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Building a Risk Management Education Program for New England Dairy Farmers



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Building a Risk Management Education Program for New England Dairy Farmers

Abstract

New England dairy farmers have faced increasing risks in producing and marketing their products. The national Federal Milk Order Program underwent a major revision, and Congress continues to modify the price safety nets for farmers. Accordingly, dairy farmers must become ever vigilant in their efforts to identify the risks over which they may exercise some degree of control. They must learn how to incorporate appropriate risk management tools in their day-to-day and longer term business planning and decision making. This project identified the perceived high priority risks and developed instructional workshops to enhance efforts to improve farm business decision making.

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Justification

The New England and U.S. dairy industries have undergone substantial change in the last decade. The Federal Milk Order Program was reformed on January 1, 2000, reducing the number of orders from 31 to 11. Milk pricing in several of the orders changed from a volume and butterfat system to a multiple-component, product-based system. The 1996 Farm Bill moved U.S. agriculture, including the dairy sector, from a system with major financial safety nets to one that relied more on market supply and demand to determine prices and influence incomes.

As the federal government backed away from its former support role in agriculture, New England dairy farmers found themselves needing alternative methods to deal with the variety of risks associated with their businesses. Some risk management tools were already available, e.g., futures and options. However, a lack of understanding and knowledge about these tools had slowed their use in dairy farm business planning.

An initial goal of the project described here was to help New England dairy producers better understand the nature and extent of risks they faced in their farm businesses. These risks included modifications of commodity price support programs, increasing globalization, land use regulations, or any of a number of other factors. The project introduced alternative tools that could be used to manage the production, market, price, human resource, legal, and/or other business risks in farm operations.

At the beginning of the project, farmers were asked to identify the risk events they anticipated would have the greatest impact on their farms in the next 1-2 years. (See Appendix for questions.) An Extension education program was then built upon these expressed needs.

Objective

The anticipated outcome was to help farmers identify, better understand, and effectively manage

more of the types of risks they expected to face in their farm business operations.

Approach and Outcome

We conducted one focus group session (Nov. 2000) and two mail surveys (Dec. 2000, Jan. 2001) in which farmers identified and ranked the risk management topics that were of greatest concern to them.

We asked these questions of farmers.

1. Would you please identify 1 - 3 events that occurred in the last year or two which had a significant impact, economic or otherwise, on your farm business or family.
2. If you went back another 2 or 3 years, would there be other significant events that you would add to the above list? If yes, please list them below.
3. Now, from those events you listed above, please identify the one event that had the greatest impact or was of the most importance to your farm business or family.
4. Now let's look ahead. What risk events do you believe will be of the greatest concern to New England dairy farmers in the next 1 - 2 years?
5. Now please rank them: mark the most important one with an M.

Table 1 summarizes the findings from the focus group and surveys.

Table 1.
Summary of High Priority Risk Events

Vermont-New Hampshire: Focus Group	Connecticut: Survey	Maine: Survey
Milk Price	Milk Price	Milk Price; less gov't bailout and loss of Dairy Compact
Environment	Environmental regulations	Nutrient management
Perception of farming		
Farm transfer		Death of owner operator
Business strategy		
	Labor: losing help	
	Labor: getting and keeping help	
	High input costs	High fuel and energy costs

These producer responses guided the development of risk management educational programs for New England dairy producers.

In April 2001, we conducted daylong educational workshops at three sites in New England. Fifty-three dairy farmers attended, as well as people from Extension, USDA, and state departments of agriculture.

Topics covered at each workshop were:

- Dairy markets and prices, futures, and options contracts;
- Farm transfer and estate planning, and
- Nutrient management, environmental regulations.

The workshop format consisted of a half-hour overview of each of the three main topic areas in the morning, followed by a general Q+A session. In the afternoon, participants selected one of three workshops to further explore risk management strategies for their farms. A 60-page instruction manual was developed for the attendees to use at the workshops and to take home for future reference.

At the time the workshops were held, the extent of the impact of the outbreak of Foot and Mouth disease (FMD) in Britain was just becoming apparent. We took this as an opportunity to integrate discussions of the FMD risk event, providing USDA's FMD informational brochures to farmers at each workshop, and to bring coverage of bio-security risk into the program.

In addition to providing dairy farmers with risk management information, we strengthened the risk management education programming network in New England. During the following winter (2001-2002), the authors and other Extension colleagues conducted five additional workshops with 64 participants. Instructional materials were based upon the programs and materials developed for the initial workshops. Some of the material is available on the New England Livestock Web page <<http://www.umaine.edu/animalsci/>>. Additional information is forthcoming.

Conclusion

Both the focus group and survey techniques were found to be useful techniques to identify and prioritize risk issues and concerns on farmers' minds. In addition, these methods increased the awareness of risk management issues and tools. Information provided by farmers was used directly to build the workshops. This work has enhanced our efforts to provide meaningful risk management education to farmers and has positioned us to continue with additional multi-state risk management programming in anticipation of future needs and opportunities.

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