



# The Center Spotlight

www.centerfordairyexcellence.org ♦ Phone: 717-346-0849

## Former Adams Co. Dairyman is Resource on Risk Management

*Editor's Note: This is part of a monthly series of timely articles and information from the Center for Dairy Excellence, a non-profit organization focused on strengthening Pennsylvania's dairy industry.*

HARRISBURG — Five years ago Alan Zepp was not very different from any other dairy producer. He wore many hats — from herdsman to crop manager to maintenance man. Another hat he wore was that of a marketer.

"Dairy farmers tend to see themselves as price takers, not price makers," said Zepp, who joined the Center for Dairy Excellence as risk management program coordinator in 2009 shortly after selling his cows. "However, managing your milk price risks is as important as managing any other type of risk on your dairy farm. You have to protect yourself from the worst."

Today, Zepp still farms about 400 acres of cash crops while working full-time for the Center for Dairy Excellence. His experience as a dairyman and farmer help him provide a unique perspective on using risk management to protect the dairy operation.

"When I milked cows, I dabbled with using milk futures and options to protect my price," he said. "I also used crop insurance to protect the crop side of my business."

"A big part of my job at the center is helping producers understand the Livestock Gross Margin for Dairy insurance program and how it can play a role on the dairy farm," Zepp said. "LGM for Dairy is a lot like crop insurance but for the dairy side of your business."

### Kitchen meetings provide personalized view

During the past two years, Zepp has visited with producers and industry groups to build understanding of milk price risk management options available. Many of these visits have been at kitchen tables with individual farm families.

"A farmer calls to set up a visit, and the first questions I ask are 'what's your milk market?' and 'what size is your herd?'" Zepp said. "Then I can identify what risk management options are available to that farm."

"At the meeting, I help them understand that milk price risks are only one portion of risk management that happens on the dairy farm. Producers manage risks every day; they just don't think about it," Zepp said.

"We go through a risk management checklist, and I go through the terminology associated with milk price risks," he explained. "Then I usually have an example Livestock Gross Margin policy for that size herd to show the producer how it is calculated and what the numbers mean."

### Monthly calls to offer download on LGM

With recent changes to LGM for Dairy to make the insurance program easier to use, the number of calls Zepp receives at the end of each month is increasing. "Producers want to know what the LGM margins are for that month and what happened in the marketplace that month."

To help answer those questions, the Center for Dairy Excellence will host monthly "Protecting Your Profits" calls the last Wednesday of every month from 12 NOON - 12:30 p.m.

"Our goal is to create more of a conversation around what margins are available and the status of LGM. We want to stir up questions and help the participants learn from each other's questions."

During each call, Alan will list estimated expected margins for the sales period of that month and discuss the relationship between those expected margins and actual historical ones. He will also review recent market news and provide insight on developing a strategy that includes LGM for Dairy.

"When you look at 2009, it is hard not to



As an advisor on risk management, Alan Zepp, with wife Cindy, uses his insight as a former dairy farmer to identify what approach may be right for individual dairy farms. (Photo by Sherry Bunting.)

recognize the role that risk management and programs like LGM for Dairy can play on a dairy," Zepp said.

"Dairy policy may reduce some of the volatility out of the marketplace, but it won't eliminate it because we are in a world marketplace," he said. "You have to look at protecting your own profits."

For more information about the monthly "Protecting Your Profits" conference calls, contact the Center for Dairy Excellence at 717-346-0849 or by e-mail at [info@centerfordairyexcellence.org](mailto:info@centerfordairyexcellence.org).

You can also contact Alan Zepp directly at 717-420-7448 or [azepp@centerfordairyexcellence.org](mailto:azepp@centerfordairyexcellence.org) to arrange for a kitchen meeting or talk with him more about your risk management options.

The center's risk management advisory programs are supported by funding through the Pennsylvania Department of Agriculture and Risk Management Agency.



## Somatic Cell Counts Lower But Reproduction Wanes

Pennsylvania Dairy Industry Performance Scorecard Summary	Dec. 2010 Report	Dec. 2011 Report	Change from last year	Target range
Milk Cows	539,000 cows	542,000 cows	+0.5%	
Rolling 12-mo. State Milk Production	10.551 bill. lbs.	10.729 bill. lbs.	+1.69%	10.8 bill. lbs.
Wholesale Milk Price	\$17.90/cwt.	\$19.30/cwt.	+7.82%	
PA Daily Feed Costs (cost of corn, soybean and hay at 65 lbs. milk)	\$6.03/cwt.	\$7.12/cwt.	+18.08%	
Milk Margin (IOFC @ 100# of Milk)	\$11.87/cwt.	\$12.18/cwt.	+2.61%	
Milk Production/Cow/Day	60 lbs.	61 lbs.	+1.27%	80 lbs.
% of Herds with 80+ lbs./cow/day	10%	10%	—	
Rolling 12-mo. Herd Production Average	20,892 lbs.	21,031 lbs.	+0.66%	25,000 lbs.
Average Somatic Cell Count	264,660	238,510	- 9.88%	200,000
% of Herds below 200,000 SCC	40%	46%	+ 13.4%	
Average Days In Milk	184 Days	186 Days	+ 0.82%	185 Days
Average Age to First Calving	25.4 months	25.5 months	+ 0.24%	21—24 mo.
Average Days to First Service	89 Days	89 Days	—	< 80 Days
Average Cull Rate (% left herd)	33.9%	35.1%	+ 3.57%	20—35%
Average Pregnancy Rate	17.69%	17.57%	- 0.68%	> 20%
To view complete scorecard, visit:	<a href="http://www.centerfordairyexcellence.org">www.centerfordairyexcellence.org</a>			

HARRISBURG — Pennsylvania's milk production continues to increase, with the state's monthly milk production in December up 1.8 percent from a year ago. Increased milk production per cow and added cow numbers both contributed to the increase.

Somatic cell count levels are at three-year lows, down to 238,510 in December, nearly 10 percent below last year's levels. More than 45 percent of the herds in the state have SCC levels below 200,000.

Reproduction in the state continues to wane, with pregnancy rates down a half percent, and days in milk increasing by two days. Average age to first calving is also up slightly, as is the state's average culling rate for December.

The complete scorecard can be viewed online at the center's website, [www.centerfordairyexcellence.org](http://www.centerfordairyexcellence.org). Click on the "SCORECARD" icon in the middle of the home page, or call 717-346-0849 to request a copy.

For more information on programs and resources available to help farms reach their performance and profitability goals, contact the center at 717-346-0849 or by e-mail at [info@centerfordairyexcellence.org](mailto:info@centerfordairyexcellence.org).



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