



## Risk management workshops help dairy producers seize pricing opportunities

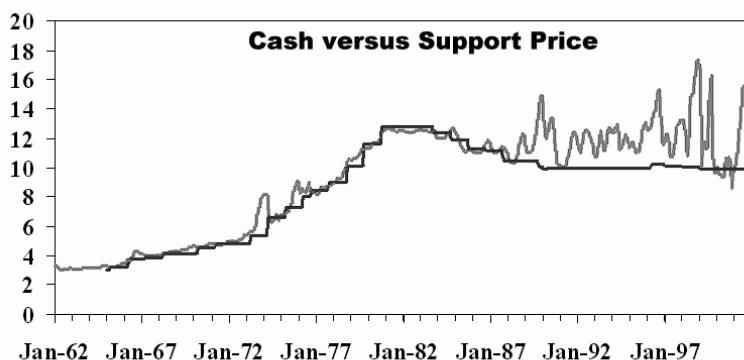
Wendell-area dairy producer Lisa Thompson was astounded. With volatile milk prices frequently slumping below break-even levels, it would have been possible—had she and her husband, Rick, patiently locked in the right prices—to have sold their milk in the top third of the market every month for the past several years.

In addition, the Thompsons needn't have just grinned and borne it when milk prices exceeded the price they had contracted with their processor: they could have pocketed much of the difference by buying "call options."

Those were Thompson's "take-home lessons" from a three-day, 12-hour workshop called "Achieving Risk Management Success in Dairy" developed for Idaho dairy producers. The "Dairy ARMS" workshops are sponsored by the University of Idaho College of Agricultural and Life Sciences, Dairy Farmers of America, Idaho Dairymen's Association, Glanbia, Kraft and West-Farm Foods. Participants learn about basic and advanced marketing strategies and—before leaving the last session—complete marketing plans for their own dairies.

Joe Dalton, UI Extension dairy specialist in Caldwell and a workshop instructor, says "Dairy ARMS" helps producers minimize the alternating wishfulness and

despair that can cloud decision-making. "The goal should be to maintain profitability at some level on a year-in, year-out basis, rather than just weathering the storm at the lowest prices or reaping the rewards of the highest prices," he says.



— C-III/BFP — Support Price

As the three days evolve, producers put an increasingly sharp pencil to their costs as they pinpoint the exact price they can afford to accept. Then, they learn how to lock in that price—and how to determine how long they might have to wait for it.

"It was very interesting to see that milk has averaged about \$12.12 over the last 10 years, so really the trick is to try to average better than that by the decisions you make," says Thompson.

C. Wilson Gray, UI Extension livestock economist and another workshop instructor, says the workshop curriculum "does a very good job of providing background on how milk prices behave and

why they've acted the way that they have in the past." Once linked to an inflation-adjusted parity index that was based on 1910-14 farm prices and later supported by government purchases of surplus product, today's freer-floating milk prices now swing as much as \$9 between highs and lows.

In southeastern Idaho's Bear Lake County, UI Extension educator Joel Packham says price risk is particularly damaging to small producers. "They don't have the economies of scale," he says. "Larger dairies have other places where they can save some money, but we just don't have that ability here."

Dairyman Gary Johnson, who owns a 300-cow dairy in Meridian with his wife, Terri, says the couple "got a lot of good" out of what he describes as a "very involved" program.

"It made us aware of the short amount of time that milk is at a really good price and the amount of time that it's at certain price levels," he says. It puts everything into reality, so that when you see an opportunity you know it's an opportunity. It really made us aware that we've let some opportunities slide by that we shouldn't have."

