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**LGM Sign-Up: January 25**

Funding is expected to be available for the Dairy Livestock Gross Margin (LGM) Program once again in November. Limited funding is expected to be available for the Dairy LGM program, effective for the December sign-up period. The program is authorized in the lower 48 states, and the funding will likely be quickly utilized. Dairy producers should give the LGM for dairy program consideration based on the extreme volatility in feed pricing alone. A policy could help to set a guaranteed margin and provide relief in an unstable environment.

If you feel that dairy LGM may benefit you, contact your crop insurance agent as soon as possible to get details for your farm and to take care of pre-enrollment issues. Sign ups will begin on Friday, January 25 and continue through January 26, if funds are not exhausted.

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**Farm Bill Extended**

The fiscal cliff legislation also carried a 9-month extension of the farm bill with it. It continues most of the agricultural policies that were in effect under the 2008 farm bill, which avoids the serious problems a lapsed farm bill would have created but leaves many farm leaders unhappy nonetheless. The new authorization expires on September 30, 2013.

If an extension was undesired but having no bill was worse, then the final action of the farm bill by Congress was the “lesser of two evils.” The White House and US Ag Secretary Tom Vilsack had no voice in the matter, as the Eleventh hour nature of the bill left no room for executive branch oversight. So, here’s what happened: most titles of the farm bill were simply extended to Sept. 30 including direct payments; for dairy, the MILC program is extended but on different terms; the SURE program (supplemental revenue assistance payments) was not renewed; there is no disaster aid in the bill, nor funding for the energy title, specialty crops or other new programs. The new Congress that convened Thursday January 3rd must re-introduce, mark-up and take to the floor a new farm bill. The new unknown: the scoring of costs by the Budget Office in an austere, post-fiscal cliff world.

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*Source: NJFB Newsletter 1/4/13*
Livestock Gross Margin (LGM) for Dairy

Livestock Gross Margin (LGM) for dairy is an insurance program that provides protection against unexpected declines in the gross margin of a dairy operation. The market value of milk (gross revenue) minus feed costs (variable cost) equals gross margin. This expected value is calculated based on the futures prices of milk (Chicago Class III) and feed (corn and soybean meal) based on the futures market of the Chicago Mercantile Exchange. Unlike crop insurance where the majority of revenue risk exists with production, the risk with LGM dairy lies predominately with price of milk and feed. This program does not set a support price on milk nor does it consider variable costs beyond feed. Instead, LGM for dairy strictly covers the difference between the expected gross margin and the actual gross margin. Other causes of revenue loss such as production loss, damage to livestock, livestock death, etc. are not covered. LGM for dairy is a risk management tool for dairymen to help them remain sustainable.

To participate in the LGM for dairy program, expected prices would be determined for both feed and milk in the futures market. The next step would be to determine how many cwt of milk are to be insured. Once this is determined, the gross margin guarantee is established and then at month’s end, the actual prices of milk and feed are determined. Actual gross margin may then be calculated to determine if an indemnity payment is owed.

Any amount of milk may be insured assuming that specified amount can in fact be produced. The limit of milk that can be covered in a year is 240,000cwt.

Premiums are determined using a premium calculator program based on the amount of milk insured, expected gross margins for each period, and deductibles. Producers may select deductible levels between $0 and $2.00 per hundredweight of milk in $0.10 increments.

An application must be completed and filed while funds remain available but not later than the sales closing date of the initial insurance period for which coverage is requested. Coverage for the milk described in the application will not be provided unless the insurance company receives and accepts a completed application and a target marketing report, premium is paid in full, and the insurance company sends the producer a written summary of insurance. Coverage begins one full month following the sales closing date of the policy. In the eleven months in an insurance policy, ten months are insured because the month following sign up is not covered. To participate in the LGM for dairy program, consult your crop insurance agent.
As you make plans for 2013, you need to seriously evaluate the adequacy of your 2012 risk management plan for each segment of your farm business. While a whole farm business focus is critical, in the interest of being brief, let’s focus on the crops segment of your farm business.

There was a time when the government programs almost automatically provided a pretty good safety-net and about all producers had to do was to enroll, and perhaps, idle a few acres. **But times have changed.** Today, the major safety-net is determined by individual proactive producer decisions. If an adequate amount of crop insurance protection is not selected, the programs will not perform up to expectations or necessary payment levels when disasters occur. Therefore, risk management planning is as important as production and marketing planning.

2013 expectations are that risk exposures will increase in the form of high crop values, increased price volatility, higher input costs, tighter credit requirements, the need to recover from 2012 losses, higher family living costs, and aging farm operators.

Next, one might want to compare equity to expenses and income potential. Does it make sense to manage risk by self-insuring? Just how much protection is needed for 2013?

What is your strategy for 2013: Protect crop values, all or part of input costs, put a floor under marketing contracts, recovery of 2012 losses, secure operating loan and/or secure family living expenses? So, is your current risk management plan adequate for 2013 to fulfill your strategy?

Crop insurance agents now have 2013 rates and rules and are prepared to help you to complete a free Risk Management Checklist and to discuss coverage and cost control options that can strengthen your farm business plan and minimize the risk of an income interruption. Managing risks may result in improved peace of mind for you and your family in the year ahead. The checklist is also available at:

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**Animal Waste Management Reminder**

Since March of 2009, the state of NJ has enacted the Animal Waste Management (AWM) Law where all livestock owners must be in compliance with a set of rules set forth by the New Jersey Department of Agriculture. By now, all dairymen should have completed an AWM plan and submitted a declaration page to their local extension office as proof of their completed plan. If for any reason you have not done so, please act immediately since you would be in violation of a state law. If you have any questions about the AWM Rule, call Jasen Borkowiz or Chad Stanczyk at (856) 769-0090 for more information.
Mycotoxins: Are You at Risk?

Mycotoxins are toxins produced by fungi (molds) that occur in feed when it is in the field, during handling and in storage depending on conditions. In 2012, conditions were optimum for fungal growth and mycotoxin production due to the extreme drought experienced nationwide. Contaminated feed consumed by animals cause severe ill effects on the animals themselves and the mycotoxins can be passed through the animals and affect those who consume those animal products.

Since this past fall, there have been several cases across the country where mycotoxin levels have been detected in milk, resulting in the dumping of that product. Some milk processors have notified their producers about the risk of mycotoxin contamination and warned of the consequences if a positive test were to occur on farm.

Please be aware of the potential for mycotoxins existing in feed and if you feel that you may have potential for contaminated feed, have it tested immediately. For testing information, contact the New Jersey Department of Agriculture, Division of Animal Health at (609) 671-6400.

If you are concerned that your milk may be at risk for mycotoxin contamination, bulk tank sampling may be done and sent to a lab for analysis, or there is an on farm test available for quick results. If you have any interest in testing your milk, contact Dave Lee, Jasen Berkowitz or Penny Rammel at (856) 769-0090.

We would like to give special thanks to Bonnie Mohr for allowing the use of her beautiful artwork in this newsletter. If you would like to see more of her creations, please visit her website at www.bonniemohrstudio.com

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

Dave Lee
Jasen Berkowitz
Penny Rammel
Chad Stanczyk
Kelly Steimle

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.