

Risk Management

Situation Overview:

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

- Crop insurance – field crops
- Livestock Gross Margin (LGM) for dairy
- Contract milk with a cooperative
- Contract feed with a mill

B. *What new risk management tools did the farm pursue during, and after, the project? Please describe.* We continued with the same risk management tools during and after our project, primarily LGM for dairy. There were no significant changes in our approach during the transformation project. More recently, we have enrolled in the Margin Protection Plan, with buy up coverage.

C. *Does the farm have a marketing plan? Please describe.* For our business, we strive to carry LGM on approximately 50% of our milk production, at a \$1 deductible, and the other remaining approximate 50% of our milk production on contract. We think it's important to have advisors that have good insight on how the markets are performing, and can make solid recommendations to us.

Actions:

D. *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.* We needed to increase our life insurance policy. We also had to update our fire and storm insurance policies. LGM is in our business plan, with our other risk management tools.

Results:

E. *Can the farm quantify the change in business profitability attributed to implementation of new risk management tools? Please describe.* It's difficult for us to quantify because we have been incorporating risk management tools in our business model before we started the construction project. I think these risk management tools help you sleep at night, in the event of any worst case scenarios. When you are highly leveraged, risk management goes hand-in-hand. It's an insurance policy, as I see it; it protects you if the market collapses.