Risk Management

Situation Overview:

A. *What new dairy risk management tools did the farm pursue during, and after, the project? Please describe.* In both our first and second year of business, we took out an Livestock Gross Margin (LGM) for dairy policy. LGM provided a tool to insure a margin that was useful since our milk buyer does not offer milk price contracting. Although we did not receive any payments, we had peace of mind that we could cover our financial obligations in case of a major milk price collapse.

B. *Does the farm have a marketing plan? Please describe.* We have limited options contracting milk, so the LGM policy is a good fit for our farm. We are able to sell some excess corn and soybeans, as we work to find competitive prices for those commodities at harvest, and also in future months.

Challenges and Opportunities:

C. *If the farm incorporated new risk management plans into your business model, did you overcome any challenges to implementation? Please describe. What did you learn, and based on that, what will you do in the future?* The only challenge with the LGM was determining our feed costs, which ultimately we calculated.

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. What did you do, what did you learn, and based on what you learned what will you do the same or differently in the future? (Peripheral considerations – lender, land lord, etc.)* We told our lender about our LGM policy when applying for credit.

Results:

E. *Can the farm quantify the change in business profitability attributed to implementation of new risk management tools? Please describe.* Although we have not had an indemnity to this point, we know the LGM policy has created a safety net for our farm profitability.