



The Center Spotlight

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Risk Management is Part of Berks Co. Dairymen's Long-Term Strategy

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, Pa. — Berks County dairy producer Tim Kurtz never thought twice about protecting his farm against fire and liability risks. "I have always had basic insurance to cover a catastrophic loss caused by a fire or other damages," says Kurtz, who with his wife Deborah and five children, has operated Kurtland Farm, a 125-cow dairy farm in Elverson, for the past 24 years.

Ten years ago, after the drought of 1999 caused a catastrophic loss of his crops, Kurtz started using crop insurance. Now, in 2010, he has started using the insurance policy LGM for Dairy to insure his dairy margin against losses that could be created by lower milk prices or higher feed costs.

"I only took out a policy on a small portion of my milk to see how it worked and build my comfort level with it," Kurtz says.

"With the recent wild price swings, risk management tools have become a necessity," he adds. "If a business is going to be sustainable, there must be a measure of margin protection."

Building his comfort level

LGM for Dairy isn't the only tool Kurtz uses to protect his dairy margin. "I also use forward contracting through my milk cooperative.

"It is likely that risk management will become a common practice in dairy farming. Dairy producers must gain a basic understanding of how it works."

Kurtz and a group of neighboring dairy farmers met with Center for Dairy Excellence Risk Management Program Coordinator Alan Zepp last fall. "He helped us understand the basic mechanics of LGM for Dairy and explained how it could be a useful tool for our dairies," Kurtz says.

Kurtz adds that there are many risk management tools out there. "Even if you're not comfortable using them yet, educating yourself will benefit you

as a producer," he says.

"Meeting with Alan in person is a great start for anyone contemplating risk management because Alan is thorough and knows the formulas. Since he was a dairyman himself, he is able to present it from that perspective."

Preparing for the Long Term

Kurtz says each type of risk management program has its advantages and disadvantages. "I have been trying out different options just to build my familiarity with each of them.

"I am not as comfortable with paying a premium up front, so I have only used LGM for Dairy on a small scale. However, when you contract milk, you need to have price protection on the feed side as well.

"LGM for Dairy is the first farmer-friendly option that combines milk and feed," Kurtz says. "It doesn't just look at the milk price, but insures your dairy margin."

If the dairy price support program goes away, Kurtz says that all dairy producers will need to have some type of price stabilization strategy. "Moderate price swings are tolerable, but you have to have something to level out the extreme volatility if the bottom falls out.

"Lenders will demand it. I want to understand it now before we are all forced to do something."

A Resource for Your Dairy

Helping more dairy farm families understand their risk management options is a goal of the Center for Dairy Excellence. Any dairy producer interested in having Alan Zepp visit their farm or meet with a small group in their neighborhood can call the center at 717-346-0849 or e-mail Zepp directly at azepp@centerfordairyexcellence.org.

Educational resources are also available online



Tim Kurtz, who with his wife Deborah, operates Kurtland Farm, has recently begun to explore his options for protecting his milk price.

at www.centerfordairyexcellence.org. Click on "Producer," then on "Learn About Risk Management," to find a step-by-step explanation on how to learn the basics of risk management, assess your dairy risks, understand your risk management options, and protect your milk price.

The center also offers regular conference calls on risk management and other business management topics as part of its "Mastering the Dairy Business" Learning Series. To receive more information about this learning series or to be included in the center's e-newsletter, the *CDE Bi-Weekly Bulletin*, call the center at 717-346-0849 or e-mail info@centerfordairyexcellence.org.



Pennsylvania Production Jumps 1.6 Percent Despite Fewer Cows

HARRISBURG, Pa. — Pennsylvania's total monthly milk production grew 13.6 percent to 934 million pounds in March, up 1.6 percent from March

2009. Cow numbers fell another 1,000 head to 540,000 head in March, down 10,000 head from a year ago. The increase in milk production was

driven largely by a jump in milk production per cow, with daily per-cow production up 3.4 percent from a year ago to 64 pounds.

The increase in milk production per cow was stimulated by improvements in several key herd management areas, including milk quality, breeding and reproduction.

Pregnancy rates improved by 2.6 percent, while somatic cell counts were down 2.9 percent. Average days in milk fell 2.2 percent, and average days to first service dropped 1.1 percent.

Strengthening your herd management protocols is a key way to stimulate improvements in these key herd benchmark areas. The Center for Dairy Excellence has resources that can help.

The center's On-Farm Dairy Resource Team Program can help farms put together the resources to help them troubleshoot problem areas keeping them from reaching their benchmarks.

The "Mastering the Dairy Business" Learning Series offers conference calls with timely, relevant information dairy producers can use to strengthen the bottom line of their dairy business.

For more information these resources and others, call the center at 717-346-0849. To view the complete scorecard, visit the center's Web site at www.centerfordairyexcellence.org. Click on the scorecard icon at the bottom of the home page.

Pennsylvania Dairy Industry Performance Scorecard Summary	March 2009 Report	March 2010 Report	Change from last year	Target range
Milk Cows	550,000 cows	540,000 cows	- 1.8%	
Rolling 12-Mo. State Milk Production	10.541 bill. lbs.	10.551 bill. lbs.	+0.1%	10.8 bill. lbs.
Wholesale Milk Price	\$13.00/cwt.	\$17.30/cwt.	+33.1%	
PA Daily Feed Costs (cost of corn, soybean & hay at 65 lbs. milk)	\$6.44/cwt.	\$6.05/cwt.	- 6.0%	
Milk Margin (IOFC @ 100# of Milk)	\$6.56/cwt.	\$11.25/cwt.	+71.5%	
Milk Production/Cow/Day	62 lbs.	64 lbs.	+3.4%	80 lbs.
% of Herds with 80+ lbs./cow/day	15%	16%	+7.7%	
Rolling 12-mo. Herd Production Average	21,013 lbs.	20,857 lbs.	- 0.5%	25,000 lbs.
Average Somatic Cell Count	269,000	261,320	- 2.9%	200,000
% of Herds below 200,000 SCC	38%	40%	+4.5%	
Average Days In Milk	185 Days	181 Days	- 2.2%	185 Days
Average Age to First Calving	25 .5 months	25.5 months	—	21—24 mo.
Average Days to First Service	90 Days	89 Days	- 1.1%	< 80 Days
Average Cull Rate (% left herd)	33.3%	34.3%	2.9%	20—35%
Average Pregnancy Rate	18.15%	18.61%	2.6%	> 20%
To view complete scorecard, visit:	www.centerfordairyexcellence.org			