

Task Force to Revitalize the Vermont Dairy Industry: Dairy Risk Management

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Crop Growers, LLP

Owned by 3 Farm Credit Association

- Yankee Farm Credit
- Farm Credit East
- AgChoice Farm Credit

Established in 1996

36 dedicated crop insurance agents

Serving 9 Northeast states

Serving 2,014 farm families

Crop Growers Core Values



Maintain a healthy work-life balance for the wellbeing of staff to allow them to thrive in life and work



Enhance customer relationships through a value based delivery model



Deliver crop insurance to the highest level of integrity



Leverage technology to improve the customer and staff experience while gaining efficiencies and positioning our agency for continued growth



Strengthen the financial position of our customers

Dairy Risk Management Programs (USDA)

Dairy Margin Coverage (USDA, Farm Service Agency)

Dairy Revenue Protection (USDA, Risk Management Agency)

Livestock Gross Margin – Dairy (USDA, Risk Management Agency)

Dairy Revenue Protection Program

Dairy producers have five decisions to make:

1. Value of the milk to protect (Class or Components)
2. Quantity of milk production to protect
 - Not required to insure all milk production
3. Level of coverage from 80 to 95 percent of the revenue guarantee
4. Which quarter to enroll milk
5. Protection Factor

Dairy Revenue Protection Premium Support

Coverage Level	80%	85%	90%	95%
Subsidy	55%	49%	44%	44%

Livestock Gross Margin (LGM)

Dairy insurance program through the Risk Management Agency (RMA)

Milk Revenue

Chicago Mercantile Exchange (CME) Class III Milk Price

Feed Cost

Chicago Board of Trade (CBOT) Corn and Soybean Meal

Gross Margin

Class III Milk Price minus Feed Cost (futures)

Deductibles

Deductibles range from \$0.00 to \$2.00 cwt.

Livestock Gross Margin – Dairy

Class III Milk Price:

- Producer chooses quantity of milk to protect
 - During a 10 month period
- Producer chooses which month(s) to enroll milk
- Producer chooses the deductible level

Gross Margin Guarantee

- Class III Milk Price: \$18.50/cwt
- Corn/Soybean Meal: \$2.50/cwt.
- Deductible: \$0.50
- **Gross Margin Guarantee: \$15.50/cwt**

You are guaranteeing a \$15.50/cwt margin on milk income minus feed cost per cwt.

Actual Gross Margin

Assume the milk price went down and feed price increased

- Class III Milk Price: \$16.50/cwt
- CBOT Corn/Soybean Meal: \$3.00/cwt.
- Actual Gross Margin: **\$13.50/cwt**

Livestock Gross Margin-Dairy Loss example

- Gross Margin Guarantee: \$15.50/cwt
- Actual Gross Margin: \$13.50/cwt.
- Gross Indemnity Payment: \$2.00/cwt
- Est. Premium Payment: \$.32/cwt
- **Net Indemnity Payment: \$1.68/cwt.**

Keys to a successful Dairy Market Price Risk Management Plan

Dairy market risk management **creates a price floor**

Knowing your cost of production

Premium support makes coverage affordable

Establish a relationship with an agent that understands your business

Set a target price

Recommendations to Revitalize the Vermont Dairy Industry

- Producer & Industry Education (University of Vermont)
- Pursuing USDA Risk Management Agency Education Grants
- Appropriating funds for producers to make coverage more affordable & incentivize utilizing dairy market price protection

Questions?



FARM CREDIT EAST