

What would a minimum of \$12+ income over feed cost, per cwt of milk be worth?

It may be possible during the November 20-21, 2009 enrollment period

Rough Estimates For Educational Purposes

The data is derived from futures and options prices from dates: 2009-10-30, 2009-11-02, 2009-11-03

Insured Months	Covered Production (cwt)	Est. Gross Margin Guarantee, 0 Deductible (income over feed costs)		Avg. Milk Futures (\$/cwt)	Avg. Corn Futures (\$/bu)	Avg. Soybean Meal Futures (\$/ton)	Covered Corn Equiv (Tons)	Covered Soybean Equiv (Tons)
		Total \$	\$/cwt					
Jan-10	1	12.39	12.39	14.9	3.84	295.00	0.014	0.002
Feb-10	1	12.48	12.48	15.01	3.88	293.50	0.014	0.002
Mar-10	1	12.53	12.53	15.08	3.93	292.00	0.014	0.002
Apr-10	1	12.64	12.64	15.21	3.98	290.26	0.014	0.002
May-10	1	12.63	12.63	15.22	4.02	288.53	0.014	0.002
Jun-10	1	12.59	12.59	15.2	4.07	288.55	0.014	0.002
Jul-10	1	12.69	12.69	15.32	4.11	288.57	0.014	0.002
Aug-10	1	12.82	12.82	15.47	4.14	288.07	0.014	0.002
Sep-10	1	12.97	12.97	15.63	4.18	287.23	0.014	0.002
Oct-10	1	12.86	12.86	15.53	4.21	284.00	0.014	0.002
Total	10	12.66	12.66	Avg. for 10 month period				

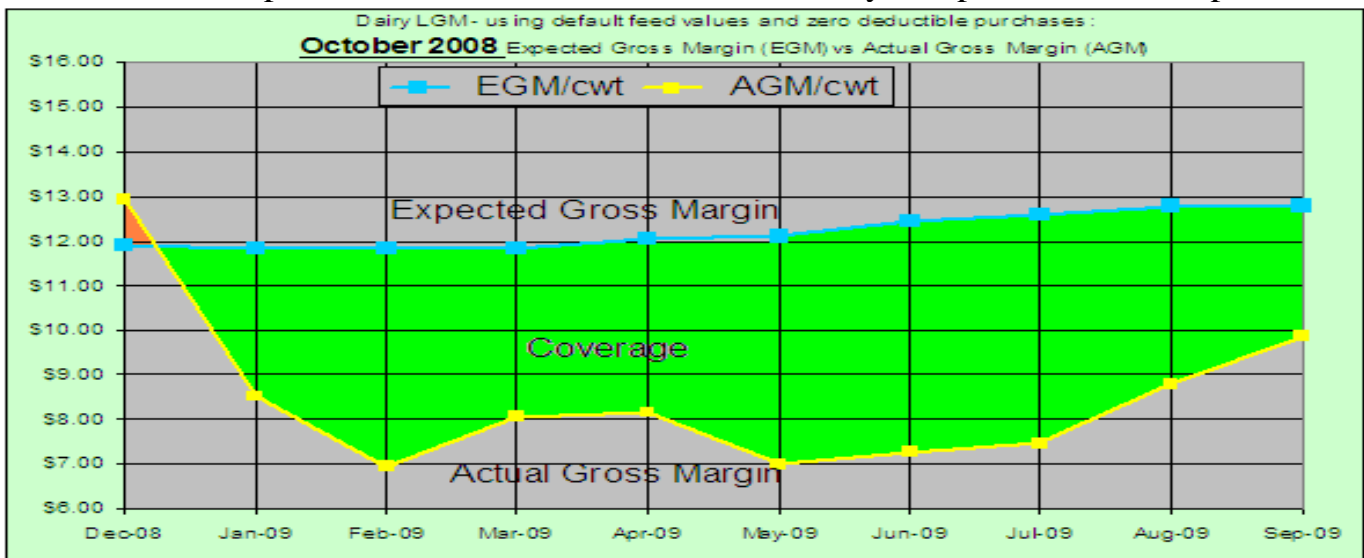
Default feed amounts used to calculation (corn: .014T.=1/2 bu, soymeal: .002T.=4 lbs. to produce 1 cwt, of milk)

The above estimated information is from the homepage of the University of Wisconsin Dairy Marketing and Risk Management Program and is maintained by Prof. Brian W. Gould of the Dept. of Agric. and Applied Economics. It is recommended that you use the browsers: Internet Explorer (V7), Firefox, or Safari set at their medium or normal text size. http://future.aae.wisc.edu/lgm_premium/

Expected Gross Margins per Cwt. of Milk Enrolled for October 2009 Enrollment Period

Eligible months	Dec-10	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
Expected Gross Margin	\$12.24	\$12.32	\$12.39	\$12.58	\$12.61	\$12.63	\$12.65	\$12.76	\$12.91	\$13.06

Performance per cwt. of milk enrolled in most recently completed insurance period



New Dairy Gross Margin (income over feed cost) Insurance

The program is based on milk income over feed costs, which the program calls a “gross margin.” The insurance program covers the difference between the expected gross margin (insurance guarantee) and the actual gross margin for the producer’s selected months, based on a targeted amount of milk. Futures prices from the Chicago Mercantile Exchange (CME) are used to determine the value, Class III milk, corn and soybean meal. Futures prices result in uniform commodity prices for all producers.

Key Definitions:

The expected gross margin is calculated by using the amount of milk (cwt) the producer chooses times the futures prices for the selected month(s). The amount of feed to be fed during the same time period times the expected futures prices for the month(s). The expected gross margin is the difference between the values of milk minus the feed cost.

The actual gross margin is calculated for the same time period as the expected gross margin. The calculations are done using the same methodology as was used to calculate the expected gross margin.

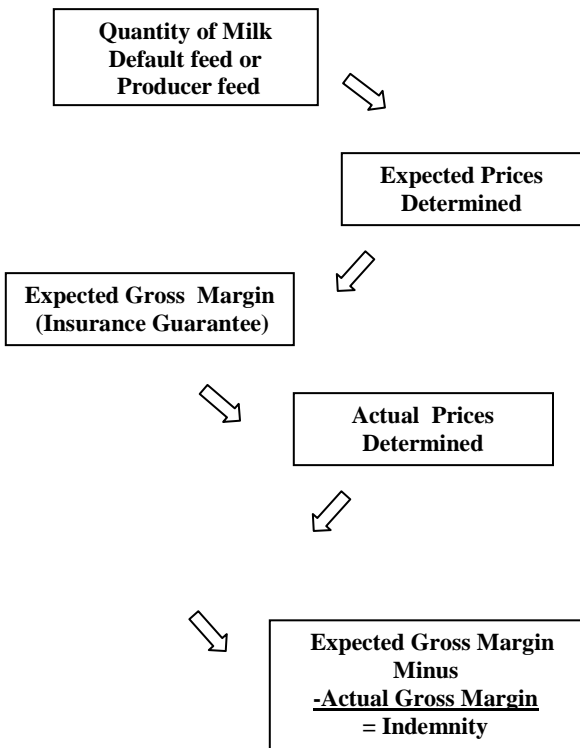
An insurance indemnity (loss payment) results when the expected gross margin exceeds the actual gross margin. In the chart below, payments could have occurred December through July if any of these months had been selected as the months for which insurance had been purchased.

Cause of loss covered is the difference between the expected gross margin (insurance guarantee) and the actual gross margin. It does not insure against death or other cause of production loss or damage to the producer’s dairy cattle. It does not insure expected price changes which are already reflected in BOT futures prices.

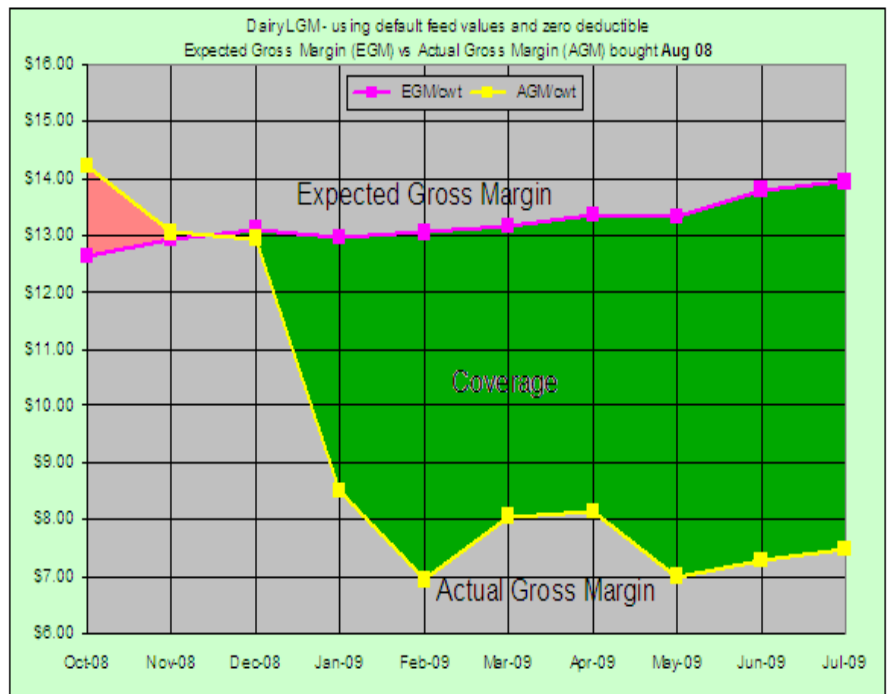
Enrollment Periods. Twelve monthly enrollment periods are available (last business Friday until 9pm next day). The last 10 months of each enrollment period is when insurance is available. Producer can elect to insure during selected or all 10 months in each period.

The states where it’s available are AZ, CO, CT, DE, IA, IL, IN, KS, KY, MA, MD, ME, MN, MI, MO, MT, ND, NE, NH, NJ, NM, NV, NY, OH, OK, PA, RI, SD, TN, TX, UT, VT, WA, WI, WV, and WY. This is a risk management tool for dairy producers.

How Dairy LGM Works



August 2008 enrollment performance



Estimates for educational purposes

