Jackie Smith at 806-746-6101 if you are interested.

Agricultural Policy Outlook

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Legislators on both sides of the aisle in Washington have begun to offer agricultural policy options for the 2002 Farm Bill. Some options could be considered minor changes or additions to the so called “Freedom to Farm “ provisions in the 1996 Federal Agricultural Improvement and Reform (FAIR) Act. Others would again radically change the tools used to support agricultural producers and the rural economy. In addition, the House Agriculture Committee recently concluded a series of 10 agricultural policy field hearings around the country to obtain ideas or suggestions from all interested parties in the food and fiber system. The overriding theme voiced by farmers at these hearings was that the planting flexibility feature of the 1996 Farm Bill is good however, there needs to be a stronger safety net under commodity prices and/or revenues. This article introduces some of the major policy options being discussed for the 2002 Farm Bill by legislators, producers, and other stakeholders.

Continuation of 1996 Farm Bill Provisions: This would continue the annual fixed payments and flexibility provisions of the 1996 Act which would almost certainly involve annual supplemental payments to be decided each year by the Congress, as has been the case for the past three years. This means that each year the Congress could end up debating the merits of increased subsidies, a generally distasteful subject to many members of Congress.

Counter-Cyclical Lump-Sum Payments: While the concept of decoupled payments with the accompanying planting flexibility has been very popular with producers, taxpayers get upset with payments made to farmers when market prices are high as they were right after the farm bill passage. Thus, proposals have surfaced to make lump-sum payments counter-cyclical. There are a number of ways to do this. For example, payment levels could be indexed to market prices and input prices. Such proposals mean that farmers’ decisions will be influenced more by government policy and less by market prices.

Raise Loan Rates: The marketing loan program provides direct payments to farmers whenever market prices fall below the loan rate. This option would raise the loan rate to a level that would allow lump-sum payments to be eliminated. Since the loan rate is established by the government in advance, it becomes a primary factor in farmers’ production decisions. Payments would be counter-cyclical, government expenditures would be uncertain and the benefits of higher loan rates would be capitalized into higher land values. However, because the higher loan rates would tend to stimulate production, market prices would fall. As a result, U.S. consumers would continue to enjoy low food prices and export demand would be stimulated. As long as taxpayers are willing to foot the bill, higher marketing loan rates could be a very appealing option to many farmers.

Establish Flexible Loan Program: The flexible loan (sometimes referred to as flexible fallow) option ties the level of an individual producer’s loan rate to the level of his set-aside. It’s both an income enhancing and a voluntary production control program. For example, if the farmer is satisfied with the current commodity loan rate he could choose not to set-aside any land. However, the farmer would have an option of electing a higher loan rate and be required to set-aside (not produce on) a percentage of his/her land used to produce crops on in the previous year. The set-aside requirement could vary from year to year up to some maximum (such as 30 percent) depending on market conditions.

This option involves considerably greater government involvement than any of the previously discussed crop policy options. It is designed to increase producer returns while maintaining market prices. Since farmers have not been required to report their planted acreage under the 1996 Farm Bill and with reductions in staff, the Farm Service Agency may have difficulty monitoring the set-aside acres.

Farm Savings Accounts: Farm savings accounts would allow a farmer to take a deduction from before tax net farm income in “good” years and withdraw these funds in “bad” years. There would be a limit on the number of years that such deductions could remain in the account as well as on the percentage of income that could be deferred. Contributions are treated as a trust account on which interest is earned and is distributed annually as taxable income. A program similar to this operates in Canada where the government provides a percentage match to farmer contributions.

The Farm Savings Account is a means of smoothing income and has been referred to as a cousin of income averaging. As such, it would be compatible with the lump sum payment provisions of the 1996 Farm Bill. Without a matching provision, its only cost to taxpayers would be in the form of reduced tax revenue in high farm income years, which would be (albeit at a lower tax rate) recouped in low income years or at the end of the deferment period.

Whole Farm Revenue Safety Net: A whole farm revenue option would base the level of subsidy a farmer receives on the level of gross revenue generated from farming relative to some historical base. This idea is not new, and, until recently it has not generated sufficient support to get on the policy agenda. What makes the current situation different is high and apparently uncontrollable expenditures on crop insurance. This concept involves guaranteeing farmers a certain minimum level of gross revenue from agriculture as opposed to a certain yield or price.

The whole farm revenue option has intuitive appeal because it has the potential for replacing increasingly expensive crop insurance programs on individual crops as well as other forms of farm program subsidies--lump-sum payments and marketing loans. However, subsidies would be required to make it economically and politically feasible. Whether such a program can be developed without the moral-hazard abuse that has haunted crop insurance programs remains to be seen. While the potential exists for reducing the number of programs, and perhaps the complexity, the government cost of the program would be uncertain.

Inside the Texas Agricultural Extension Service Upcoming 2001 Master Marketer Programs

The Texas Agricultural Extension Service will again be offering Master Marketer Programs in north Texas beginning in January 2001. The location of the programs will be in Vernon and Abilene. The Vernon program dates are January 16-17, January 30-31, February 13-14 and February 27-28. The dates for the Abilene program are January 17-18, January 31-February 1, February 14-15 and February 28-March 1. Registration will start after September 1, 2000.

Agendas for both programs will be similar, however some of the speakers will be different compared to the 1998 Vernon program. Some of the additions/changes to the speaker's list include Dr. John Holt, Professor Emeritus, from the University of Florida, Dr. Carl Anderson, Professor and Extension Economist-Cotton Marketing, Texas A&M University, Dr. Elwynn Taylor, Professor and Extension Climatologist, Iowa State University, and Dr. Steve Koontz, Associate Professor and Extension Economist-Commodity Marketing, Colorado State University.

Dr. Holt will be presenting topics on the importance of financial information. Dr. Anderson will be presenting information on cotton marketing and fundamentals of the cotton market. Dr. Taylor will be presenting an introduction to weather and its impact on crops. Finally, Dr. Koontz will be presenting the fundamentals of the livestock industry as well as assisting with the packer/feeder simulation during the livestock section. If any past Master Marketer graduates are interested in listening to any of these new speakers, contact Stan Bevers in Vernon or Jason Johnson in San Angelo.

The registration fee for the program remains \$250, and a commitment to work with your county agent to try to start a marketing club. Most of the cost of the program is covered by grants from sponsors including the Texas Corn Producers Board, Texas Wheat Producers Board, Texas Farm Bureau, and the Houston Livestock Show and Rodeo. Anyone interested in attending or learning more about the Vernon program can get more information by calling Stan Bevers at (940) 552-9941. Anyone interested in attending the Abilene program can contact Dr. Jason Johnson at (915) 653-4576.

Choice Web Site

The featured web site for this issue is www.agmarketing.net. This is the website of Ag Marketing and Management, Inc. (AMM) that is based in Texas and provides a unique market consulting service. They have also joined forces with a full service brokerage company for "one stop shopping". AMM's analysts/brokers monitor commodity markets daily for hedging opportunities and contact their clients with recommendations on various strategies. AMM also conducts free educational seminars throughout the year that could be of particular interest to producers, lenders, and especially marketing clubs in advising and educating them on how to be successful price risk managers.

Texas Risk Management Education Program Update

While the FARM Assistance program is relatively new, over 200 individual producer analyses have been completed across the state during its first full year. Alternatives analyzed include risk management strategies such as alternative management plans, technology adoption, changes in land tenure arrangements, equipment decisions (buy versus lease), crop insurance, and retirement strategies. The program has been able to help producers add to their bottom lines by allowing them to make better management decisions based on likely financial and risk impact information provided by FARM Assistance. One measure of the success of this program is the difference between the projected wealth position (net worth) of a producer's baseline or current situation versus that of their suggested alternatives. The difference could be either positive or negative depending on the specific alternatives analyzed. This measure of benefit to the producer reflects the value of the analysis in terms of avoiding losses or capturing gains in wealth relative to the baseline projection. Thus far, the program has resulted in combined benefits to Texas farmers and ranchers of over \$30 million.

New Risk Management Specialist in San Angelo

A new risk management specialist has been hired to serve the San Angelo area (Extension district 7).

Wade Polk, originally from Ft. Hancock Texas, holds a master's degree in Agricultural and Applied Economics from Texas Tech University. Prior to joining the Extension Service, Polk was a Loan Servicing Agent for the DT N Cotton Network in Lubbock.



Contributors to this issue were Rob Borchardt, Stan Bevers, and Jackie Smith.