

# Master Marketer Newsletter

<http://mastermarketer.tamu.edu>

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## Master Marketer Highlights

### Cattle Trails Wheat and Stocker Cattle Conference

The Cattle Trails Wheat and Stocker Cattle Conference will be held on July 28 from 8 a.m. to 2 p.m. at the Comanche County Coliseum, 920 S. Sheridan, Lawton, Oklahoma. Registration is \$25 per person and includes educational materials, a noon meal and refreshments.

The conference, which alternates between Texas and Oklahoma each year, will provide producers in the Southwestern Oklahoma, and North and Rolling Plains regions of Texas the latest updates from Texas A&M AgriLife Extension and Oklahoma Cooperative Extension Service. The slogan of the conference is "driving your cattle to profits," with speakers from both Texas and Oklahoma and industry sponsors also will have their products on display during the event.

Stan Bevers, AgriLife Extension economist at Vernon, will provide a wheat and cattle market update, while Dr. Mark Gregory, with the Oklahoma Cooperative Extension Service in Duncan, Oklahoma, will discuss factors that influence wheat forage production. Dr. Chris Richards, Oklahoma State University Extension and Research beef cattle nutrition specialist in Stillwater, Oklahoma, will discuss performance robbers in feed and water. Gant Mourer, Oklahoma State beef value enhancement specialist in Stillwater, Oklahoma, will discuss value enhancements to beef cattle and Dr. Tom Hairgrove, AgriLife Extension program coordinator for livestock and food animal systems in College Station, will provide a post-mortem investigation of cattlemen's management practices and diseases.

Producers are encouraged to preregister by contacting their local AgriLife Extension county agent, their Oklahoma Cooperative Extension county educator, or by contacting the Southwest Oklahoma Area Extension office at 580-255-0546. For more information on the event, go to <http://agrisk.tamu.edu>

### Beef Cattle Short Course

The 2015 Beef Cattle Short Course will be held August 3-5 on the Texas A&M University Campus in College Station, Texas. Featuring more than 20 concurrent sessions, topics include animal health, nutrition, reproduction, breeding, genetics, selection, research, marketing and handling. Sessions are designed for the newest member of the industry all the way to the most seasoned producer.

Along with opportunities to receive pesticide CEUs and veterinarian CECs and BQA credits, trade show exhibitors will also be in attendance. For registration and more information on this beef cattle educational program, visit <http://beefcattleshortcourse.com/>

## Marketing Club Corner

### Grain Delivery Issues with Cash Grain Contracts

Cash contracting is a widely used and commonly available means of reducing price risk in many agricultural commodities. However, production risk still remains, in the form of lost production or loss of quality, which may create difficulty in fulfilling the requirements of the contract. In the case of quality damage, grain may still be deliverable but price discount schedules will apply. Sprout damage in wheat can result in a lower wheat quality grade due to low test weight, increased percent damaged, or both. Sprout damage can be widespread and have its own specific discount schedule. Sprout damage discounts are often dictated by the ability of the elevator to find a market for the damaged wheat.

Your elevator is in the business of handling grain and they want your bushels. They have other contractual agreements based on the commitment they have with you to receive your grain. Contract modification should be seen as a last resort only after all other options of grain delivery have been explored.

Open communication throughout the life of the contract is important. Problems with production quantity or quality create marketing difficulty for both buyers and sellers. Contract delivery problems need to be identified and discussed as early as possible so that management alternatives can be considered. As long as all parties in the agreement do their best to comply with the terms of the contract and fulfill their obligations, cash forward contracting of grain can be a viable element of a business plan and an effective tool for price risk management.

The link below is a explanation of how discount schedules apply and delivery contracts may be modified. These are only examples of how the process works. See your elevator manager or review the details of your contract for specific information related to your situation. Be aware that discount schedules are subject to change as crop and market conditions change. For the full article, visit <http://agecoext.tamu.edu/resources/library/newsletters/food-and-fiber-economics/>



## Study: Ag Land is Over Valued

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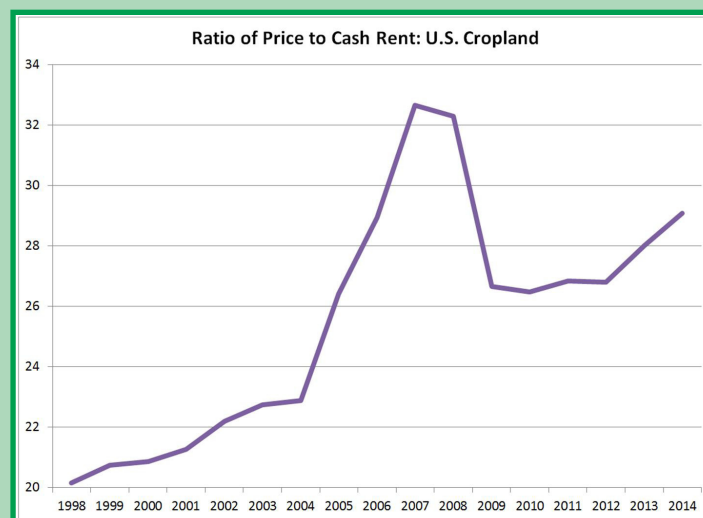
A recent article published in the American Journal of Agricultural Economics discusses long-term trends in agricultural land values nationwide. The paper draws on data from 1911 to 2012 and measures the risk, returns, as well as relationships between land values and inflation.

Much discussion recently has centered on the possibility of a bubble in land values. While the results of this paper suggest that ag land generally provides a hedge against both expected and unexpected inflation and is a relatively safe investment, the authors find that "the farmland P/rent ratio has reached historical highs and is currently at the level of the P/E ratio of the S&P 500 during the tech bubble." The P/E ratio is the ratio of the price of a stock to its earnings or profit. A comparable ratio for ag land is the ratio of land price to cash rent (P/rent).

The P/rent ratio can be interpreted as the price market participants are willing to pay for a dollar of cash rent they will receive. A historically high P/rent ratio is justified if strong growth in cash rents is expected in the future or if interest rates are expected to be low. With the recent declines in grain and cotton prices, along with a lack of bullish expectations for the near future, broad increases in cash prices are not likely in the near future. Additionally, the CME FedWatch indicates a greater than 50% chance of an interest rate hike in December of this year. None of this provides a justification for a high P/rent ratio.

The accompanying graph is a plot of the ratio of the U.S. average cropland prices to cash rents (P/E ratio) from 1998 to 2014 (data source: USDA-NASS). There's a very clear run up in ag land values from 2005 to 2008 and a subsequent downward correction after the recession set in. Still, the 2009-2014 average P/rent is 26.75% higher than the 1998-2004 average, suggesting that there is potential for a further downward correction in ag land prices on the horizon. Figures 1-3 in the ungated version of the article provide a longer-term perspective.

The bottom line is that ag land is very likely over-valued nationwide (and specifically in Texas) and land buyers should keep this in mind when considering a land purchase. Whether a land purchase is financed by debt or with your own funds (equity), there is still an elevated risk to purchasing land when it is over-valued. If land values fall, the ratio of your debt to your assets would increase, reducing the health of your balance sheet. This could negatively impact your odds of obtaining credit in the future. Maintaining a healthy balance sheet and keeping an eye on your working capital is crucial when considering purchases of land in the current price environment.



## Farm Assistance Update

**Steven Klose,**

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### What Lies Ahead?

No one knows exactly what the future holds. If I could tell the future, I'd surely be doing it from a beach somewhere in the Caribbean. While the future is uncertain, it is not without signs and warnings. More than a few times over the past several months, I've heard people asking if we are headed for another 1980's level agricultural crisis. A number of signs are pointing to the possibility of repeating that history. Declining prices following a sustained period of high commodity prices have driven land prices higher. While not as widespread, we have unfortunately seen some asset based lending practices that proved disastrous 30+ years ago. The general U.S. economy strengthening, a stronger dollar, and talk of increasing interest rates all point to a weakening export demand for U.S. agricultural products. The current baseline projections from the experts (AFPC at Texas A&M and FAPRI at the University of Missouri) suggest one of the most challenging financial outlooks for farm level finances that we have seen in decades.

All of this is not simply to spread gloom and doom. Rather it is to emphasize the point of preparation. The FARM Assistance program is uniquely designed to help you evaluate your individual operation, financial outlook, and compare alternative plans to handle whatever the future may hold. Successful farm & ranch managers are constantly evaluating and preparing for the future. If it has been a while since you conducted an analysis with us, there is no doubt much has changed and the road ahead will be a challenge. Today's signs suggest that it would be wise to evaluate your plans and prepare for the possibilities. Contact FARM Assistance toll free at 1-877-TAMRISK or online: [farmassistance.tamu.edu](http://farmassistance.tamu.edu)

## Choice Website

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Over the last years, and even weeks, Texas has seen its share of emergencies. From facing devastating drought conditions to overcoming horrific flooding, we have all seen emergency management in action before, during, and after these natural disasters. The Texas Department of Public Safety's Texas Division of Emergency Management (TDEM) coordinates the state emergency management program to ensure local and state governments respond to emergencies and disasters and implement recovery plans and programs to lessen the negative effects of future emergencies and disasters.

<https://www.txdps.state.tx.us/dem/>

The TDEM website houses public education materials on emergency planning, training, and exercises and assists cities, counties, and state agencies in post disaster mitigation. Visitors to the website receive disaster information pertaining to a variety of topics, from May's severe weather disaster assistance and flash flood safety to hurricane season and available funding for pre-disaster projects. Throughout the site, contact information is readily available in the areas of field response, public works response, state disaster reimbursement, law enforcement telecommunication networks, after hours, technical hazards, and media inquiries.

### Master Marketer Program Update

Coming to Abilene in January 2016

The Texas A&M AgriLife Extension Service is once again (after 15 years) bringing their Master Marketer Program to Abilene (Texas Education Agency Region 14 Education Service Center, 1850 Highway 351). The 64-hour Master Marketer Program provides intensive marketing training on cotton, grains, and livestock and will have sessions on January 19-21, February 4-5, February 17-18, and March 2-3. Registration will open in the fall and will accept up to 50 participants. More information to come in the September newsletter.



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If you would like to receive this newsletter by email,  
or have any other questions about the Master Marketer system,  
please write Emmy Williams at [emmywilliams@tamu.edu](mailto:emmywilliams@tamu.edu)

An archive of newsletters can be found online by visiting  
<http://agecoext.tamu.edu/programs/marketing/master-marketer-program/newsletter-archives.html>

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

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