

# Risk Management Services

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Director, Risk Management and Analysis



## Price Risk Management

Key Component of a Successful  
Business Plan

**Manage a Margin**

**Protect Cash Flow**



## Basis

- What is it?
  - The difference between the Class III price and the actual gross milk price
    - Basis exists with or without contracting
- Why do we care?
  - Need to compare *apples to apples*
  - **Cost of production** to **milk price**



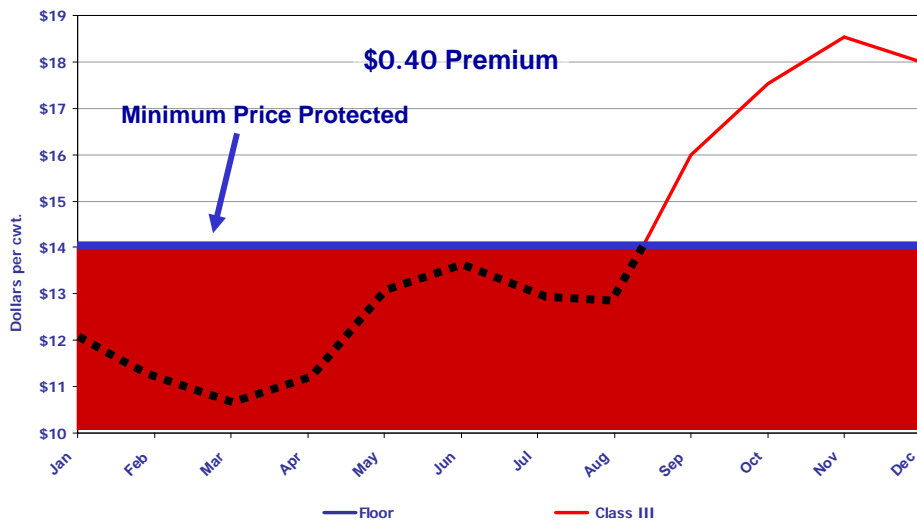
## Forward Contract

- A contract between the Coop and the member
  - Traded by Coop on the CME
  - 20,000 lbs per month minimum
  - Up to 80% of historic production
  - Monthly or multi-month contract

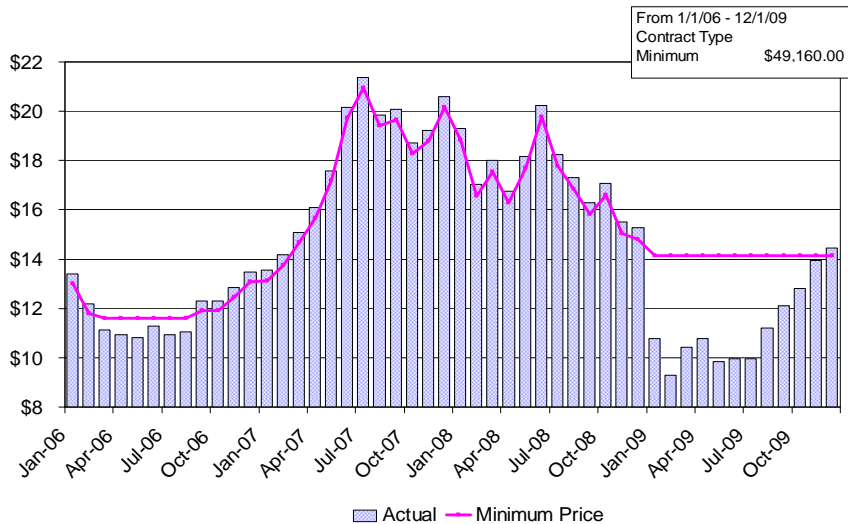
# Minimum Price Forward Contract



## \$14.00 Class III Minimum Price

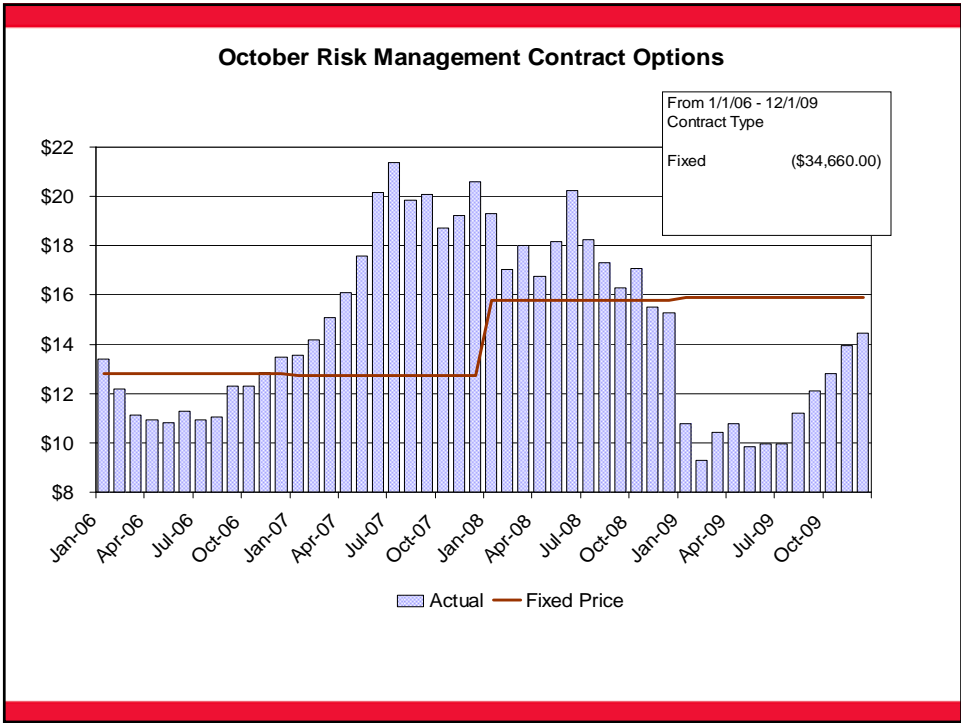
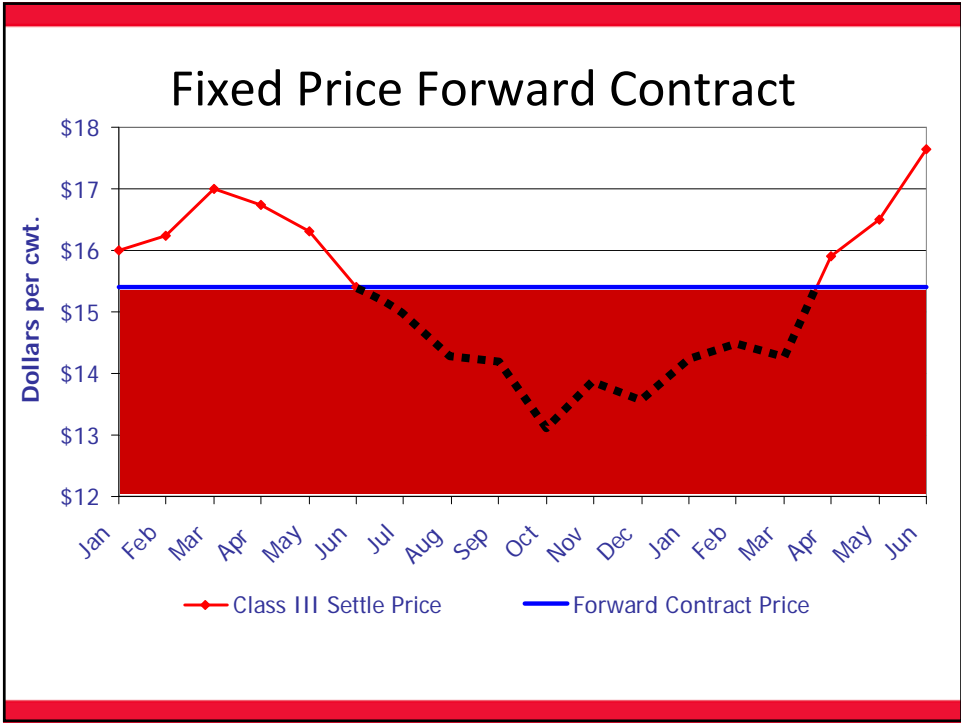


### October Risk Management Contract Options

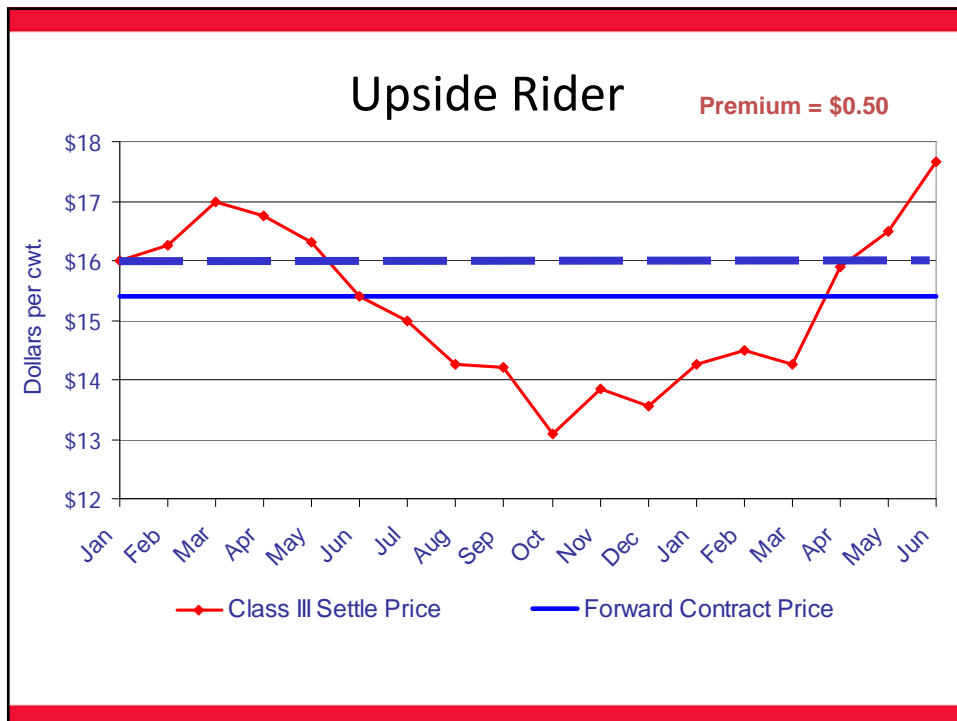


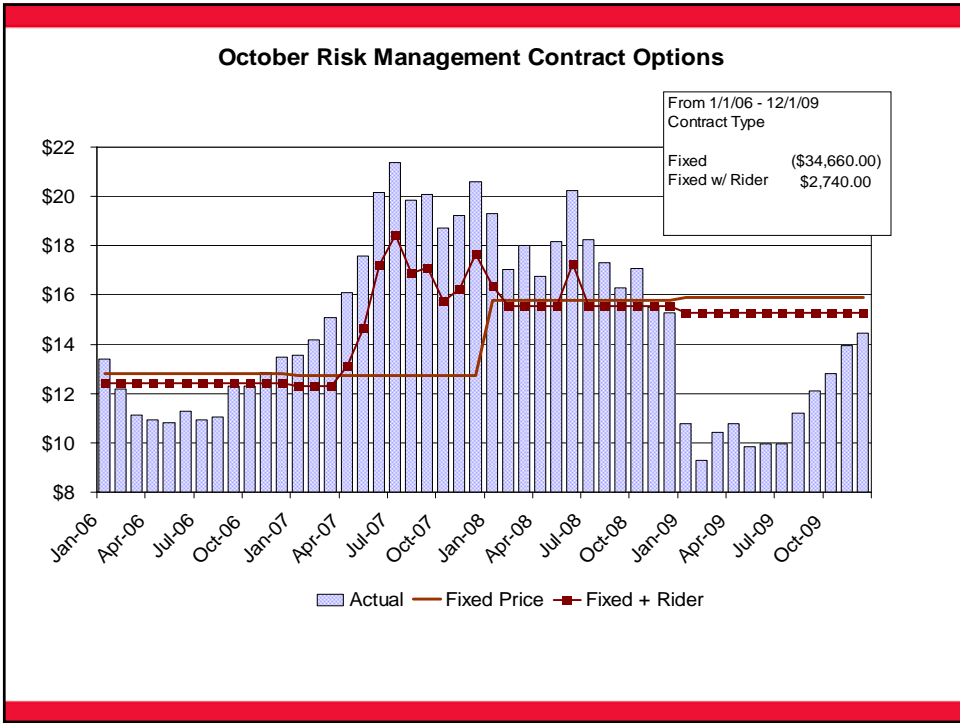
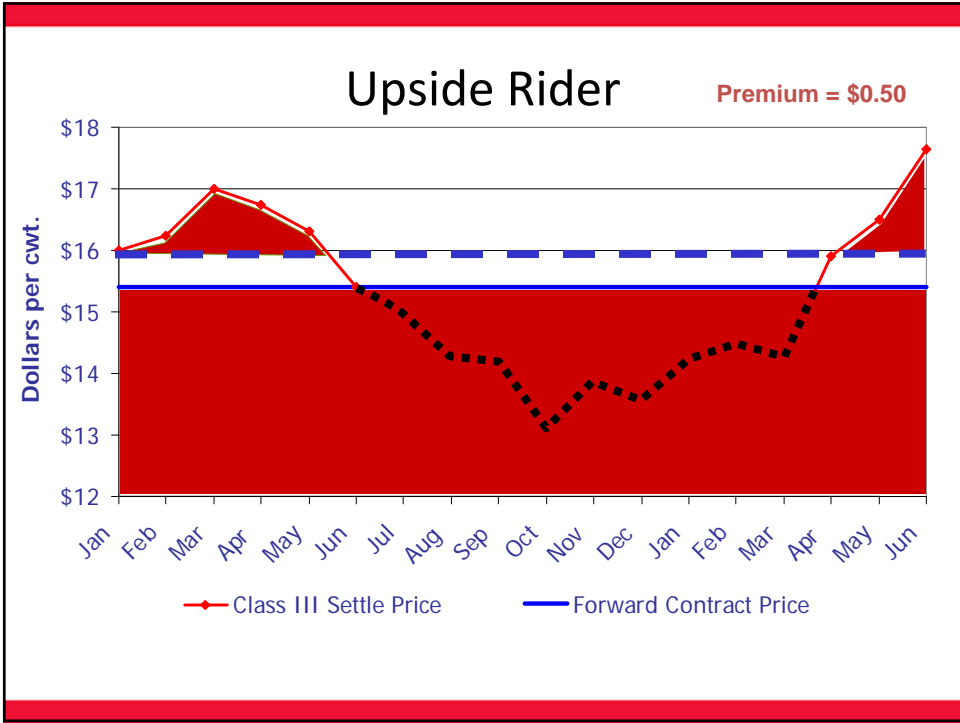
## Fixed Price Forward Contract





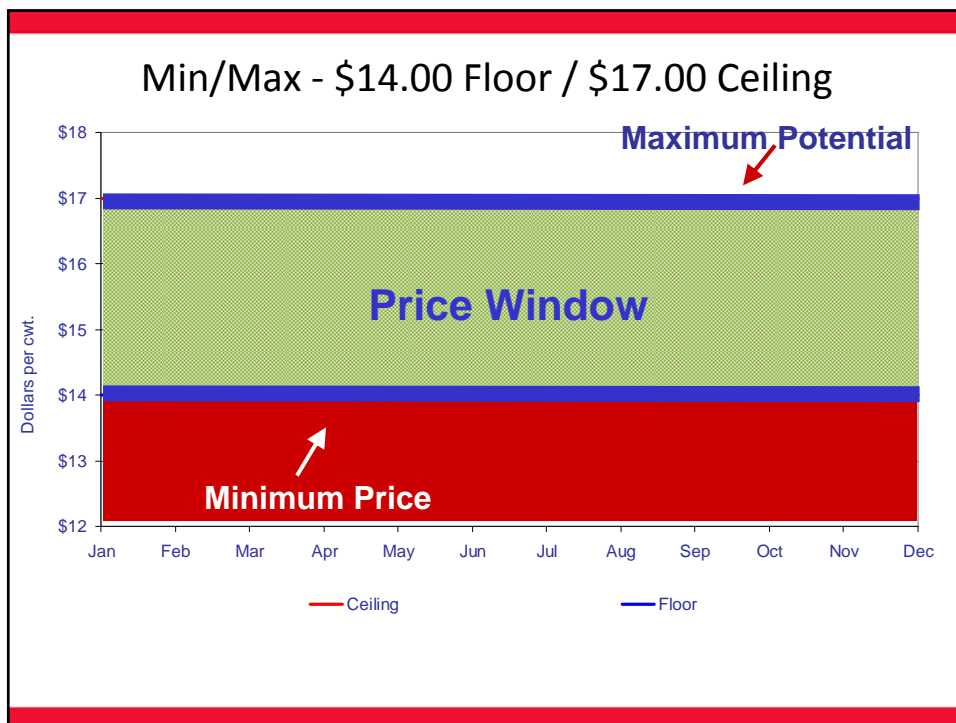
# Upside Rider

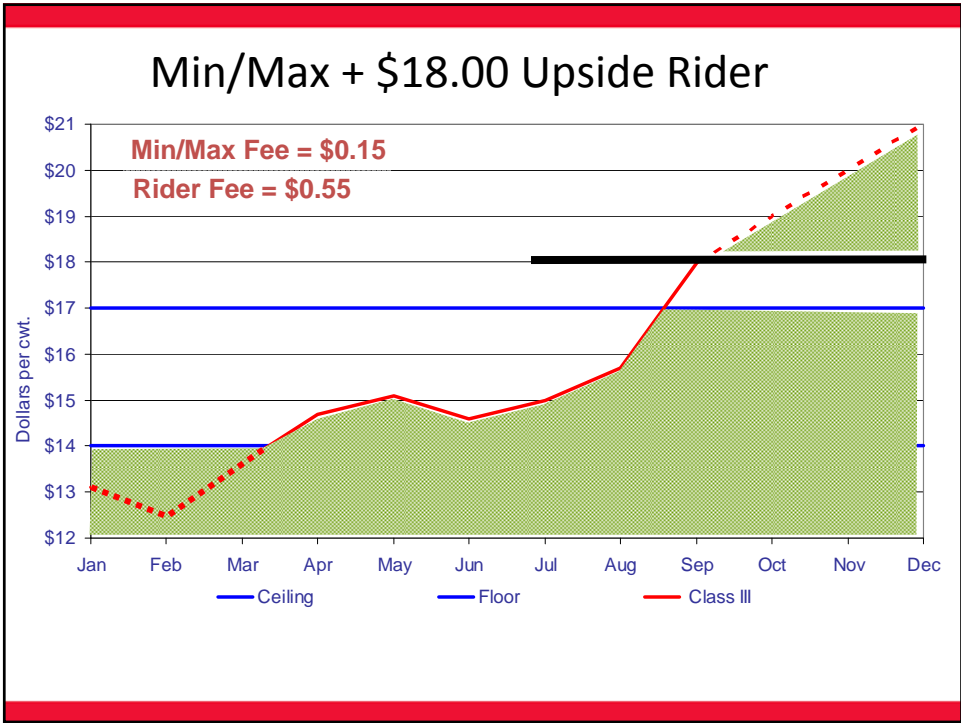




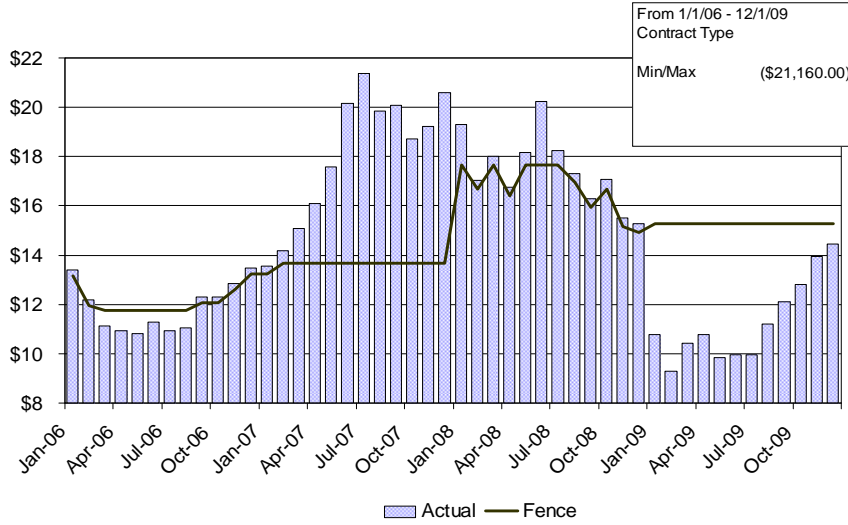
# Min/Max Forward Contract

Fence Contract

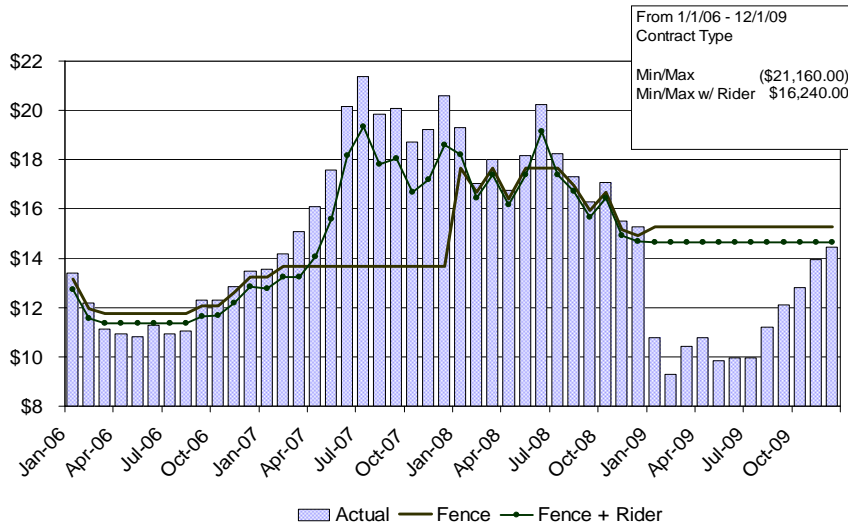




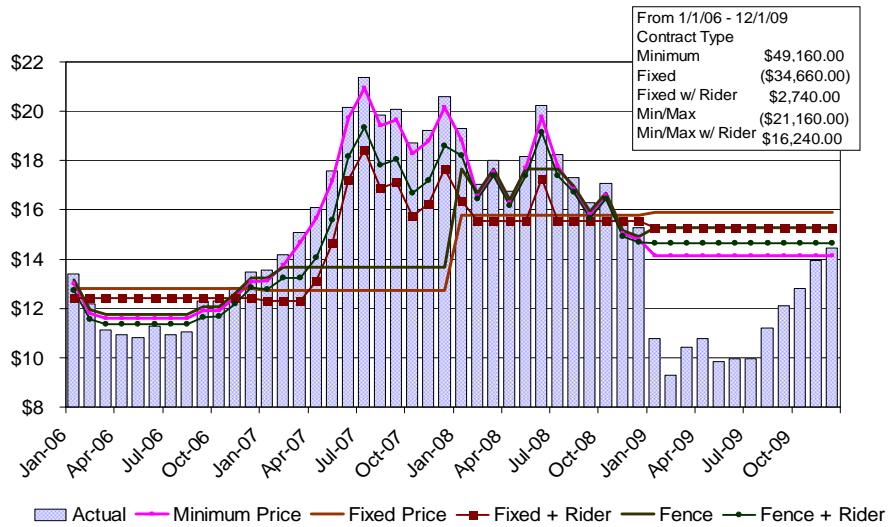
### October Risk Management Contract Options



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## What Else?

- LGM for Dairy
- Feed Hedges
  - Looking at ways to hedge purchased corn and soybean meal
  - Minimum and Maximum opportunities
- Cost of Production Contract
  - Class III contract adjusted for certain farm production costs

## What Else?

- Education
  - Seminars
  - Webinars
  - Your suggestions welcome

## Risk Management

**An Essential Tool for  
*any* Business in  
*any* Industry**



# Risk Management Services

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**RMS**

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