

Risk Management

Situation Overview:

A. *The following traditional risk management tools applied to this farm before applying for this grant:*

- Crop insurance – Field crops
- Contract feed with a mill – Very sporadic
- Other – Locked in fuel prices, for one year

B. *What new risk management tools did the farm pursue during, and after, the project? Please describe.* After building the barn and expanding our herd, we decided to become more serious about risk mitigation. We now contract our feed (we are locked into eight months) and have started to contract our milk. For our custom crop work, we also ask for price per ton up front, and negotiate price.

C. *Does the farm have a marketing plan? Please describe.* We don't have a fancy marketing plan. We will ship our milk to our cooperative, via an annual contract.

Challenges and Opportunities:

D. *If the farm incorporated new risk management plans into your business model, did you overcome any challenges to implementation? Please describe.* No major challenges, although during the process, we learned that riding the wave of price fluctuations is much different with 60 cows, as compared to 250 cows. It's not as easy to bounce back from a mistake, and risk management tools give us more cushion. For us, it's been a whole new way of managing our business.

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.* Life insurance was a stipulation to our project's loan. Every year, our loan officer likes to review our risk management plan to make sure we are exploring our options and being progressive in our business model. We also work with our insurance agent to make sure everything on the farm is properly insured. Over time, we've learned to be proactive and ask questions.

Risk Management...continued

Results:

F. *Can the farm quantify the change in business profitability attributed to implementation of new risk management tools? Please describe.* Yes. Milk contracting was a huge benefit to our business in the spring and summer of 2013, although we did lose a little money the last three months of the year. Our feed is locked in and we are in a good comfort zone.

Life insurance also gives us comfort as we manage this new, larger business.

