

Dairy Risk Management Programs in the Food, Conservation, and Energy Act 2008: Milk Income Loss Contract Program and Livestock Gross Margin-Dairy Insurance.

As most of you are aware, the Food, Conservation and Energy Act of 2008 Dairy Title includes a new version of the 2002 Milk Income Loss Contract (MILC) program. I am calling this new, as there are a couple of new provisions which make this similar to but not the same as the MILCX program extended under the 2002 farm bill. It is definitely an improved version of the expiring MILCX program.

The most significant changes are (1) the incorporation of a dairy feed ration cost adjuster to the trigger price, (2) the increase in the total eligible pounds from 2.4 to 2.985 million pounds, and (3) the return to a 45% payout.

I have completed a revamp of the MILC Excel calculator to reflect these changes. The Microsoft Excel program can be obtained from my Ohio Dairy Web 2008 website. The address is: http://aede.osu.edu/programs/ohiodairy/MILC_Center/MILC_Center.htm. At this link you will find both an Excel 2007(xlsx) and an Excel 2003(xls) workbook. Download your selection by using the “save target as” feature.

The workbook program includes (1) a worksheet for MILC calculations by month of the fiscal year and (2) a worksheet to calculate the new feed cost adjuster. A producer can use this program by entering average dairy yield, number of cows and month that he or she may wish to start eligibility for MILC payments. The program will calculate the anticipated MILC payments for each month the anticipated total payout from the MILC program. With the dairy feed price adjustment, there will be payouts under this program in the coming year. There is also a worksheet which can be used to calculate the expected or anticipated National Average Dairy Feed Cost ration value, based on the rules for the MILC program. A producer can enter her or his expected feed prices (corn, soybean, alfalfa hay) and the worksheet calculates the National Average Dairy Feed Cost ration value. These values can be used to play a “what-if” game using the FYMILC-Calc worksheet.

Another important risk management tool made available to dairy producers is the Livestock Gross Margin-Dairy insurance product. This was announced in June and is now available for purchase each month. I have spent some time learning the program and I am completing an Excel workbook tool for this program. The program will allow a producer to calculate the expected payout and premium cost for purchasing a given level of Gross Margin insurance. I will also have a short Q&A paper on how this insurance would work on a typical Ohio (small, medium and large) Ohio dairy. These will be available soon on the Ohio Dairy Web 2008 website.

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