

# Master Marketer Newsletter

<http://mastermarketer.tamu.edu>

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## Master Marketer Highlights: Coming to a Program Near You

### Master Marketer Educational System

The Texas A&M AgriLife Extension Service is once again bringing their Master Marketer Program to Vernon (Texas A&M AgriLife Research and Extension Center, 11708 US Hwy 70 South). The 64-hour Master Marketer Program provides intensive marketing training on cotton, grains, and livestock and will have sessions on January 22-23, February 5-6, February 19-20, and March 5-6. Registrations will be accepted for up to 50 participants. For more information on the program and registration, visit <http://agrisk.tamu.edu> or call (979) 845-8011.

### Futures and Options Shortcourses

These shortcourses are designed as a one-day format introducing producers to marketing tools such as futures and options. With current factors playing such a large role in market volatility, knowing how to use marketing tools aids in seeking profitability for the 2014 crop. Specific topics include: an introduction to futures and options markets, margin accounts, short hedges, and how these tools relate to cash marketing. The workshop has a \$50 registration fee that covers the program, breaks, meal, and materials and will run from 9 am to 4 pm each day.

The meeting dates and locations are:

\*Jan 27 – First State Bank, 1601 E 16th St, Dalhart

\*Jan 28 – O'Loughlin Center, 502 S Brandt St, Spearman

\*Jan 29 – Ochiltrie Expo Center, 402 Expo Dr, Perryton

\*Feb 11 – Roberts County Courthouse Annex, 122 Waters St, Miami

\*March 5 – Wheeler County Ag and Family Life Center, 7939 N US Highway 83, Wheeler

\*March 6 – Deaf Smith County AgriLife Extension Office, 903 14th St, Hereford

To register and pay for a course online, visit <http://agriliferegister.tamu.edu> Payments will also be accepted at the door as long as registration is made at least three days in advance to the program date by contacting Leon Guerrero at (806) 677-5626 or [lguerrero@ag.tamu.edu](mailto:lguerrero@ag.tamu.edu)

### Farm and Ranch Estate Planning Workshops

These seminars feature Dr. Wayne Hayenga, Professor Emeritus and Texas A&M AgriLife Extension Service Specialist, and his input with information on tax and estate planning matters as they affect families and agricultural businesses. Hayenga is an agricultural economist and attorney who works with farmers, ranchers, and family owned firms giving a thorough analysis of relevant income and estate tax rules.

Topics include:

- The Will; What all is needed?: Selection of executor, paying debts and taxes, "Share and share alike?," and "Do I need a trust?"
- A living trust: Managing property to take "care of," not "give to" people. Avoiding guardianships and many other benefits.
- Passing on an active farm or ranch: Tips for keeping the business going.
- Power of attorney: What if they don't work?, health care power of attorney, and living wills.
- Taxes: Estate tax, generation-skipping tax, gift tax, income tax, and Social Security tax.
- Property in different states – avoid probate.
- How not to let my kid's "Ex" mess with me.

The workshop dates and locations are:

\*Jan 20 (6-8 pm), O'Laughlin Center, 502 S Brandt St, Spearman

\*Jan 21 (Noon-2 pm), Carson County War Memorial, 500 Main St, Panhandle

\*Jan 21 (6-8 pm), Randall County AgriLife Extension Office, 200 Brown Road, Canyon

\*Jan 22 (1-3 pm), Deaf Smith County AgriLife Extension Office, 903 14th St, Hereford

\*Jan 22 (6-8 pm), Moore County Community Building, 1600 Maddox St, Dumas

\*Jan 23 (12:30-2:30 pm), Texas A&M AgriLife Research and Extension Center, 6500 W Amarillo Blvd, Amarillo

\*Jan 23 (6-8 pm), Donley County Activity Center, 4430 State Highway 70, Clarendon

No pre-registration is required. For more information, contact DeDe Jones at (806) 677-5667 or (806) 681-5145, or by email at [DLJones@ag.tamu.edu](mailto:DLJones@ag.tamu.edu)



## The Federal Reserve's Taper: Implications for Ag Land Values

**Levi Russell,**

Assistant Professor and Extension Economist,  
Department of Agricultural Economics,  
Texas A&M University

The chairman of the Federal Reserve, Ben Bernanke, announced today a plan to begin to "taper" its "quantitative easing" (known as "QE") policy. Financial analysts have been writing feverishly in various publications about their expectations for the taper and its implications. The focus is typically on what the taper will mean for the stock market, the housing market, and the banking sector; but what does it mean for agriculture? To understand potential implications for agriculture, we need to understand what "QE" and the "taper" mean.

The policy of QE is a process the Federal Reserve (the bank for banks, also known as "the Fed") engages in to drive down interest rates. The Fed's Open Market Committee purchases treasury bonds with newly-created funds and injects new dollars into the economy. This reduces interest rates and increases bond prices. The purpose of this policy is to increase investment and consumer spending in an effort to jump-start sustained economic growth. The Fed's current policy includes the purchase of some \$85 billion worth of bonds every month, but Bernanke's recent change will decrease the value of purchases to \$75 billion beginning in January.

So what is the taper? It is a reduction in QE over a period of time. The Fed cannot continue to inject tens of billions of dollars every month into the U.S. economy forever; it is important that the bond purchasing slow to keep price inflation at bay. An interesting illustration of the effect QE has on asset prices is the strange relationship between economic news and swings in the stock market recently. If more new jobs are added than expected in a given quarter, the stock market falls. If housing starts fail to meet expectations, the stock market strengthens. One possible explanation is the effect these news events have on expectations of a taper. The Fed is more likely to taper, it is thought, when the economy seems to be recovering well. However, this taper likely means bad news for stock prices, so the market adjusts when there is a perceived threat of a taper. A taper of the QE policy would likely result in increasing interest rates, which implies a reduction in investment spending and a decline in asset values (e.g. the stock market). The interest rate on 10-year Treasury bills climbed to a 3-month high just after Bernanke's announcement.<sup>1</sup> There is certainly potential for further upward adjustment of interest rates if QE continues to diminish.

Bernanke indicated that the Fed will continue the taper over the next year, ending QE by the end of 2014. Supposing that economic indicators remain strong over that period and the taper continues over the year, what can be said about agricultural land values? This will depend in part on how much the low-interest rate policy has affected agricultural land values in the past. According to the USDA, average agricultural land values in Texas increased 81% from \$1,000 per acre in 2005 to \$1,810 per acre in 2013.<sup>2</sup> At the same time, the federal funds rate (a key interest rate which the Fed targets as part of its QE policy) plummeted 96% from 2.28% in early 2005 to 0.08% in November 2013.<sup>2</sup> Other rates such as the prime lending rate and the 20-year Treasury bond rate fell 38% and 27% over the same period, respectively.<sup>3</sup> The Fed's QE is certainly a factor in the run-up of agricultural land values just as it is responsible for a general run-up in stock market prices. Though agricultural land markets adjust more slowly than the stock market (and are influenced by other factors such as commodity prices), a taper of the QE policy is likely to have a negative effect on agricultural land values.

What are the management implications of a decline in land values due to a potential continued reduction in QE? It's important to keep an accurate market-value balance sheet<sup>4,5</sup> that reflects the current financial state of your farm business. Part of having a strong balance sheet is having sufficient cash and other current assets to cover liabilities.<sup>6</sup> Increases in the market value of land should not be considered a replacement for adequate cash and inventory. Tapering will reduce the upward pressure QE has put on asset prices.

Continued on Page 3

## Congratulations to the 2013 Master Marketer Class!



This year's class reported farming a combined 22,000 acres of cotton; 15,000 acres of sorghum; 9,000 acres of corn; 6,000 acres of rice; 2,000 acres of wheat; and 2,000 head of cattle on farm and ranch land in Wharton, Jackson, Nueces, Washington, Bee, Brazoria, Colorado, Fort Bend, Harris, Hill, Karnes, Lubbock, San Patricio, and Victoria Counties. Participants included a husband and wife, father and son, along with previous graduates, repeating the class to update marketing skills. The class split equally between agricultural producers and those involved in other types of agribusiness with one-third of the class being women.

A special thanks is extended to Jimmy Roppolo of United Agricultural Cooperative, Inc. and the City of El Campo for their generous hospitality and many coordination efforts. Thank you Texas A&M AgriLife Extension Service, Texas Corn Producers Board, Texas Grain Sorghum Producers Board, Texas Farm Bureau, Cotton State Support Committee, and Risk Management Agency-USDA for your support to this program. We appreciate the many great participants, presenters, and supporters who have allowed this program to continue with great success.

### The Federal Reserve's Taper: Implications for Ag Land Values, Continued from Page 2

Preparation for decreases in land values are an important part of sound business planning at this point in the boom-bust cycle. A future article will discuss the likelihood that the Fed will continue to taper and the implications for farm and ranch planning to consider if the Fed continues QE.

<sup>1</sup> <http://www.bloomberg.com/news/2013-12-19/treasuries-remain-lower-as-jobless-claims-unexpectedly-increase.html>

<sup>2</sup> <http://www.federalreserve.gov/releases/h15/data.htm>

<sup>3</sup> <http://quickstats.nass.usda.gov/results/A38D43F3-0312-3966-83CB-0A3572B19FB9>

<sup>4</sup> <http://agecoext.tamu.edu/files/2013/10/rm5-5.pdf>

<sup>5</sup> [http://www.agmanager.info/kfma/Newsletters/May\\_12.pdf](http://www.agmanager.info/kfma/Newsletters/May_12.pdf)

<sup>6</sup> <http://farmdocdaily.illinois.edu/2012/08/farm-liquidity--your-current.html>

## Farm Assistance Update

### Steven Klose,

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Texas A&M University

It's time for New Year's resolutions. For some reason the turn of a year is the signal to stop, evaluate how things are going, and strive to do better. It may be eating better or exercising more, but too often we find ourselves back to our old ways in a short time. Or worse we never really get started.

What is it that makes some resolutions stick and others last only a few weeks? I'll venture a guess that the more thought that goes into the process of making a resolution; the more likely it is to stick.

You've got little chance of making it to February, if your resolution to exercise came from no more than the fact that it was January 1st and you saw a gym commercial on TV. But if that commercial leads you to see a doctor and evaluate your current condition vs. examples of a healthy weight and a healthy diet. Then you get blood results, and discuss the consequences of not getting your cholesterol and blood sugar under control. Throw in a well thought out plan to reach a specific goal in a specific timeframe, and you have a resolution built on solid information and commitment that has a real chance.

Strategic business planning is not much different. Periodically, we need to seriously stop, review our current condition and where we want to be, and evaluate how to get there. And if our business plans are to have a chance, they need to result from a thorough process with solid information and commitment. Our FARM Assistance analysis service is uniquely designed to help you do exactly that. If you haven't updated your FARM Assistance analysis in a while, or if you have never taken advantage of our service, maybe the turn of the year is your signal.

Contact FARM Assistance toll free at 1-877-TAMRISK or online at: [farmassistance.tamu.edu](http://farmassistance.tamu.edu)

# TEXAS A&M AGRI LIFE EXTENSION

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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  
contact Emmy Williams at [emmywilliams@tamu.edu](mailto:emmywilliams@tamu.edu) or (979) 847-6143.

An archive of newsletters can be found online by visiting  
[http://agecoext.tamu.edu/programs/marketing-programs/master-  
marketer-program/newsletters/](http://agecoext.tamu.edu/programs/marketing-programs/master-marketer-program/newsletters/)

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

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## **Choice Website**

**Emmy Williams,**  
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<http://blogs.usda.gov/>  
**Home of the USDA Blog!**

Our very own USDA houses yet another  
informational site, and this time you  
can add your input. Topics range from  
economic growth to food nutrition and  
education to technology. The blog's  
insights are another way to inform the  
nation-wide public about the activities,  
policies, and programs USDA offers. Tune  
in for a light read, happenings that you can  
relate, or even better, network.