Dairy Risk Management Series Offers a Range of Important Information to Producers
By Ben Brown, Dianne Shoemaker and Chris Zoller

Offered in three sessions during November, OSU Extension, in partnership with the Ohio Dairy Producers Association, delivered a dairy risk management webinar series covering three important topics: milk pricing and producer price differentials, outlooks for domestic and international milk product markets, and dairy risk management tools. Slides and recordings for all presentations can be found at https://farmoffice.osu.edu/events/archived-videos.

Session one was presented by Mark Stephenson from the University of Wisconsin discussing milk pricing and producer price differentials. Due to COVID-19 disrupting supply chains and a change in the 2018 Farm Bill using the average of Class III and Class IV milk prices instead of the higher of the two to set Class I milk prices, Ohio dairy producers experienced several months of historically large negative producer price differentials (PPD). According to Dr. Stevenson, these negative PPDs could continue for a couple more months and producers need to be aware of these when making business planning decisions. Dr. Stephenson’s presentation can be found at https://studio.youtube.com/video/fpGfd5c0pi4/edit.

Session two highlighted domestic and international markets. William Loux from the U.S. Dairy Export Council started off the session with a presentation on dairy supply and demand outside the United States. International demand for US dairy products is up in 2020, driven primarily by China and the Middle East/ North Africa Region. Southeast Asia also saw large year over year increases in dairy product imports. Loux pointed out there are a couple things to watch for in the next couple of months: COVID-19 resurgence, Brexit and the ability to trade with England, and the subsidization of dairy exports by India. He concluded by saying it is a good sign that the US continues to export dairy products in strong numbers, even with US dairy prices above world dairy prices. His session can be found at https://www.youtube.com/watch?v=fJsHMSkcHvc

Also in session two, Mike McCully from the McCully Group provided price expectations for US dairy markets over the next 12 months. Key points from his presentation included product specific outlooks with cheese prices being strong on solid demand, butter prices being extremely weak on burdensome supplies and milk prices being relatively stable. He continued that the outlook is mixed, with dairy markets having a bearish tone heading into the first quarter of 2021 on growing milk supplies and concerns over demand, but the second half of 2021 being more bullish given an expected reduction in milk supply growth and possible demand improvements. Mike’s full presentation can be found at https://www.youtube.com/watch?v=NAy6Xy-Nb7s&t=119s

Session three focused on risk management tools for dairy producers. OSU Extension Educator Chris Zoller provided an overview of USDA’s Dairy Margin Coverage (DMC) program, which is authorized through the Farm Bill every year. Producers wishing to sign up for DMC need to contact their FSA office prior to December 11 to enroll for 2021. Chris’ presentation can be found here: https://www.youtube.com/watch?v=ZR_4SuNX2I&t=24s

Dr. Kenny Burdine, Associate Extension Professor, University of Kentucky, also presented during session three. Dr. Burdine discussed Livestock Gross Margin Insurance- Dairy and gave a brief overview of using futures and options in milk price protection. Dr. Burdine suggested USDA’s DMC Program as the first level of protection for smaller producers, with Livestock Gross Margin Insurance- Dairy being the second
level of protection. Kenny’s presentation can be found here: https://www.youtube.com/watch?v=PdjEijnDCMw

Session three concluded with a presentation by OSU Extension Educator Jason Hartschuh on Dairy Revenue Protection Insurance offered through the Risk Management Agency. Jason reviewed six decisions for dairy producers to consider and provided examples of how to use the program. Additional information about this topic can be found at dairy.osu.edu under Dairy Revenue Protection. Jason’s presentation from the webinar series can be found at https://www.youtube.com/watch?v=B38TVJkrlQU

For any additional questions or thoughts for future risk management webinars, please reach out to Ben Brown at brown.6888@osu.edu, Dianne Shoemaker at shoemaker.3@osu.edu, Chris Zoller at zoller.1@osu.edu, or your local OSU Extension Office.