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 meal) 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. 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.

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

If your 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.
The Risk Management Agency, (RMA) has announced harvest price for crop insurance revenue policies for 2012 crop year. For fall seeded wheat is $8.67 per bushel and $6.85 for fall and spring seeded barley. These prices are based on the futures prices of Chicago Mercantile Exchange (CME).

The projected prices, also based on CME futures prices that were set near seeding time, are $8.20 per bushel for fall seeded wheat and $6.88 for fall seeded barley in the states of DE, NJ and MD.

Producers with either a Revenue Protection or a Revenue Protection with Harvest Price Exclusion policy should take these prices into consideration when determining if they experienced a crop revenue loss. If you determine that a revenue loss occurred, file a written notice of loss immediately with your crop insurance agent.

An illustration of the impact of harvest prices on a loss payment calculation follows:

**Revenue Protection Policy**: 100 acres of wheat @ 60 bu./acre actual production history yield @ 70% level of coverage would have a revenue guarantee of $36,414 (100 X 60 X 70% X $8.67 (higher of projected or harvest price). If 3,000 bushels were produced, the revenue to count towards the guarantee would be $26,010 (3,000 bushels X $8.67 per bu.), which would result in $10,404 ($36,414 - 26,010) indemnity payment.

**Revenue Protection with Harvest Price Exclusion Policy**: 100 acres of wheat @ 60 bu./acre actual production history yield @ 70% level of coverage would have a revenue guarantee of $34,440 (100 X 60 X 70% X $8.20 (the projected price). If 3,000 bushels were produced, the revenue to count towards the guarantee would be $26,010 (3,000 bushels X $8.67 per bu.), which would result in $8,430 ($34,440 - 26,010) indemnity payment.

Yield and revenue protection policies are available for 2013. They can provide protection for a farm with a 60 bushel per acre historical wheat yield of up to approximately $400 per acre. The enrollment/policy modification deadline for fall seeded wheat, barley and alfalfa forage production is September 30, 2012 for protection during the 2013 crop year.

Contact a crop insurance agent to obtain protection details for your farm. A list of approved agents is available at: http://www.rma.usda.gov/tools/agent.html.

*Source: RMA*
According to the current USDA data available in 2008, cull dairy cows accounted for just over 7% of all cattle slaughtered in the US, but were responsible for approximately 90% of carcasses in which drug residues were detected.

Some of the more common reasons leading to having a carcass condemned for drug residues include:

**#1 Changing the dose or route for Procaine Penicillin G**: The label dose for PPG is only 1cc per 100 pounds, or about 15cc total. When a cow is given higher doses or treated subcutaneously (under the skin), the slaughter withdraw time can increase from the label 4-10 days up to several weeks.

**#2 Marketing cows treated for mastitis before completing their slaughter withdrawal**: Dairy employees usually do a great job holding out milk from cows treated for mastitis, but sometimes forget that mastitis tubes also have slaughter withdrawal times ranging from 4 to 28 days.

**#3 Marketing dry-treated cows before completing their slaughter withdrawal**: While it’s tempting to cull a cow who has aborted, she’ll still have residues in her tissues from her dry treatment and a slaughter withdrawal of 14 to 60 days from the day she was dried off.

**#4 Calves marketed for veal that have consumed colostrum or medicated milk replacer**: Calves slaughtered shortly after birth (as bob veal) may have consumed enough antibiotic from the dry-treatment to trigger a positive carcass test. Tissue residues are also frequently caused by calves consuming milk replacer medicated with tetracycline & neomycin. Calves fed medicated milk replacer should never be marketed as veal.

**#5 Giving pain-relievers in the muscle or under the skin**: The only pain-relievers approved for cattle contain flunixin (Banamine, Flu-Nix), a drug which was only designed to be administered in the vein. Giving flunixin-containing products in the muscle or under the skin, rather than intravenously, can increase the withdrawal time from the label 4 days to more than a month.

**#6 Marketing cows treated with intra-uterine boluses for infusions**: Tetracycline can cross the uterine wall and be detected in the milk and at slaughter for variable periods. Some veterinary publications recommend slaughter withdrawal of up to four weeks following intra-uterine treatment.

**#7 Thinking there is a “zero meat, zero milk withdrawal” antibiotic**: While products containing ceftriaxone (Naxcel, Ceftix, Excenel, Excede) are attractive because they have no milk withdrawal, all ceftriaxone-containing products have slaughter withdrawals ranging from 3 to 13 days when used according to label. There is no such thing as a “zero meat, zero milk withdrawal” antibiotic.

**#8 Using any sulfa-drug off label**: The sulfonamide (“sulfa”) drugs may legally only be used exactly according to label instructions. Recent FDA investigations on residues suggest that over-dosing sulfa boluses (Albon) or giving intravenous sulfa products (Di-methox) off-label in the muscle or under the skin has led to tissue residues.

While the situations above are some of the more common causes of tissue residues, virtually any drug can cause residues if it is used off label or if the drug is used on label but the label withdrawal is not followed. With USDA stepping up enforcement on tissue residues and the potential for FDA testing of bulk tank milk in the future, now is an excellent time for dairy managers to review their treatment programs. As always, your veterinarian is your most valuable resource for information and advice about avoiding tissue and milk residues.
**Tragic Farm Accident**

The entire New Jersey farming industry mourns the loss of Warren County grain farmer, Peter Santini, who was killed Thursday, August 30th in a tragic farm equipment (corn chopper) accident. He was 50. Peter and his family have been highly acclaimed farmers in the Warren County area for many years and his sudden loss was deeply felt by farmers throughout the region. The Harmony Township farmer was married to June Santini and had five children. He is also survived by his father Frank and brother Frank, Jr. with whom he farmed. From the obituary: "Peter was a farmer in the purest sense of the word, his unwavering work ethic was only matched by his love of antique vehicles." Local farmers praised him for his farming skills and generous heart. Rutgers Cooperative Extension expresses its deepest sympathies to the family and mourns his loss.

**LGM Sign-Up Likely in October**

With a new fiscal year upon us starting in October, it is probable that funding will be available for the Dairy Livestock Gross Margin (LGM) Program. Limited funding would be available for the Dairy LGM program, effective for the October sign-up period. If this is the case, based upon past participation and the fact that the program is now available in the lower 48 states, the funding will be quickly utilized. Dairymen should give the LGM for dairy program consideration based on the extreme volatility in feed pricing alone. A policy would 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. Signups will begin Friday, October 26.