Drought Effects Impacting Dairy

With the worst drought in the United States since the 1950’s upon us, the grain markets have headed to record heights. Feed prices have been dramatically moving upwards and with feed accounting for the majority of the cost per cwt of milk, along with a less than impressive milk market, dairymen nationwide are concerned. It is not easy to chop $8/bu grain corn to silage in order to make $18/cwt milk. This is a best case situation assuming that all of the feed needed to run the dairy can be made on farm. For those of those who must buy feed in, the burden will be even heavier. Concentrates have quickly moved up to prices never seen before and there is no relief in sight.

Beef prices, in the short term, have also been hurt due to the greater supply of beef from both beef and dairy producers who have decided to cut their losses and sell animals. In the news, projections of increased food prices that include grain, beef and dairy products will be seen at the supermarket by all consumers.

Every growing year has its challenges, and 2012 is proving to be an extreme test for all types of agricultural producers, especially dairymen.

There is no way to avoid the effects of the drought, but through the use of risk management tools such as crop insurance, some of the burden can be relieved. If you have questions about how you can use crop insurance on your operation, call your crop insurance agent or the Garden State Crop Insurance Education Team at 1-800-308-2449.

If you have insured crop is damaged, you are responsible to file notice with your agent within 72 hours. The policy requires that such notices should be in writing. Therefore, if you file a notice of damage by phone, ask your crop insurance agent for a copy of the notice that they file with the insurance company for your files. It is crucial that a paper trail exists. Also, remember the evidence of damage must be viewed by an adjuster or you may lose policy benefits.
Maximizing the Benefits of Your Crop Insurance Policy

Your “Summary of Protection” or “Schedule of Insurance” should have arrived within a few weeks from when you filed your acreage report. It reflected the information on which your 2012 protection is based. Compare it to your acreage report to make sure that it is correct. If there are discrepancies, contact your insurance agent immediately to get it corrected, otherwise it could adversely affect your premium bill and/or claim payment.

Reminder and Guidance on Reporting Damage or Loss: Crop damage or loss reporting for the insurance policy for most crops requires that written notice be given to your crop insurance agent (by crop unit/farm):

- Within 72 hours of discovery of damage or loss,
- 15 days before harvest begins **, and
- Within 15 days after harvesting is completes but not later that October 20 for corn harvested as silage; December 20 for grain corn and soybeans.
- A pre-harvest appraisal is required for most direct marketed crops
- **DO NOT destroy evidence of damage until loss adjuster evaluates it!

**Prior Authorization is Required to Leave Sample Rows for Yield Determination: If loss adjusting workload does not permit appraising damaged crop acreage before you are ready to start cutting silage, prior authorization must be obtained from your insurance company, through your crop insurance agent, before sample row areas can be left for later yield determination. For this reason, it is important that notice of damage be filed with your crop insurance agent as early as you determine that damage occurred so that harvesting is not delayed.

Cutting Damaged Corn for Silage: If you plan to cut damaged grain type corn for silage, it is important that the grain content be determined before harvesting regardless of whether you insure tonnage or grain yield basis. If you insured on a grain basis, a loss is determined by comparing the revenue or yield guarantee to the appraised yield (times the October CBOT average price for the December contract for revenue protection). If you insured and harvest on a tonnage basis and your grain content is significantly below normal (less than 4.5 bushels per ton), the grain content appraisal becomes the basis for quality adjustment which may reduce the amount of silage tonnage that counts against your guarantee.

If you have any questions contact your crop insurance agent or the Garden State Crop Insurance Education Team at 1-800-308-2449.

*Source: RMA

Upcoming Event: NJ State Holstein Show

The New Jersey State Holstein Show will take place at the Hunterdon County Fairgrounds from August 13 to 15. The 4-H Dairy Cattle Show is to take place on Tuesday August 14 and the Open Show is to take place on Wednesday August 15. The address of the event is the following:

Hunterdon County Fairgrounds
South County Park, Route 179
Ringes, Hunterdon County
Packing Density
The packing density of silage is important because poorly packed silage traps air, which can lead to abnormal fermentations and losses of nutrients. Good packing density also increases the amount of silage you can store on a square foot of pad space! Recommendations in the past have suggested trying to achieve DM densities that average a minimum of 15 to 16 lb of DM per cubic ft in bunker and pile silos. It is easier with corn silage to obtain these types of densities at the middle-center and bottom of bunks and piles but more difficult to achieve these densities at the surface and near the wall of bunker silos. Silage density is affected by tractor weight, packing time, silage height, silage DM, and layer thickness.

Calculations for adequate tractor weight and time for packing bunker silos can be found at: http://www.uwex.edu/ces/crops/uwforage/storage.htm Page down to “Bunker Silo Density Calculator” to download the Excel program.

Covering Silos
Now that your silage is packed, it must be covered well. (Looking for an edible covering? So am I, but it still doesn’t exist.) Cover your silos as soon as possible; don’t wait! Many are using two layers of plastic and covering the sidewall with plastic. Our studies have shown that plastic on the sidewalls helps to keep water from entering the silage mass. Oxygen barrier plastics have good data to support their use. Consider them especially for silage that will be stored for more than a couple of months. There has been some interest in reusable tarps placed over plastic. The tarps (along with adequate weights) work well especially for silage stored for longer periods of time. They may become cumbersome if there is heavy snowfall during the winter. You may consider using gravel bags along the wall and at seams. Split tires work well because they don’t collect water that can breed mosquitoes. However, they are light in weight so make sure you have adequate amounts of split tires to keep the plastic down. Make a habit of routinely checking the integrity of the plastic and weights and repair problem areas quickly.

Managing the Feeding Face
Once the silo is open, manage the feeding face. Remove only enough silage that is needed for the mix you are making and try to keep the face as smooth as possible. Large ruts and cracks in the face allows air to penetrate into the silage mass and causes aerobic spoilage. This is especially a problem during hot weather. Pull or cut back only enough plastic from the surface as needed for a day or two. In addition, consider putting gravel bags or very heavy tires on the leading edge of the plastic. These last two suggestions help to minimize the amount of time silage is exposed to air. Defacers are becoming more common, especially on medium and large dairies.
Livestock Gross Margin (LGM) for Dairy

Livestock Gross Margin (LGM) for dairy is an insurance program designed to protect dairymen against unexpected declines in their gross margin. Put simply, gross margin is the market value of milk minus feed costs. The program does not set a support price on milk but rather sets a floor price on milk and a ceiling price on feed. Milk and feed prices are determined by using the futures price of milk (Class III) and feed (corn and soybean mean) on the Chicago Merchantile Exchange. Other causes of revenue loss including production loss, damage of livestock, livestock death, etc. are not covered under LGM for dairy.

Unfortunately, at this time, the LGM for dairy program has been suspended due to insufficient funding for subsidies. It is likely that funding will become available in October of 2012, and due to the popularity of the insurance program, now is the time to evaluate your operation and determine if LGM for dairy is a management tool you would like to incorporate into your business plan.

How Dairy LGM Works

1. Quantity of Milk
2. Default feed or Producer feed
3. Expected Prices Determined
4. Expected Gross Margin (Insurance Guarantee)
5. Actual Gross Margin (AGM) is Calculated
6. Actual Gross Margin Minus - Expected Gross Margin = Indemnity

If you have any questions regarding LGM for dairy, call the Garden State Crop Insurance education hotline at 1-800-308-2449.

This newsletter is brought to you by the Garden State Crop Insurance Education Initiative, a partnership between the USDA Risk Management Agency, New Jersey Department of Agriculture and Rutgers Cooperative Extension of Salem County. For additional information about crop insurance, contact your crop insurance agent, locate a crop insurance agent at www.rma.usda.gov/tools/agent.html, visit our website http://salem.rutgers.edu/cropinsurance or call our toll free hotline 1-800-308-2449.

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Questions about crop insurance? Call a crop insurance agent or our toll free information line 800-308-2449
Or visit us online at http://salem.rutgers.edu/cropinsurance