

Master Marketer Newsletter

<http://mastermarketer.tamu.edu>

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Master Marketer Highlights

2017 Master Marketer Program

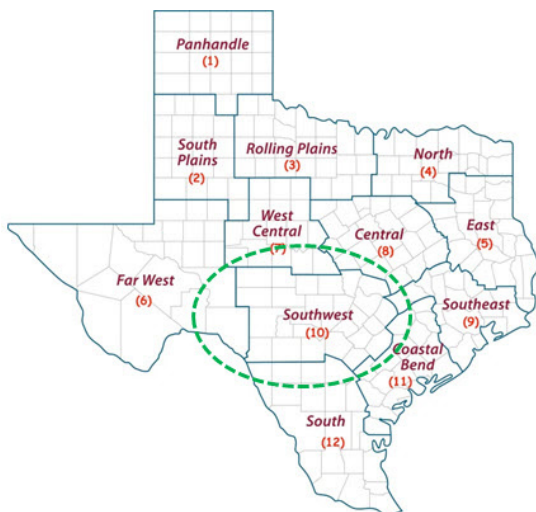
Since its inception in 1996, over 1,200 graduates have completed the Master Marketer Program in 15 locations around the state.

Results from the most recent 2½ year post-survey of graduates (El Campo, 2013) show those who have completed the program continue to achieve an increase in farm revenue from 3-5% through the use of marketing plans, budget development, and breakeven analyses in management practices, and report increased confidence in implementing production and price risk management tools.

Planning will soon be underway for the 2017 Master Marketer program. It will be held in the Southwest Texas A&M Agrilife Extension District 10 in coordination with our District Economist in Uvalde, Rob Hogan.

The specific dates and location are still to be determined but this will be a fall program in 2017, mid-September to late October. Given this unique location, program content will be expanded to include wildlife management and attention to vegetable production.

Of course, we will still focus on livestock, grain, and cotton fundamentals, weather, crop insurance, financial and legal risk, budgets, break evens, and marketing plans, seasonality, and technical analysis.



There will not be a Master Marketer program this upcoming winter (January/February 2017). We will convene in the Uvalde/San Antonio area in the fall of 2017, and return to the normal January/February schedule in 2018.

Most of our Master Marketer graduates are familiar with Elwynn Taylor's discussion of his Price-Risk Wheel for corn, developed in coordination with Dr. Robert Wisner.

Elwynn uses climate data to estimate the U.S. corn yield and Dr. Wisner supplies the price forecast associated with the probabilities of various yields. Elwynn's most recent forecast (<https://twitter.com/elwynntaylor>) estimates a U.S. corn yield in 2016 of 170 bushels per acre.

His Risk Wheel shows a 66% probability of a yield above the most recent USDA estimate of 168 bushels per acre and a price below \$3.50 per bushel.

With the price sensitivity we have seen in the corn market in response to weather already this season, this and other forecasts of crop condition and yield potential will be closely monitored this summer.

Elwynn Taylor @ElwynnTaylor - Jun 14
Dr. Wolter: "PDO/EI Nino most like 1941. No shift-into La Nina indicators." (1941-2 set new US corn records). Best bet US Corn: 170-173 BPA

Elwynn Taylor @ElwynnTaylor - May 25
Likely US corn yield & price risk for 2016 based on current EI Nino persisting until Aug or beyond.

2016 Corn Price-Yield Risk Wheel
Yield = National Final Yield Estimate
Price = December '16 Corn Futures Price at Harvest

Yield (bu/A)	Price (\$/bu)
136	\$5.55
180	\$2.90
168	\$3.50

Best Estimate: 170 bu/A Final 2016 Yield

Source: Wisner, Burbank Economist & Taylor, ISU Ext. Climatologist, May 24, 2016



Featured Article

David Anderson,

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Texas A&M University

2016 Is A Different Story

This time a year ago, cattle prices were still near their record highs. Fed cattle prices had just started to decline to their summer lows that became a major price decline through the end of the year. While a lot has changed, cattle prices still exhibit some seasonal patterns that normally occur.

Why the Price Decline?

It's worth remembering that high prices are the market signal to produce more and for consumers to consume less. The result of those actions, producing more and consuming less, are lower prices. Those actions started to come to the fore in the Fall of 2015. Fed cattle prices started down in late summer and kept going.

Beef production was 1.5 percent higher in the fourth quarter of 2015 versus the year before. The production increase was due to record high fed cattle weights, because fed cattle slaughter was below the year before. Our record high beef prices also spurred more imports and less beef exports which put another 730 million pounds of beef on our market. The net change in trade from the year before, imports minus exports, was the equivalent of about 3 percent of domestic beef production for the year.

Production growth was not limited to beef. The calf crop in 2015 was up an estimated 2.3 percent, so there were more calves for sale in the Fall, further pressuring calf prices. Large financial losses by cattle feeders, as fed cattle prices fell, forced them to pay even less for feeder cattle.

What About This Year?

Cattle and calf markets had a bit of an early Spring rally. Fed cattle prices normally increase in the Spring with seasonally tighter supplies and the kickoff of Spring grilling season. Calf and feeder prices went along for the ride with fed cattle. Southern Plains 5-600 pound steers increased from about \$185 to \$200 per cwt in March. Heavier feeder steers crept up a little to just over \$160.

The Spring rally was short lived as April ended with cattle and calf prices down dramatically. The most important factor in the April decline was cattle slaughter and beef production. Fed steer slaughter was up 6.8 percent in April compared to April 2016. That was on top of an 11.6 percent year-over-year increase in March. While fed heifer slaughter was below a year ago, steers and heifers combined along with heavier weights pushed beef production up over a year ago also.

The rollercoaster continued in May with a nice price rally. Fed cattle prices jumped about \$8 per cwt. mid-month. Not only did cattle prices jump, but the wholesale boxed beef cutout did too, with the Choice cutout touching \$228 per cwt in mid-May, and holding above \$220 through the end of the month. The reason appears to be a flurry of buying for Memorial Day. As the holiday wholesale buying finished, cattle prices headed lower.

Its likely that this roller coaster is going to continue, with peaks and valleys as holidays near and packers need supplies. The roller coaster will also be pitted against the back drop of cyclically growing cattle and beef supplies. The cow herd is growing and so is the number of calves and beef. The beef cow herd was up 3.5 percent as of January 1 and that implies that there should be about 3.5 percent more calves on the market this Fall.

Beef trade has been moving in the right direction, so far this year. Exports have increased about 1.5 percent through the first quarter. At the same time, imports have declined compared to last year. It is expected that the trade situation will continue to improve with reduced imports and some slow growth to exports.
(Continued on page 3)

Farm Assistance Update

Steven Klose,

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Texas A&M University



Our FARM Assistance group is involved in a number of farm management related projects and programs. One I'd like to highlight is our custom rates surveys. For over 40 years the Extension Agricultural Economics unit has been conducting surveys of current rates paid and received across the state for custom work. Custom operations in the survey include: tractor rental, field operations, chemical application, harvesting, land improvements, and many more. These custom rates results continue to be highly valuable and frequently requested information.

The 2016 results have just been released and all the surveys dating back to 1973 are available online at the Extension Agricultural Economics Home Page: <http://agecoext.tamu.edu/> Follow the Resources menu to the Custom Rate Survey page, or use this direct link: <http://agecoext.tamu.edu/crs>

For the most recent three surveys, we have used a targeted participant group compiled with the help of county extension agents and extension economists across the state. In 2016 we also added an online version of the survey open to the public. This version was well received and helped create a broader pool of survey responses. Moving forward, we plan to conduct and publish the survey every other year, and hope to continue an ongoing partnership with an engaged participant group. If you happen to be a participant in the survey, we greatly appreciate your time and effort. If you find the information valuable and would like to contribute to future surveys, your participation is welcomed. Just give us a call.

Contact FARM Assistance toll free at 1-877-TAMRISK or online at: farmassistance.tamu.edu

Choice Website

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<http://www.geoglam-crop-monitor.org>

As taken from the noted website. The Group on Earth Observations' Global Agricultural Monitoring (GEOGLAM) initiative developed the Crop Monitor whose objective is to provide AMIS with an international and transparent multi-source, consensus assessment of crop growing conditions, status, and agro-climatic conditions, likely to impact global production. This activity covers the four primary crop types (wheat, maize, rice, and soy) within the main agricultural producing regions of the AMIS countries (G20+7). The Crop Monitor reports provide cartographic and textual summaries of crop conditions as of the 28th of each month, according to crop type.

Featured Article, 2016 Is A Different Story Continued from Page 2

For all the increase in beef and cattle supplies and lower prices, 5-600 pound steers may still average in the upper \$170s to \$180 this Fall in the Southern Plains. That would be about \$20 per cwt lower than in the Fall of 2015. Heavier weight feeder cattle may average in the high \$140s to low \$150s. Fed cattle may average in the mid-\$120s by the Fall. Increasing beef production will likely make it hard to see a Fall price rally that eclipses the Spring highs. While the longer term trend is for lower prices, it's likely that calf prices this year will remain profitable for many producers, continuing herd expansion.

Futures Market Controversy

There has been some controversy in recent months over how the cattle futures market works. Concerns have centered over the role of high frequency trading and the perception of a detrimental amount of volatility in the market among other concerns. It's worth remembering that the futures market cattle price is the price in the future that those trading today think it will be out at a future date. Those trading in the futures market have been signaling that they think cattle prices are going lower. Perhaps a more fundamental look at supply and demand conditions might lead a person to believe that futures are too low. That could be viewed as an opportunity. It is likely that we will hear a lot more about the workings of the futures market in the coming months.

TEXAS A&M AGRI LIFE EXTENSION

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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 contact Emmy Kiphen at emmykiphen@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/>

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