

3 June, 2014 – Ontario, California

Dairy Risk Management

RightRisk recently offered Dairy Risk Management covering risk management for dairies in Southern California. The program opened with introductions by Ramiro Lobo, UC Farm Advisor, followed by an overview of the California dairy industry by University of California's Dr. Leslie (Bees) Butler.

Dr. Alejandro Castillo, UC Farm Advisor, covered Dairy Herd Nutrition under Drought Conditions, while Nyles Peterson, UC Dairy Advisor, offered a presentation on Dairy Herd Health under Drought.

Dr. Jay Parsons a Risk Management Specialist with Colorado State University, provided an introduction to the 2014 Agricultural Act (Farm Bill) provisions for dairy operators.

One of the many insurance programs available for transferring risk to a third party (backed by the USDA Risk Management Agency) was discussed in detail. Livestock Gross Margin (LGM) for dairies provides protection against falling milk prices and rising feed costs. Parsons provided an overview of LGM-Dairy.

Dr. Parsons explained "LGM could be a very valuable tool for managing market risk over the coming year, where feed prices are expected to be volatile, especially with severe drought conditions. The product is flexible enough to be adapted to most production situations; the number of months and the amount of production can be adjusted to meet various risk management targets."

RightRisk then lead a discussion of the five main sources of risk for agricultural operations in today's challenging conditions: market (price) risk, production risk, institutional risk, human resource risks, and financial risk.

John Hewlett, Ranch/Farm Management Specialist with the University of Wyoming offered insights into how tolerance for risk varies from one individual to another. "Some individuals are more comfortable with risk and variability due to their experience, greater financial flexibility, or due to preferences. Risk tolerance can be a little like our personality, some managers are more conservative, where others are more willing to take a chance," according to Hewlett.

Hewlett also discussed risk controls available to help manage risks to a level more in line with manager preferences.

The Dairy Risk Management program concluded with a hands-on session covering two electronic tools for evaluating risk management strategies. These included the Risk Scenario Planner and the Enterprise Risk Analyzer tools. All are available with accompanying guides on how a producer may enter their own data for analysis.

Dairy enterprise analysis for Southern California was compiled from CDFA information for an example 1,161 cow dairy using the RightRisk Enterprise Risk Analyzer (ERA) tool. The ERA tool provides users with an evaluation of the net income for an enterprise, as well as estimates of breakeven yield and price for a range of market and production conditions. Participants were given the chance to interact with all the tools using a portable computer lab furnished by the RightRisk team.

Handouts, electronic tools to help evaluate drought management strategies and more are available by contacting RightRisk directly at Information@eRightRisk.com.

Program sponsors: RightRisk, LLC, Custom Ag Solutions, UC San Bernardino County Extension, and the USDA Risk Management Agency (RMA).