



For Immediate Release

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AG LENDERS ATTEND DAIRY RISK MANAGEMENT WORKSHOP

Lenders Educated on Risk Management Role, Options for Dairy Producers

Harrisburg – Agriculture lenders learned how to help protect their investment by encouraging their dairy customers to execute risk management plans on their farms at the 2010 Dairy Lending and Risk Management Workshop, hosted by the Center for Dairy Excellence in conjunction with the annual Pennsylvania Crop Insurance Conference.

"With the ongoing market volatility and variability of milk pricing, business and risk protection planning have become critical on the dairy farm," said John Frey, executive director of the Center for Dairy Excellence. "Our goal is for this group to take back the information to help our dairy community experience a significant increase in understanding and use of risk management tools by the end of 2011."

The workshop followed an opening session held jointly with the crop insurance conference that included discussions on the role of crop insurance and key developments in dairy and crop insurance.

Brian Rice from Rice Dairy, LLC, opened the workshop with a presentation called "Innovation and Evolution of Dairy Risk Management." Rice's group is at the hub of the dairy trading world, with traders in the pit of the Chicago Mercantile Exchange, or CME.

"Producers have several options for protecting their risks, but before they do that, they must know their financials in order to protect profits," Rice said.

Rice reviewed the evolution of dairy trading on the CME and how dairy producers have transitioned into protecting profit margins by hedging both milk and input costs on the CME.

Alan Zepp, risk management program coordinator, shared the basics of LGM for Dairy, which is an insurance program that offers protection against losses in the milk margin, or difference between the price of milk and the cost of feed.

The program is backed by the Federal Crop Insurance Program and is administered through local crop insurance agents. "There is a two-day window at the end of every month when dairy producers can purchase a policy through their local crop insurance agent, based on the announced margin prices," Zepp said.



Sam Miller, senior vice president of agricultural and food banking at Marshall & Ilsley Bank in Wisconsin, reviewed how banks can play a role in helping producers develop a risk management plan.

Miller discussed the process of how a line of credit would be extended for hedging and how the repayment process works, emphasizing the importance of managing the line of credit to ensure repayment and using it only for hedging purposes.

Video recordings of the presentations are available to view online at www.centerfordairyexcellence.org. Click on "Dairy Lending and Risk Management Workshop" under the News and Events section.

For more information about other programs and resources from the Center for Dairy Excellence, visit www.centerfordairyexcellence.org or call 717-346-0849.

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The Center for Dairy Excellence is a non-profit organization developed by the Pennsylvania Department of Agriculture and was launched in January 2004 by Governor Edward G. Rendell. Bringing together people from more than 40 different dairy organizations in Pennsylvania, the Center's mission is to enhance the profitability of the dairy industry by empowering people, creating partnerships, and increasing the availability and use of resources. Learn more about the Center at www.centerfordairyexcellence.org.