

Master Marketer Newsletter

<http://mastermarketer.tamu.edu>

Vol. 2 • Issue 7 • September 2002

Texas Cooperative Extension, The Texas A&M University System

Master Marketer Highlights

Upcoming Master Marketer Program in South Texas

Beginning on September 25, 2002, the next Master Marketer program for producers will be conducted in Kingsville, Texas. This will be the most convenient location for producers in the Valley who wish to participate in the program. All preparations have been completed and enrollment in the program is underway. Please contact Larry Falconer (Corpus Christi) at 361-265-9203 or John Robinson (Weslaco) at 956-968-5581 to obtain additional information or to register for the program.

Tomorrow's Top Agricultural Producer Program (TTAP)

The development of the materials for the first two sessions of TTAP is nearing completion and registrations for the program are now being accepted. The TTAP program involves intensive hands-on training in 4 different, 4-day sessions over an 18-month period beginning in November 2002. TTAP is designed for producers who are in the process of taking over an existing operation and/or those who are starting a new farm or ranch business. The program will focus around participants' development of a business plan for their operation. Please, contact Stan Bevers in Vernon about getting enrolled in the program. You can reach Stan at 940-552-9941. Additional information can be found on the TTAP web site located at <http://ttap.tamu.edu>.

Other Master Marketer Activities

The graduates of the 1999 program in Victoria and the 2000 Lubbock program have received surveys in the mail to provide input into the evaluation of the program. It is very important that these surveys be completed and mailed back as soon as possible. The evaluation process is critical for future improvements in the program as well as to help in maintaining adequate funding.

On September 1, 2002, registration will begin for the Master Marketer program in Lubbock. This will be the third time for Lubbock to host the Master Marketer program which starts on January 21, 2003.

In the winter of 2003, another new component of the overall Master Marketer Educational System, the Advanced Topic Series (ATS), will be initiated. Each year, a set of in-depth workshops addressing some selected issues will be offered at multiple locations around the state. Workshops such as advanced technical analysis and advanced futures and options will be selected and developed to meet the needs of Master Marketer graduates and other producers who are already well-versed in the subject area. These workshops will start with an Advanced Futures and Options workshop in Amarillo on January 27-28, 2003.

Marketing Club Corner

By Rob Borchardt



In the last issue, I told you about the Cameron County marketing club and their focus on options trading strategies. This club is certainly pro-active and according to Dr. John Robinson, District Extension Economist – Weslaco, “the collective experiences of these Master Marketer graduates have lead to their aggressive trading strategies. They positioned themselves to take advantage of any spring rallies by giving the treasurer the authority and responsibility to offset their position if the market makes a \$.10 move.”

As you may remember, they created a minimum price contract on grain that they “theoretically” would have already forward contracted, by purchasing out-of-the-money July ’02 Corn calls in April. After the purchase of the calls, the market traded sideways and the time value of the calls eroded somewhat until about the second week of May when July Corn futures rallied about ten cents that week.

Are you wondering if, as they watched the market, they had the discipline to stick to their plan? I did, so I called to find out and here is what happened. There were only a few days in mid May when their call option was worth more than what they paid for it. As it happened, the club met that week. They put in a sell order during the meeting, offset their position and made \$75 after commissions. That turned out to be a good decision as the market softened some and that particular option expired worthless.

As one of the members of the club, Bruce Gambel, told me, “This is an opportunity for us to prove to ourselves and others that there is another way to extract more money out of agriculture operations.”

Now, let me switch gears and tell you about our evaluation activity. In response to our Master Marketer funding partners, we have begun the process of a statewide evaluation of marketing club effectiveness. Over the past month, we have scoured the state in search of all marketing clubs (and their members) that exist or have ever existed. As of this writing, we have identified over 1000 club members who are or have participated in over 75 marketing clubs. This fall, we will begin the task of surveying all club members in an attempt to measure things like educational value, practices and strategies adopted, and economic impact. We desperately need your help. We plan to administer the survey at club meetings for those clubs that are currently meeting and by mail for those clubs that are no longer meeting.

In order to accurately tell the story of Master Marketer and marketing club effectiveness, I am asking each of you to help us by making sure that you and all marketing club members you know complete and return the survey. By next time, I should at least have some preliminary results to share with you.

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Guest Column

Need Help Deciding How to Update Bases and Yields?

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Several members of the Agricultural and Food Policy Center (AFPC) team in the Department of Agricultural Economics at Texas A&M University have been working with FSA since April 2002 on software that producers and FSA county office staff can access to analyze the base and yield update decision on individual farm units. This effort has been ongoing for more than 2 years as AFPC faculty have been working with House and Senate Agriculture committee staff to analyze the farm level consequences of proposals for the 2002 farm bill. Researchers with AFPC have a national reputation for doing farm level risk analyses working with representative farms across the United States, so given the uncertain nature of counter-cyclical payments, it was a natural to extend this methodology to the base and yield update decision.

The “near completed” decision aid, named “Base and Yield Analyzer” or BYA, was demonstrated to FSA administrators during April, which started a mutually beneficial relationship between AFPC and FSA. Since that time, the AFPC team has worked with an FSA team in Washington and Kansas City to complete the software and make it accessible to producers and FSA county office staff.

The completed decision aid, BYA, is available on the AFPC web site (www.afpc.tamu.edu) or Extension Agricultural Economics website (agecoext.tamu.edu) where it can be accessed and used by producers in all counties. In this form, the BYA can be updated and re-released each time FSA changes a rule for determining base and payment yields. As our FSA cooperator continues to say, “... this is a work in progress” as the rules continue to be reviewed and written/rewritten so the BYA will continue to change.

Based on discussions with Washington FSA staff, producers still have a lot of time to make the decision regarding updating their bases and yields. Sign-up for the 2002 crop year will not likely happen much if any before October 1st. During the sign-up for 2002, producers will not be allowed to assign peanut base acres so the current version of BYA does not include peanuts. A second version will be made available later this summer that looks at the 2003 through 2007 crop years and will assist producers in evaluating trade-offs that may occur when assigning peanut base acres.

Texas Risk Management Education Program Update

New Risk Management Specialist in Southwest

A new risk management specialist has been hired to serve the Southwest area based in Uvalde (Extension District 10). Will Phinizy started with Texas Cooperative Extension in July.

Will holds a bachelor's degree in Ag Economics from Texas Tech and an MBA from Texas Tech. Reared on a working ranch in Borden County, Will's work experience includes managerial experience in the feedlot industry, business analysis for the cattle feeding group of Continental Grain, and most recently two years as part of the management team of Vista Genetics, a progressive beef seedstock operation located at Utopia. He brings a wealth of practical experience to the Texas Risk Management Education Program.

As the risk management specialist in District 10, his activities focus on analyzing the financial performance and associated risk of alternative financing, investing, and operational decisions for livestock and crop producers in Southwest Texas. Will's background and experience have allowed him a smooth transition into this position. Producers in District 10 will appreciate Will's expertise and ability to communicate FARM Assistance results to them. Will can be reached at (830) 278-9151.

The economics of beef cattle production have taken a real beating in recent years. An industry beset by drought and cyclical markets can benefit from strategic planning at the ranch level. The TAMU Risk Management team is reallocating resources to provide cow-calf and stocker operations across the state increased access to the FARM Assistance program. Jim Sartwelle, III, and Will Phinizy lead this targeted effort. For more information, please call our toll-free number at 1-877-TAM-RISK.

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Other contributors to this newsletter were Jackie Smith and Mark Waller.