

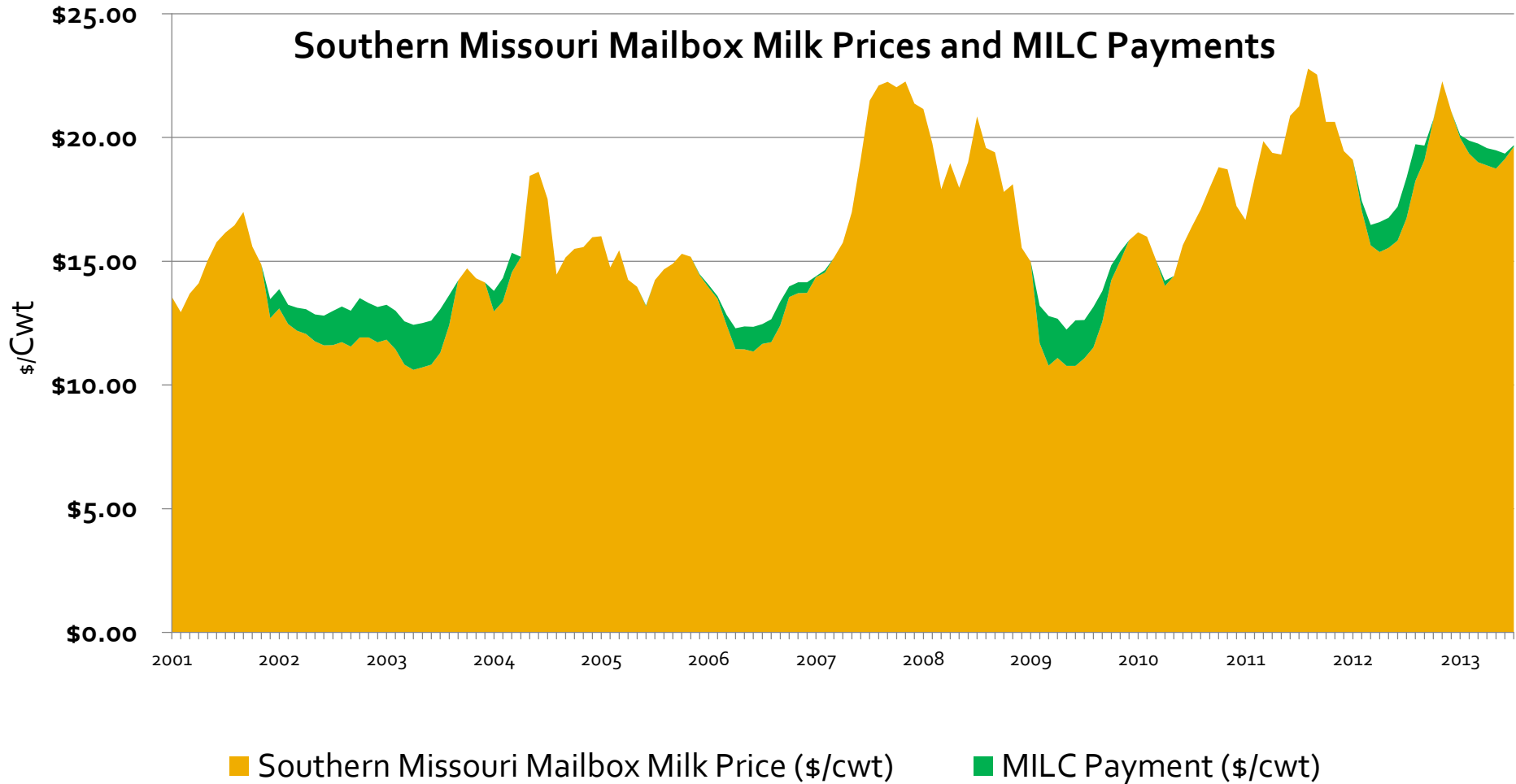
Joe Horner,
MU Extension Economist
www.dairy.missouri.edu

Your Dairy Farm Using USDA's Margin Insurance Program

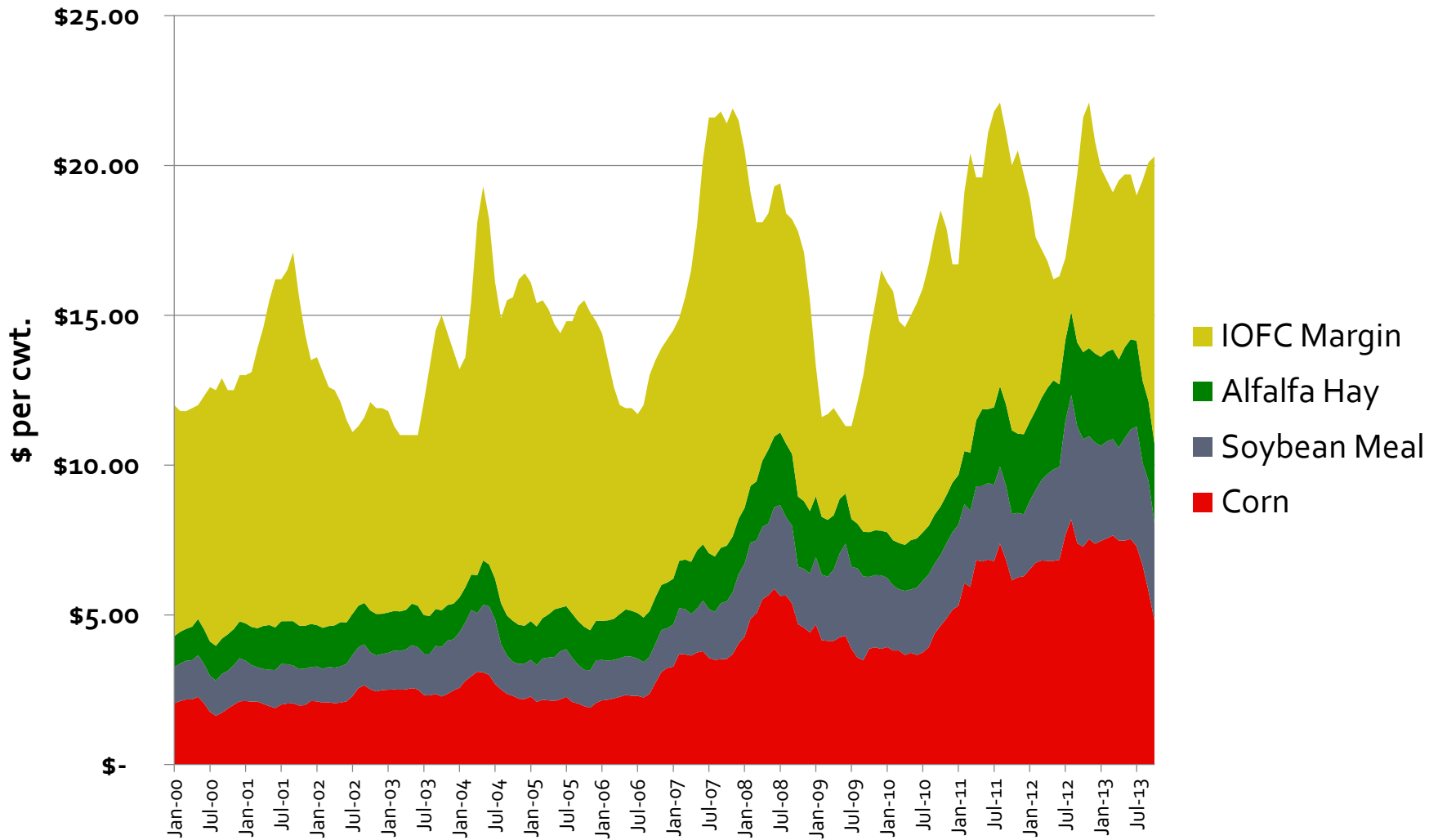
After each presentation we will review the mechanics of methods

Method of insuring a margin	Where do I do this?	When do I do this?	How do I pay for it	How do I get paid?	Profitability & Cash Flow Impacts?
<i>Farm Bill Margin Insurance</i>	Local FSA Office	One time per year	Your checkbook	Every 2 months	Profit  Cash Flow 
<i>DFA Risk Management Services</i>					
<i>LGM- Dairy Insurance</i>					
<i>Hedging via Brokers</i>					

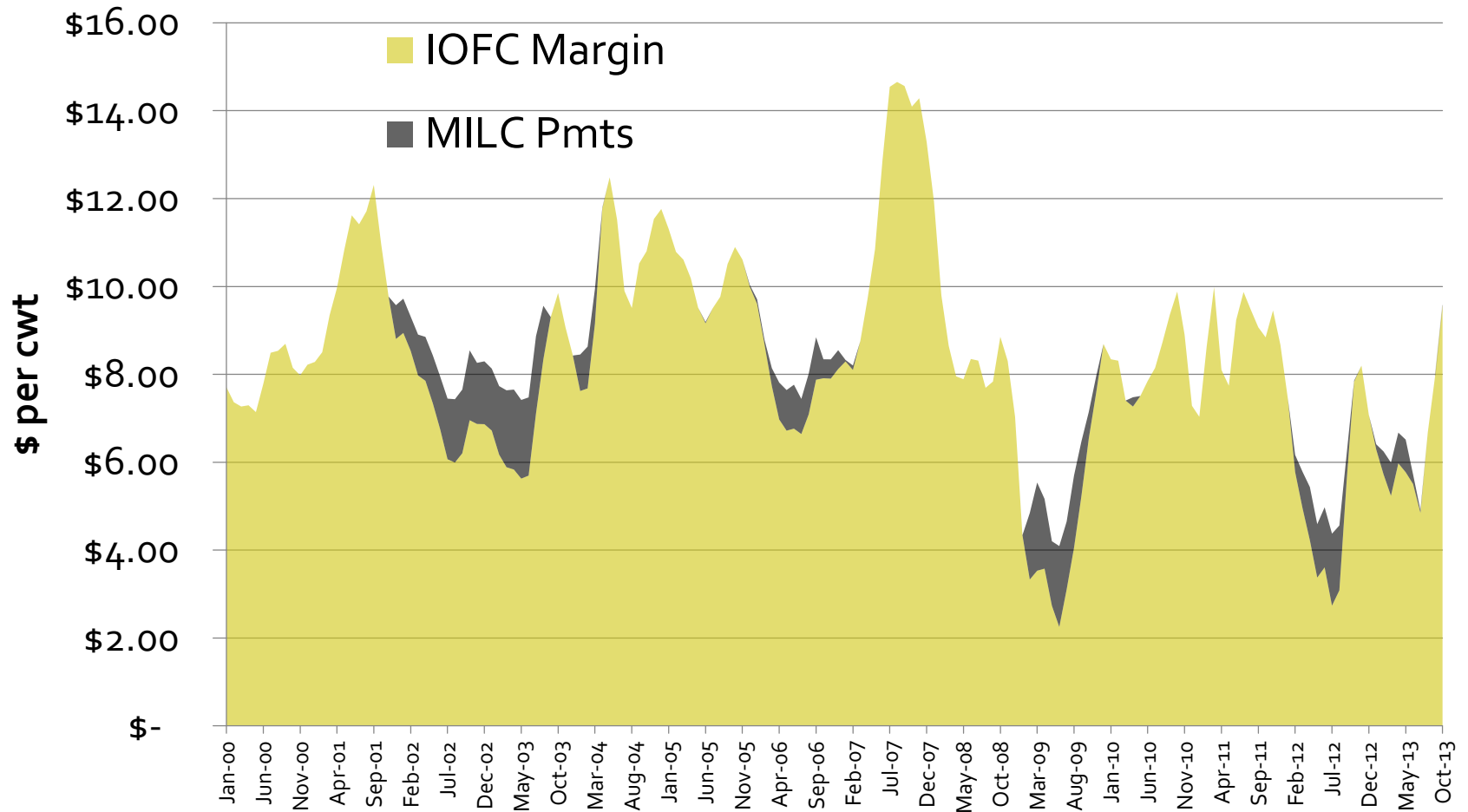
Now decisions shift to the producer



Dissecting the USDA feed costs



Pick your level of margin insurance

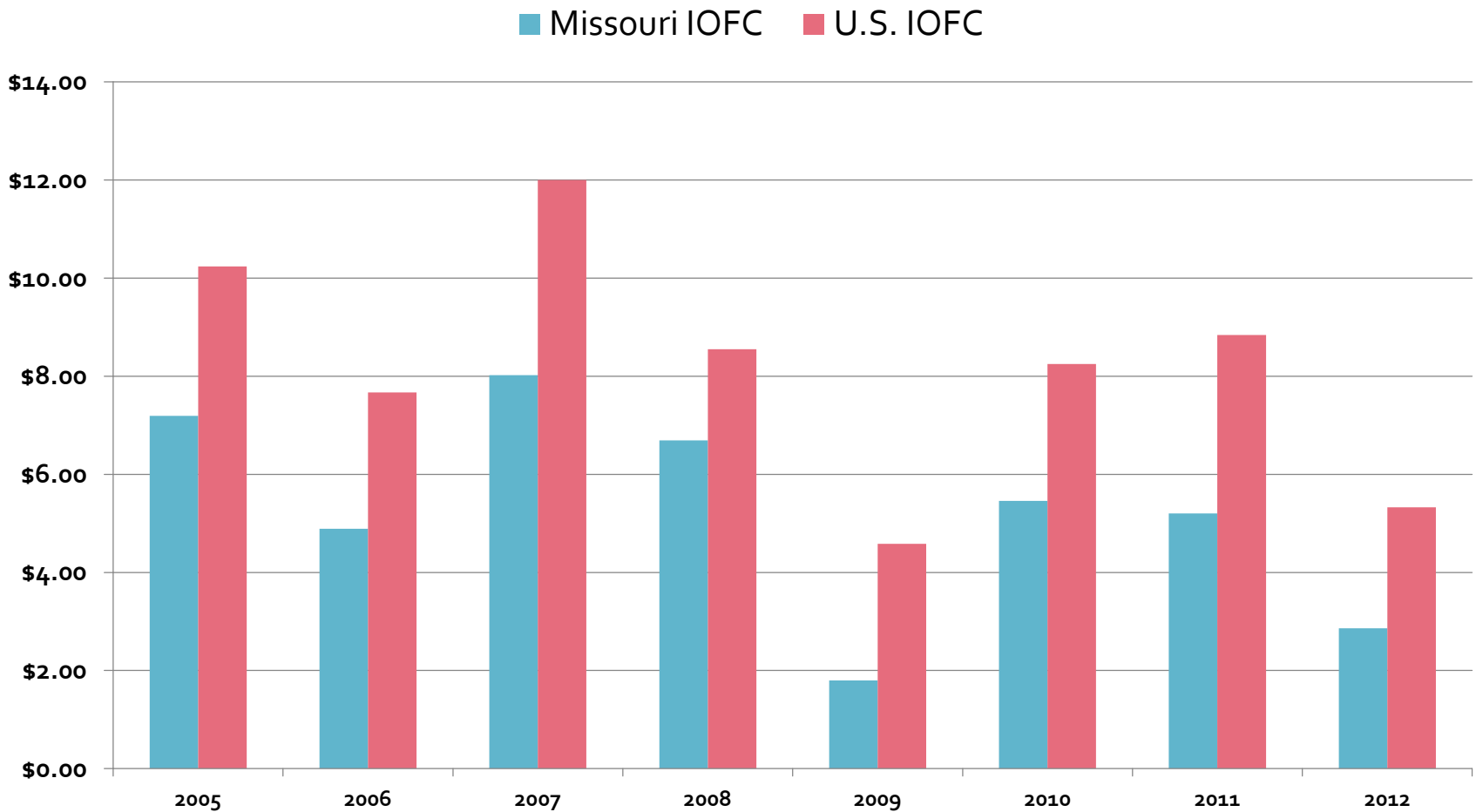


Missouri Income over Feed Costs

	2005	2006	2007	2008	2009	2010	2011	2012
Missouri Milk Sold	\$ 14.59	\$ 12.50	18.19	\$ 17.63	11.65	16.05	19.61	18.47
Purchased feed	\$ 5.13	\$ 5.07	\$ 6.52	\$ 7.43	\$ 6.97	\$ 6.57	\$ 9.53	\$ 9.77
Homegrown harvested feed	\$ 1.98	\$ 2.26	\$ 3.44	\$ 3.30	\$ 2.68	\$ 3.46	\$ 4.28	\$ 5.18
Grazed feed	\$ 0.29	\$ 0.28	\$ 0.21	\$ 0.21	\$ 0.20	\$ 0.56	\$ 0.60	\$ 0.66
Total feed costs	\$ 7.40	\$ 7.61	\$ 10.17	\$ 10.94	\$ 9.85	\$ 10.59	\$ 14.41	\$ 15.61
Missouri Income Over Feed Cost	\$ 7.19	\$ 4.89	\$ 8.02	\$ 6.69	\$ 1.80	\$ 5.46	\$ 5.20	\$ 2.86

Source: Missouri IOFC from USDA Milk Cost of Production, Annual, 2005-2012

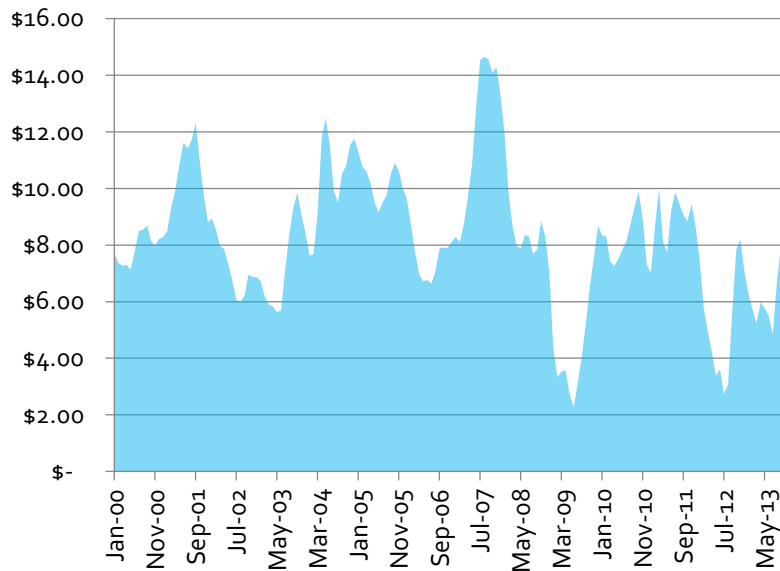
Missouri IOFC Versus US IOFC



Source: Missouri IOFC from USDA Milk Cost of Production, Annual, 2005-2012

Quiz 1. Pick your insurance

■ Historical IOFC Margin



■ Insurance Cost

Coverage Level	Senate Bill		House Bill	
	First 4 million lbs	Above 4 million lbs	First 4 million lbs	Above 4 million lbs
\$4.00	\$0.000	\$0.000	\$0.000	\$0.030
\$4.50	\$0.010	\$0.020	\$0.010	\$0.045
\$5.00	\$0.020	\$0.040	\$0.020	\$0.066
\$5.50	\$0.035	\$0.100	\$0.035	\$0.110
\$6.00	\$0.045	\$0.150	\$0.045	\$0.185
\$6.50	\$0.090	\$0.290	\$0.090	\$0.290
\$7.00	\$0.400	\$0.620	\$0.180	\$0.380
\$7.50	\$0.600	\$0.830	\$0.600	\$0.830
\$8.00	\$0.950	\$1.060	\$0.950	\$1.060