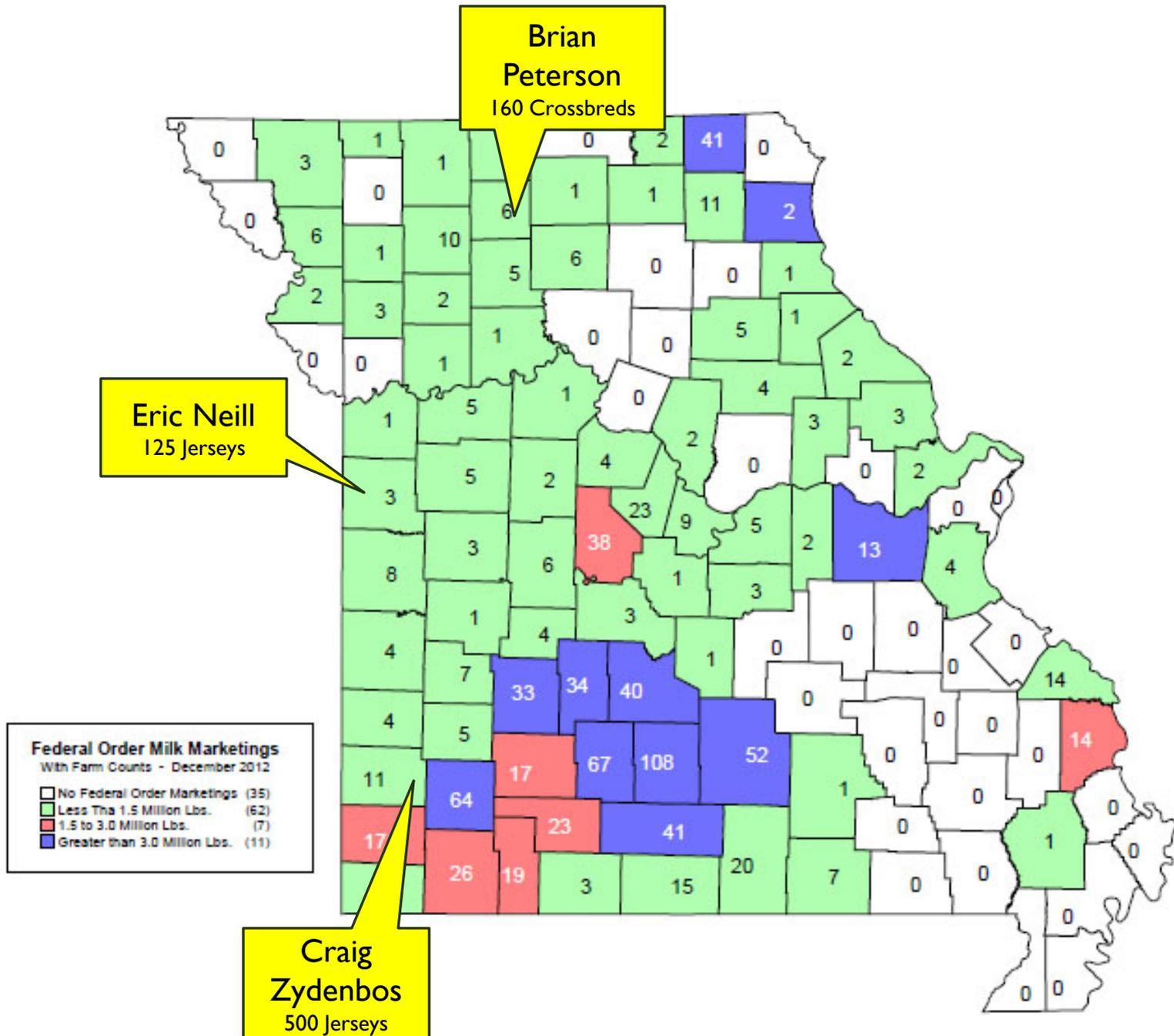


Practical Risk Mitigation Strategies

Dairy Producer Panel





Craig Zydenbos

Mitigating Droughts with Small Scale Irrigation Systems













Brian Peterson

Mitigating Weather Extremes
via Stocking Rate
& CRP





This is COW COUNTRY
WATCH YOUR STEPS!

Nurses



Eric Neill

Mitigating Price Risk:
Min/Max Contracts and
LGM-Dairy

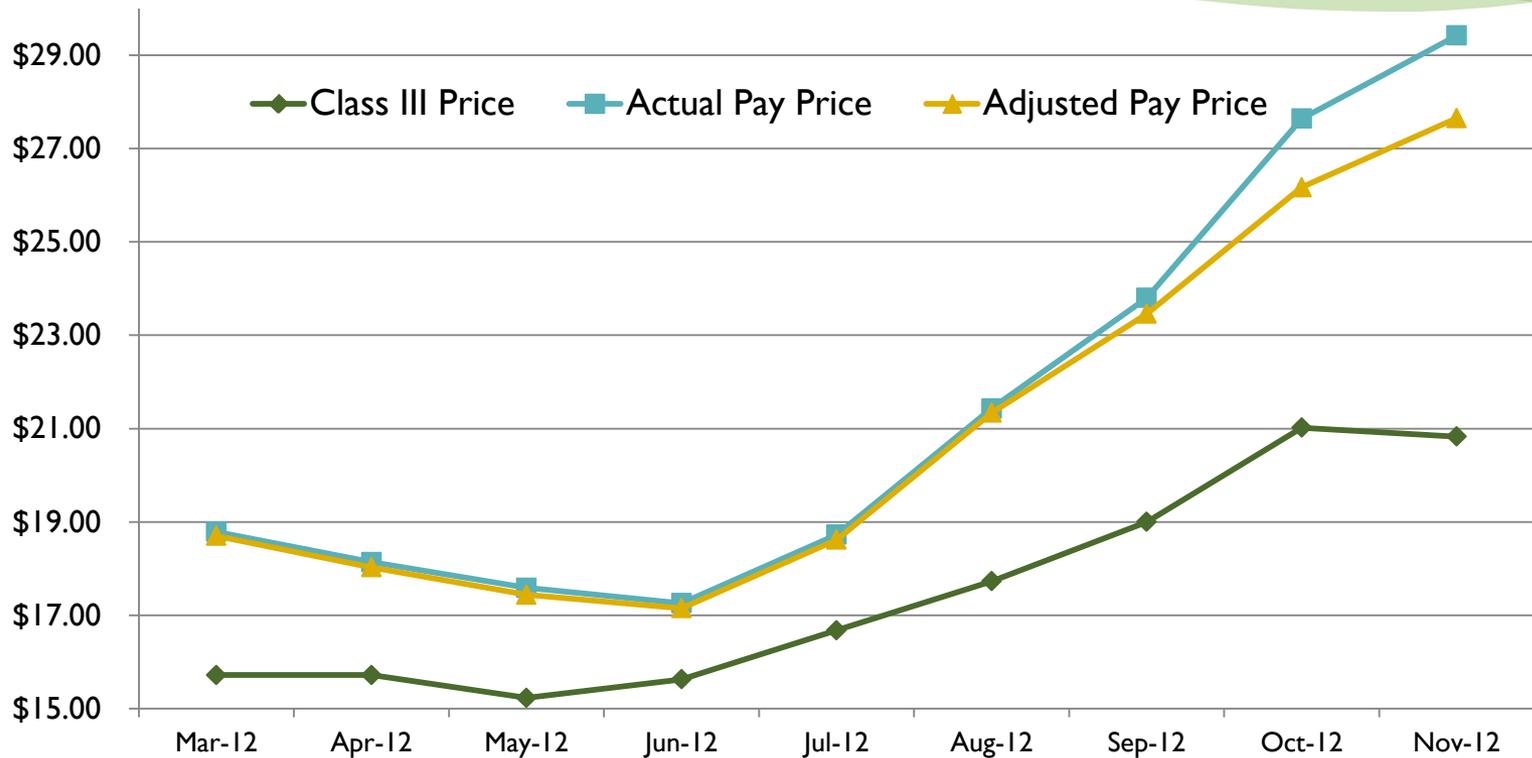


GRAPH OF MIN MAX RESULTS

Month	Min	Max	Cost of Contract	Class III Price	Actual Pay Price	Adjusted Pay Price	Gain or Loss/cwt	Total Cost to Dairy
12-Mar	\$ 15.00	\$ 18.00	\$ 0.20	\$ 15.72	\$ 18.79	\$ 18.70	\$ (0.09)	(\$120.00)
12-Apr	\$ 15.00	\$ 18.00	\$ 0.20	\$ 15.72	\$ 18.14	\$ 18.03	\$ (0.11)	(\$170.00)
12-May	\$ 15.00	\$ 18.00	\$ 0.25	\$ 15.23	\$ 17.59	\$ 17.44	\$ (0.15)	(\$212.50)
12-Jun	\$ 15.50	\$ 18.00	\$ 0.25	\$ 15.63	\$ 17.26	\$ 17.15	\$ (0.11)	(\$150.00)
12-Jul	\$ 15.50	\$ 18.50	\$ 0.25	\$ 16.68	\$ 18.73	\$ 18.62	\$ (0.09)	(\$150.00)
12-Aug	\$ 16.00	\$ 18.00	\$ 0.15	\$ 17.73	\$ 21.43	\$ 21.34	\$ (0.09)	(\$90.00)
12-Sep	\$ 16.00	\$ 18.50	\$ 0.15	\$ 19.00	\$ 23.80	\$ 23.46	\$ (0.34)	(\$325.00)
12-Oct	\$ 16.00	\$ 18.00	\$ 0.20	\$ 21.02	\$ 27.64	\$ 26.17	\$ (1.47)	(\$1,288.00)
12-Nov	\$ 16.00	\$ 18.00	\$ 0.20	\$ 20.83	\$ 29.42	\$ 27.65	\$ (1.77)	(\$1,363.50)



2012 Milk Price (\$/cwt)



Don't ever forward price your milk
without forward pricing your feed.



LGM FOR DAIRY

- * Subsidized milk/feed margin insurance specifically for dairies.
- * To be able to buy the insurance, a producer has to win an application lottery.....literally.
- * Our indemnity covered our portion of the premium plus a whopping \$310 dollars for the year 2012.
- * I spent as much time as I could trying to understand it before I bought it. I was one of two producers in Missouri that bought it in 2011 but had to talk with agents in Iowa and a professor Brian Gould) at the University of Wisconsin to be able to fill out the forms required to buy it. After finding out my indemnity was less than 10% of what my Missouri agent and I expected, I call the professor in Wisconsin to discuss what I'd done wrong. He suggested that in the future I **buy 33% of the insurance I need for each month I need it, in 3 month blocks, each month to spread the risk.** I realize that is a complicated sentence and have not spent any more time thinking about that plan.



These are projected milk and feed numbers I came up in Oct. of 2011

CORRECT MATH

These are CBOT dollars, not what you are paying for feed

Expected Production	Contract Date		JAN-NOV 2011	Expected			Actual			GROSS MARGIN	
	Expected	Expected		Class III	Corn	SBM	Class III	Corn	SBM	Expected	Actual
Milk(cwt)	Corn(tons)	SBM(tons)		\$/cwt	\$/ton	\$/ton	\$/cwt	\$/ton	\$/ton		
480	6.24	5.76	100	17.36	223.57	298.4	17.10	218.93	311.67	5,219	5,047
300	3.6	3.6	100	16.72	224.29	300.07	16.07	228.57	335.99	3,128	2,789
1200	15.6	14.4	100	16.58	225.36	301.73	15.64	238.21	380.27	12,036	9,864
1620	5.9	2.84	100	16.58	226.79	303.35	15.73	230.71	388.44	24,660	23,018
1950	7.1	3.41	100	16.59	227.86	304.97	15.27	223.21	416.80	29,693	26,771
1690	15.84	15.84	100	16.57	228.57	306.92	15.65	247.50	448.14	19,521	15,430
1500	14.06	14.06	100	16.95	228.93	308.87	16.67	271.79	479.67	17,864	14,440
1370	12.84	12.84	100	17.07	220.36	309.67	17.71	274.64	536.50	16,580	13,848
1260	11.81	11.81	100	17.07	211.43	309.37	18.97	277.50	530.93	15,358	14,355
1440	18.72	17.28	100	16.92	208.57	305.63	21.04	270.57	476.97	15,179	16,991
Total Insured	12810									159,237	142,550
Deductible/cwt	\$ 1.00									12,810	0
Total Deductible	\$ 12,810.00									146,427	142,550
										Indemnity	3,877

Total Insured	12810
Deductible/cwt	\$ 1.00
Total Deductible	\$ 12,810.00

Corn (\$/bu)		Corn (\$/Ton)	
Expected	Actual	Expected	Actual
6.26	6.13	223.57	218.93
6.28	6.40	224.29	228.57
6.31	6.67	225.36	238.21
6.35	6.46	226.79	230.71
6.38	6.25	227.86	223.21
6.4	6.93	228.57	247.50
6.41	7.61	228.93	271.79
6.17	7.69	220.36	274.64
5.92	7.77	211.43	277.50
5.84	7.58	208.57	270.57

We received a check for \$310 in January of 2013. Our portion (50%) of the premium ate most of the indemnity.

The insurance put \$.024/ cwt in our pocket.



BAD MATH

J NEILL - LGM DAIRY POLICY ANALYSIS

Projected Marketing

	January	February	March	April	May	June	July	August	September	October	TOTALS
CWT of milk	480	300	1200	1620	1950	1690	1500	1370	1260	1440	12,810
Tons of Corn	6.24	3.6	15.6	5.9	7.1	15.84	14.06	12.84	11.81	18.72	
Tons of SBM	5.76	3.6	14.4	2.84	3.41	15.84	14.06	12.84	11.81	17.28	
Expected Price											
Milk (per cwt)	17.36	16.72	16.58	16.58	16.59	16.57	16.95	17.07	17.07	16.92	
Corn (per bushel)	6.26	6.28	6.31	6.35	6.38	6.4	6.41	6.17	5.92	5.84	
SBM (per ton)	298.4	300.07	301.73	303.35	304.97	306.92	308.87	309.67	309.37	305.63	
Expected Cost of Feed	\$ 3,113.87	\$ 1,887.68	\$ 7,860.48	\$ 2,199.55	\$ 2,657.73	\$ 8,482.18	\$ 7,561.45	\$ 6,805.55	\$ 6,150.63	\$ 9,185.74	\$ 55,904.87
Expected Total Gross Margin	\$ 5,218.93	\$ 3,128.32	\$ 12,035.52	\$ 24,660.05	\$ 29,692.77	\$ 19,521.12	\$ 17,863.55	\$ 16,580.35	\$ 15,357.57	\$ 15,179.06	\$ 159,237.23
Gross Margin Guarantee (\$100 deductible per cwt)	\$ 4,738.93	\$ 2,828.32	\$ 10,835.52	\$ 23,040.05	\$ 27,742.77	\$ 17,831.12	\$ 16,363.55	\$ 15,210.35	\$ 14,097.57	\$ 13,739.06	\$ 146,427.23

Milk actually marketed does not = Actual Milk Marketings

Actual Marketings

	January	February	March	April	May	June	July	August	September	October	YTD Totals
CWT of milk	456	561	1360	1577	1443	1468	1432	1073	956	881	11207
% of Target Marketings*	0.95	1.87	1.13	0.973	0.74	0.869	0.955	0.783211679	0.758730159	0.611805556	0.96
Actual Price											
Milk (per cwt)	17.1	16.07	15.64	15.73	15.27	15.65	16.67	17.72	18.97	21.03	
Corn (per bushel)	6.14	6.4	6.67	6.46	6.25	6.93	7.61	7.69	7.77	7.58	
SBM (per ton)	311.7	335.99	360.27	388.44	416.6	448.14	479.67	536.5	530.93	476.97	
Actual Cost of Feed	\$ 3,163.73	\$ 2,032.42	\$ 8,904.03	\$ 2,464.38	\$ 3,005.43	\$ 11,018.94	\$ 10,565.47	\$ 10,415.07	\$ 9,547.56	\$ 13,309.81	\$ 74,426.85
Actual Total Gross Margin	\$ 4,633.87	\$ 6,982.85	\$ 12,366.37	\$ 22,341.83	\$ 19,029.18	\$ 11,955.26	\$ 13,305.97	\$ 8,598.49	\$ 8,587.76	\$ 5,217.62	\$ 113,019.19
Estimated Indemnity***	\$ 105.07	\$ -	\$ -	\$ 698.22	\$ 8,713.58	\$ 5,875.85	\$ 3,057.58	\$ 6,611.87	\$ 5,509.81	\$ 8,521.44	\$ 39,093.42
(Gross Margin Guarantee - Actual Total Gross Margin)	\$ (4,154.33)	\$ (1,530.83)	\$ (1,530.83)	\$ (1,530.83)	\$ (1,530.83)	\$ (1,530.83)	\$ (1,530.83)	\$ (1,530.83)	\$ (1,530.83)	\$ (1,530.83)	\$ (1,530.83)

*** This amount is an estimate, not a guarantee.

Expected/Actual Commodity Prices available at http://www3.rma.usda.gov/apps/livestock_reports/main.aspx

We were within 4% of our estimate

Policy Premium \$ 572.00
Net LGM 35,521.42

This is the indemnity I expected. I WAS WRONG



MILC IS DEAD





What do we do?

Missouri Plan

Dairy Security Act

We have to have something to enable creditors to allow us in the door



Learning to Insure Your Dairy Margins Regional Workshops

The free workshops will cover:

- *Mechanics of using proposed farm bill margin insurance*
- *Livestock Gross Margin (LGM-Dairy) insurance*
- *Hedging using futures and options through brokers*
- *Risk management tools through DFA Risk Management*

Monday	December 2	Mt. Vernon , MU Southwest Center
Tuesday	December 3	Mountain Grove , MSU Fruit Station
Wednesday	December 4	Jackson , Cape Girardeau Extension Center
Thursday	December 5	Union , Hagie's Restaurant
Friday	December 6	Sedalia , FCS Financial Meeting Room