



The Center Spotlight

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Blair Co. Farm Family Uses LGM for Baseline Protection

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 — Andrew and Jennifer Heltzel have been dairy farming on their own for 13 years and know what it is like to go through the peaks and valleys of dairy pricing. They protect their milk price risks because they can't afford the alternative.

"As young farmers, we have all of our equity invested in our farm and the facilities," said Jennifer. "We don't have the freedom of riding out the markets. We realized during the last downturn that we need to protect our bottom line."

As members at Dairylea, the Heltzels use Class III and other milk contracts through the cooperative to protect their risk. Last February, they purchased their first contract through LGM for Dairy, an insurance program available to dairy producers through the USDA Risk Management Agency.

LGM for Dairy has been offered since August 2008 and protects producers against unexpected declines in income over feed costs. Federal underwriting capacity for the fiscal year 2011 was maximized early this year. With the start of a new fiscal year, LGM for Dairy will again be available in October.

"LGM was something new and different that we took some time to evaluate," Jennifer said. "We had Alan Zepp (the center's risk management program coordinator) up to meet with us and several other farmers about the program and our risk management options. After that session with Alan, we purchased a contract."

Providing a Level of Security

The Heltzels purchased their LGM for Dairy policy through a local crop insurance agent to provide a baseline protection for their business.

"With the milk margins in 2011, we'll end up

paying the premium. But we didn't lose anything on the upside," Jennifer said. "It gave us a level of security that I am quite happy with."

LGM for Dairy functions similar to any insurance program. When milk margins are high, producers pay the premium on the contract. When milk margins fall below the protected level, the farmer receives an indemnity payment for that loss.

"We knew what our cost of production was and had an idea of what our feed cost would be," she said. "Then we talked with our accountant and determined what it would take to protect us from a loss before we decided to purchase a contract."

Another Risk Management Tool

The Heltzels use LGM for Dairy as a supplement to other risk protection tools they use. "We have a certain percentage of our milk protected through LGM and a certain percentage protected through milk contracts.

"What I like about LGM is that I do not have to buy a bean contract and a corn contract, in addition to selling the milk contract," she said. "It protects us on both ends of the equation."

The Heltzels also found that the premium for LGM was cheaper than some of the milk contracts. "It was an affordable program, and I like the freedom of not limiting my upside."

Jennifer also sees the LGM for Dairy as beneficial to dairy farm families who do not have the options that she does. "Our neighbors sell their milk to a private dairy, and they don't have all of the options for contracting their milk through the cooperative. LGM was a great resource for them."

With milk margins not forecasted to be as strong in 2012 as they were in 2011, LGM for Dairy is expected to be in high demand this fall. Producers



Andrew and Jennifer Heltzel, with their four children, use the LGM for Dairy program to provide baseline protection for their dairy operation in Martinsburg, Blair County.

are encouraged to enroll in the program now for the next enrollment period, which will be Oct. 28 - 29.

Policies are available on a month-to-month basis to insure a portion or all of a dairy farm's milk for a single or multiple months up to a 10-month period. Producers can pay the premium at the end of the policy and can select different levels of deductible, from zero to \$2 per hundredweight, depending on the desired level of coverage. Prices for LGM for Dairy are announced the last business Friday of each month and producers have until 9 p.m. the following evening to purchase a policy based on those prices.

To learn more about the LGM for Dairy program, contact a crop insurance agent or Alan Zepp, risk management program coordinator, at 717-346-0849 or azepp@centerfordairyexcellence.org.

Milk Margins Grow, Somatic Cell Counts Struggle

Pennsylvania Dairy Industry Performance Scorecard Summary	August 2010	August 2011	Change from last year	Target range
Milk Cows	541,000 cows	539,000 cows	- 0.37%	
Rolling 12-Mo. State Milk Production	10.642 bill. lbs.	10.651 bill. lbs.	+ 0.08%	10.8 bill. lbs.
Wholesale Milk Price	\$18.50/cwt.	\$23.70/cwt.	+ 28.11%	
PA Daily Feed Costs (cost of corn, soybean & hay at 65 lbs. milk)	\$5.92/cwt.	\$8.99/cwt.	+ 51.86%	
Milk Margin (IOFC @ 100# of Milk)	\$12.58/cwt.	\$14.71/cwt.	+ 16.93%	
Milk Production/Cow/Day	61.89 lbs.	60.81 lbs.	- 1.74%	80 lbs.
% of Herds with 80+ lbs./cow/day	8%	8%	—	
Rolling 12-mo. Herd Production Average	20,912 lbs.	21,033 lbs.	+ 0.58%	25,000 lbs.
Average Somatic Cell Count	312,060	296,050	- 3.26%	200,000
% of Herds below 200,000 SCC	27%	32%	+ 5.06%	
Average Days In Milk	188 Days	185 Days	- 1.54%	185 Days
Average Age to First Calving	25.4 months	25.5 months	+ 0.24%	21—24 mo.
Average Days to First Service	90 Days	89 Days	- 0.45%	< 80 Days
Average Cull Rate (% left herd)	34.8%	36.2%	+ 3.40%	20—35%
Average Pregnancy Rate	17.80%	16.80%	- 5.62%	> 20%
To view complete scorecard, visit:	www.centerfordairyexcellence.org			

HARRISBURG — In August farmers saw higher milk margins, with increased milk prices offsetting inflated feed prices. Cow numbers fell 2,000 head from a year ago, while milk production in the state fell two percent to 884 million pounds.

Daily milk production per cow in the state fell one pound from a year ago, while the number of herds producing more than 80 pounds a day remained at eight percent. The state's rolling herd average grew by a half percent.

Although somatic cell counts in the commonwealth fell three percent from a year ago, dairy herds struggled with the wetter weather. As a result, the SCC average for the state jumped seven percent from July to August's level of 296,850, at its highest in 12 months.

Help to Reach Your Benchmarks

If your farm is looking for help in reaching your benchmarks, the "On-Farm Dairy Resource Team" and "Dairy Decisions Consultant" program may be helpful. Farms struggling with the recent flooding can utilize these programs to identify resources to aid in recovery. More details about the programs can be found on the center's website at: www.centerfordairyexcellence.org.

To view the complete scorecard, go to www.centerfordairyexcellence.org. Click on the "Scorecard" icon in the middle of the page. For more information about resources available from the Center for Dairy Excellence, call 717-346-0849.



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