

Marketing Club Performance

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Marketing clubs are reaching a broad spectrum of crop and livestock producers

Forty-three marketing clubs were started during 1999-2002 with start-up funds from the state legislature. The educational focus has been for North Dakota producers to learn how to manage price risk to complement their proficiency in managing production risk through crop insurance and diversification. Members are leaders,

facilitators are extension agents and farm business management instructors, and the clubs secure instructors for the educational program.

The funds were secured primarily by Steve Zimmerman of the North Dakota Farm Business Management Education Program and also by the North Dakota State University Extension Service. The program is coordinated by Zimmerman and George Flaskerud, extension crops economist.

Each club conducts 24 or more hours of educational programming per year. How well are the many different instructors teaching and how well are members learning the concepts? To answer these questions, club members were asked to complete inventories. In addition, evidence of change in practices and outcomes was requested from facilitators.

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Inventories

Marketing club members completed four inventories. A survey of personal and farm characteristics and a test were completed before starting the educational program. A test and evaluation were completed at the end.

The inventories were completed Sept.1, 2001 to Aug. 31, 2002. Copies of the inventories can be found in Extension Report 69, "Marketing Club Information for the North Dakota Program," and at www.ag.ndsu.nodak.edu/aginfo/cropmkt/clubs/clubs.htm.

Seventeen of the clubs in the North Dakota marketing club program participated in the inventories. Clubs are listed in Extension Report 70, "Marketing Club Directory," and can also be found at the Web site above.

Results

The majority (68 percent) of members were 35-54 years old (Table 1). They were well educated, 70 percent had post-high school education, and were interested in learning more about marketing, 74 percent had attended a previous marketing workshop. Most (78 percent) had access to the Web. They generally preferred (61 percent) meeting twice a month with their marketing club.

They operated medium-sized farms (1,444 acres of cropland on average) and 78 percent worked off-farm, although many worked just a few days off-farm. The members were primarily crop producers (44 percent), the balance came from livestock.

Members had enough storage (42,310 bushels on average) to facilitate using marketing tools. A marketing plan was used by 29 percent, futures by 45 percent, options by 46 percent and preharvest elevator contracts by 64 percent.

Few chose to avoid risks all together (9 percent). Most (60 percent) carefully evaluated risks before making a decision. Many (30 percent) were willing to accept a reasonable amount of risk. Very few (1 percent) considered themselves plungers. Although wheat was produced by the majority, many other crops were included in rotations to manage production risk.

Table 1. Characteristics of members (n=172).

Item	Amount
Age	11% 25-34 35% 35-44 33% 45-54 12% 55-64
Post high school education	70%
Attended previous marketing workshop	74%
Access to Web	78%
Off-farm employment	78% worked off-farm
Club meeting frequency preferred	61% twice a month
Acres operated	1,444 cropland 1,132 pasture
Storage	42,310 bushels
Majority of farm sales	44% crops 24% livestock 21% both substantial
Marketing tools used preworkshop	29% marketing plan 45% futures 46% options 64% preharvest elevator contracts
Risk attitude	9% avoider (most cautious) 60% calculator (analyze before decision) 30% adventurer (enjoy reasonable amount) 1% daredevil (plunger)
Crops produced	59% spring wheat 26% durum 41% barley 31% sunflowers 37% corn 27% soybeans 19% canola 13% flax 31% oats

Members completed inventories to determine their marketing knowledge at the beginning and end of the workshops. Results of the inventories are shown in Table 2.

Members improved their marketing knowledge. Their test scores improved from an average of 65 percent at the beginning to 73 percent at the end. Their self-evaluation ratings also improved for every marketing tool. The curriculum was obviously followed and successfully taught by the many different instructors used by the marketing clubs.

Table 2. Comprehension of marketing topics by members.

	Pretest (n=219)	Post test (n=107)
Test scores (29 questions)	65%	73%
	Self-Evaluation Rating (High=5)	
Historical basis	2.5	3.3
Storage return	2.0	2.9
Futures	2.6	3.1
Put and call options	2.7	3.3
Synthetic options	1.4	1.8
Fence (window)	1.7	2.0
Cash forward contracts	2.9	3.8
Delayed price contracts	2.7	3.5
Basis fixed contract	2.5	3.5
Minimum price contract	2.2	3.1
Hedged-to-arrive contract	1.9	3.0

The fairly high beginning test scores were consistent with the high level of marketing proficiency indicated in Table 1. A number of test questions addressed topics to be covered in subsequent meetings which limited the upside post-test score. Similarly, two tools (synthetic option and fence) received low self-evaluation ratings since they were likely discussed only briefly and need to be covered in more detail later as planned.

The overall learning experience (Table 3) was a high 6.0 (maximum of 7). Written comments were very favorable for the instruction, material, and facilities.

Practices and outcomes have also been changed. The following comments were offered by facilitators.

The group has really changed its mentality toward futures trading. Now when I ask them, "Is selling a live cattle futures contract speculating when you own cattle? Or is just owning the cattle speculating?" the group knows that owning the cattle with no protection is speculating. One producer wanted to retain ownership of his calves with very limited risk. After we looked at his breakeven and looked at protecting the price, it wasn't in the market. So he decided to just sell the calves. This is the kind of decision that this group of producers is able to make. Also, one member considered buying 800 lb. weight heifers to finish because he can lock in a profit in the futures market. In addition, the group is looking at pooling their light calves to make

Table 3. Evaluation by members (n=110).

	Rating (High=7)
Objectives of the presentations were clearly evident	5.7
Stated objectives were met	5.5
Structure/format/level	5.6
Meeting facilities	6.3
Work of the presenter	6.1
Educational materials	5.9
Ideas and activities presented	5.9
Benefit of attending workshop	5.7
Overall learning experience	6.0

Example of something learned which may help in the farm operation.

- A much better understanding of basis and how it works.
- Better understanding of futures and options.
- Elevator contract possibilities.
- Ways to minimize risk.
- The importance of having and using a marketing plan.
- Seasonal patterns in price and basis.
- Explained chart formations and how to use them.
- Re-enforced season tendency.
- No matter what, have a marketing plan for price and date and execute it.
- Watch markets more.
- The confidence to use futures.
- Spotting trends.
- How to gather information to make more informed decisions.
- Risk management.
- Vertical option spreads and window protection.
- Able to now do a better job of marketing.
- Inverted markets and market trends.
- Marketing plan for locking in prices before planting for price protection.
- Different marketing strategies
- Elevator contracts and the time of year to contract.
- Being comfortable in marketing some of the crop further out.
- Meeting with a group motivates learning
- Learned how to hedge feeder cattle.

uniform loads to capture that value. I will say that the group has really progressed and this summer if the market is right I am positive most will make moves in the market for price protection.

Club members sold approximately 25-30 future contracts on feeder cattle for the November 2001 and January 2002 time frame in the neighborhood of \$88 to \$91. The result of these short positions was a gain of approximately \$5,000 per contract for a total gain of \$125,000 to \$150,000.

A member purchased lightweight heifer calves last November to put on grass this summer. He waited until the calves had bottomed out, and recovered \$1 per hundredweight (cwt) before purchasing. He then purchased an 82-cent feeder cattle put option at a cost of \$1.25/cwt and eventually spent 60 cents to roll it ahead to an August 82-cent put. He has done a good job of protecting himself, and the option has worked well to keep anxiety and stress to a minimum. This producer will probably expand to doing something with wheat as well.

Conclusion

The marketing clubs are reaching a broad spectrum of crop and livestock producers. Members also represent a wide range of age, education and farm size. They are strongly motivated to learn about marketing and other areas of risk management.

Members learned marketing concepts and were satisfied with the many different instructors. This was clearly demonstrated in testing and evaluations.

Facilitator comments indicated that members are evaluating their marketing practices and making changes where appropriate. Livestock producers shared some very positive outcomes. The lack of comments on preharvest crop sales would be consistent with the strong expectation that higher prices would be forthcoming.

A follow-up educational program should be held as planned to make producers comfortable with some of the marketing techniques. In addition, a survey of members should be conducted to determine changes in practices and outcomes. The established profile and test scores will be useful for designing the second-year program and survey.

For more information on this and other topics, see: www.ag.ndsu.edu

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