

Risk Management

Situation Overview:

- A. *Before applying for this grant, this farm used the following traditional risk management tools:*
- Crop insurance – field crops
- B. *What new risk management tools did the farm pursue during, and after, the project? Please describe.* During the project, the farm chose to pursue Livestock Gross Margin (LGM) Dairy Insurance and had coverage under this policy through January 2012. Contracting of feed also has been discussed for the future. We have used forward contracting with the cooperative to either place a floor on our price, or a purchase a Max/Min contract.
- C. *Does the farm have a marketing plan? Please describe.* All milk produced at Stoney Path Farm is marketed to Mount Joy Farmer’s Cooperative. We have been shipping milk to Mount Joy for many years, and we are pleased with this business relationship.

Challenges and Opportunitites:

- D. *If the farm incorporated new risk management plans into your business model, did you overcome any challenges to implementation? Please describe.* One of the LGM policies that we thought would have provided a payment covering cost and indemnity, actually resulted in us owing money to cover purchase costs at the end of the policy. We now have a better understanding of the basis for grain prices in this area compared to the “market” prices used in calculations.

Actions:

- E. *What communication was necessary with the farm’s ag lender and what were their requirements for additional ag protection through risk management to move the project forward? Please describe.* Dale Hershey, our ag lender, attended the Center for Dairy Excellence risk management session with us. He strongly recommended utilizing LGM insurance and realized the benefits of pursuing risk management options for the farm. No additional requirements from the lender were needed for this project.

Risk Management...continued

Results:

F. *Can the farm quantify the change in business profitability attributed to implementation of new risk management tools? Please describe.* All contracts and policies, so far, have provided the assurance of protection in the event of significant changes (negative) in the market. It is still a challenge for us to pay the premium and pay for the protection and not have a financial return on that investment. We know that we are protected, if and when the markets change.

