



Information Letter Series

Last Minute Thoughts About the Margin Protection Program for Dairy Producers for Program Year 2015

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Have you signed up for MPP-Dairy? Will you? Should you?

Whether or not a farmer chooses to participate in the new margin insurance program is, of course, entirely up to him or her. This information letter isn't intended to persuade you one way or the other, but may offer a few ideas or thoughts worth adding to your list.

The last day to enroll in the new Margin Protection Program for Dairy Producers, MPP-Dairy, is 5 December.² During this first enrollment period, farmers may do one or more of four things:

1. Establish your Production History
2. Elect Coverage for September to December 2014
3. Elect Coverage for January to December 2015
4. Skip the MPP-Dairy program until next year, later, or altogether.

¹* *The Information Letter series is intended to provide timely information or an interpretation of current events or policy development for Extension educators, industry members and other interested parties. Andrew M. Novakovic is the E.V. Baker Professor of Agricultural Economics in the Charles H. Dyson School of Applied Economics and Management at Cornell University. The author reserves all copyrights on this paper, but permission is granted to quote from the paper or use figures and tables, provided appropriate attribution is made.*

² *MPP-Dairy is a new program authorized under the Agricultural Act of 2014. Under this program, dairy farmers can purchase varying levels of "margin insurance" that will provide them with compensating payments if a new national indicator of milk income over feed costs, called the Actual Dairy Producer Margin, falls below the threshold coverage elected annually by a dairy farm operation. Additional details on MPP-Dairy are available in DMAP IL14-01 and other educational materials posted on www.dairymarkets.org/MPP.*

Please note that farmers can separately elect to participate in the last two bi-monthly periods of 2014, the entire calendar year 2015, or postpone participation to 2016, 2017, or 2018. However, once an operation is enrolled, it is committed to elect at least the minimal, catastrophic coverage for future years. If she elects coverage for 2014, she is committed through 2018. If she elects coverage first in 2015, she skips 2014 but is committed to 2016, 2017 and 2018. A farmer can postpone participation as long as he wants. Of course he can choose to never participate.

Word of mouth information suggests that the enrollment so far has been light. Many people who are following this new program anticipated that farmers would wait until the end to make their decisions. Part of the reason for this is just normal procrastination, but it is also the case that farmers are busy being farmers in the Fall and the participation decision is a bit complex. Still, push is coming to shove. In between deer hunting, football, Mom's delicious Thanksgiving dinner, and Christmas shopping, many dairy farm families will be wrestling with the decision that week after Thanksgiving.

Should I Enroll This Year?

Did I already say I am not going to tell you what to do? The following "considerations" are offered as things to think about.

Consideration #1 – Establishing Production History (PH)

Whether you plan to take coverage this time around, later or aren't even sure you ever will, owners of dairy farm operations can establish their Production History without any cost or commitment beyond your time to fill out a very simple form (CCC-781). The Production History defines the amount of milk associated with a dairy operation for the purpose of establishing participation limits.

Many cooperatives and proprietary buyers are providing farmers with documentation they can use to easily fill out CCC-781, the form the Farm Service Agency (FSA) requires to establish PH. It's a simple form. Most farmers will find this step doesn't take much time at all. It will probably be easier to do this now, with the documentation you have in hand and be done with it, rather than wait for a later enrollment period.

Farmers who began producing milk after 7 February 2013 are considered "new operations". They will have a little different process and a little more work, but the process for "new operations" is not hard. It does require the farmer to decide which of a couple options is most advantageous. The basic idea is to take whatever part of the calendar year for which you have commercial marketings and extrapolate that quantity to a 12-month equivalent.

Unless you are certain you don't ever want to participate in this program, it is probably worth the effort to establish how much milk you could potentially enroll.

Consideration #2 – Enrolling in 2014

Okay, the closest I am going to come to offering advice is to say that the probability of the national margin falling below \$8 per cwt. for either the SEP/OCT or NOV/DEC 2014 program periods rounds to zero.

There is no penalty or foregone opportunity for any farmer who chooses not to enroll in the 2014 program year. Keep in mind that electing margin coverage for 2014 is different from establishing a Production History. You can establish the Production History that would apply to 2014 without taking Coverage in 2014.

Consideration #3 – Enrolling in 2015 to "buy the Bump"

During this first enrollment period the bigger decision is whether to enroll in calendar year 2015.

There are two basic reasons why a farmer would want to enroll in 2015. The first would be to protect against low margins, the basic reason that applies in any year. The second reason could justify enrolling even if a farmer didn't want coverage in 2015.

The Agricultural Act of 2014 allows the Secretary of Agriculture to adjust each and every producer's PH by a national factor that is derived from annual increases in US milk production. Based on the increase for the 12-months prior to the release of the rule, FSA announced that the adjustment for 2015 is 1.0087 or a 0.87% increase in the Production History established for 2014 on CCC-781. USDA playfully calls this across-the-board adjustment the Bump.

In order to qualify for the Bump, a dairy operation must enroll for coverage in 2015 (they do not need to take coverage for the last four months of 2014). Assuming that a producer had no other reason to enroll for 2015, this essentially means that the producer would pay \$100 for Catastrophic Coverage, the minimum allowed, in order to get the Bump.

Consider Table 1, a simple example of hypothetical Bumps, based on when a farmer first enrolled in MPP-Dairy.

If I assume, just for an example, that the dairy operation has a one million pound Production History, based on actual marketings in 2011 to 2013, then how many Bumps you get will affect how much your PH increases over time. You only get a Bump if you are enrolled in the program. Once a farmer elects coverage, that farmer is in for every following year, unless he dies, retires or sells the farm. Whether the first year that a farmer enrolls is 2014, 2015, 2017 or whatever, that first time Production History will be set at the Production History determined by his historical commercial marketings. In our example, that amount was one million pounds. Thus, if the farm elects coverage for 2014, his PH will be one million pounds. If the first enrollment year is later, the PH starts at one million pounds but is then subject to whatever Bump might apply for that year. In 2015 the 1.0087 Bump means that the one million pound PH for 2014 is increased to 1,008,700 for a 2015 program participant. But, if that farm skips 2015 and enrolls in 2016, he will be eligible for the 2016 Bump but he misses the 2015 Bump altogether.

Table 1. An Illustration of Adjustments to Production History Based on the Year of First Enrollment (assuming a Production History, based on 2011-2013 marketings, equals 1 million pounds)

Program Year	The Bump (actual 2015, hypothetical 2016-18)	Year of First Enrollment				
		2014	2015	2016	2017	2018
2014	0	1,000,000				
2015	1.0087	1,008,700	1,008,700			
2016	1.03	1,038,961	1,038,961	1,030,000		
2017	1.01	1,049,351	1,049,351	1,040,300	1,010,000	
2018	1.02	1,070,338	1,070,338	1,061,106	1,030,200	1,020,000

Like interest rates, the Bump compounds the across-the-board increases in PH over time. For a producer who enrolls in 2015, the hypothetical bumps posed in Table 1 will accumulate to an additional 7% in 2018. The farm that waits until the last year to enroll only gets the 2018 bump and would have a Production History 50,000 pounds lower than it would be had he elected coverage in 2015.

Specific calculations will depend on a particular operation's total Covered Production History and the actual Bumps, but it wouldn't take much of a benefit payment to cover the \$100 that is required at minimum to buy the Bump for 2015.

Assuming I Do Enroll in 2015, What Coverage Should I Select?

Did I already say it's not my role to tell you what coverage to select?

Different farmers obviously will choose different levels of coverage for 2015, including none at all. The reasons for different choices will involve one or more of the following factors:

1. A different assessment or expectation about likely market conditions in 2015
2. A different threshold in their personal risk management tolerance
3. A different goal for what they want or expect of the program

There isn't much to be said about market expectations. The MPP-Dairy Decision Tool on our website provides very specific market expectations based on our methodology using CME futures and options market information. When I talk about market expectations below, I will base my comments on that source, but I understand that some farmers will have a different perspective. That's fine.

Farmers who approach MPP-Dairy as one of several risk management tools available to them are probably trying to evaluate their own personal business risk profile and translate

how the national margin measurement compares to their own Income Over Feed Cost or other risk triggers that are meaningful to them. This is a good, but it is also a more complicated approach. It would be the subject of a very different and much longer paper to talk about how that sort of analysis could be made.

I can and do want to talk a bit more about the selection goals that a farmer might more generally use. There are several publications or presentations on our website that talk about this (<http://www.dairymarkets.org/MPP/ResourceMaterial/>).

A couple of strategies that I will highlight are:³

1. The Lottery: Maximizing net program returns, getting more money in benefits than I pay in premiums
2. Risk Analysis: Getting benefit payments when my Income Over Feed Costs fall below a level that I can tolerate, probably dealing with problems of either liquidity or solvency. This could be based on a sophisticated risk analysis or a less complicated comparison with benefits received under MILC or how well my farm business dealt with previous low spots in the profitability cycle.
3. The Budget: Establishing a budget or maximum amount of money I am willing to spend on premiums and picking a coverage that I can afford
4. Pick and Hold or Pick and Roll: Identifying a coverage level that I think represents a "sweet spot" – the best combination of affordable premiums but meaningful protection.
5. Just in Case: Simply taking advantage of the Catastrophic Coverage "just in case".

Consideration #4 – Enrolling in 2015 to Put a Foot in the Door – Just In Case

Many proponents of risk management generally or MPP-Dairy in particular, including the Secretary of Agriculture, are encouraging producers to enroll in the program, even if it is just for the Catastrophic Coverage level, which incurs the Administrative Fee of \$100 but has no additional premium. "At least then you have some coverage."

If that rationale appeals to you, then by all means take it. Current indications suggest that there is a very low risk of actually having the national margin drop that low in either 2014 or 2015, but enrolling in 2015 will buy you the Bump and will give you some hands-on experience with how the process works.

The Just In Case strategy in which you just take the minimum coverage makes the most sense when a producer has no idea how bad it might get but just wants to be sure he's covered if we get another 2009.

³ Thanks to my colleagues Charles Nicholson at The Pennsylvania State University and Mark Stephenson at the University of Wisconsin for fleshing out a list of strategies and stimulating my own thinking about strategies a farmer might employ.

Consideration #5 – Enrolling in 2015 to Cover Risks You Can't Afford – Risk Analysis

A basic tenet of purchasing insurance is that there are risks that simply pose an unbearable, or at least very difficult, burden should they occur, and that the cost of the insurance, over time, is less than the expected loss or cost. No one expects to have a barn fire, but few people feel confident they can cover the cost of replacing the cost of the barn and its contents without insurance.

The new national margin (ADPM) is a very specific measure. Its designers believe that its ups and downs will mirror the actual experiences of dairy farmers across the country. No one expects the specific dollars per hundredweight of the ADPM to perfectly correspond to everyone's actual Income Over Feed Cost, but it has been assumed that when the national number is low or high relative to historic averages that each farmer is similarly experiencing a low or high relative to their own average.

Other research I've been doing with my colleagues Chris Wolf (Michigan State), Mark Stephenson (Wisconsin) and Wayne Knoblauch (Cornell) suggests that how any individual farm's Income Over Feed Costs relates to the national margin will vary over time, but they do tend to move up and down more or less together.⁴

If a farmer can equate a certain level of his operation's Income Over Feed Cost to the national measure at a point in time, say the average for 2011 to 2013, he can get at least an approximate feel for what an \$8 or \$7 national margin in 2015 might mean for his own farm's IOFC. Then, if he can decide that the operation could really benefit from some help if and when his IOFC dips below that certain number, he will have an idea how to translate his number to the national margin.

Suppose for example that a dairy farm's IOFC for 2011 to 2013 averaged \$6.30 whereas the national margin average over that time period is \$7.15. Suppose further that this farmer decides that if her own IOFC goes below, say, \$5.25 that she will not be able to cope with the financial consequences. This is \$1.05 below her average IOFC for 2011 to 2013. Based on how her IOFC has related to the national margin, she might then look at buying MPP-Dairy coverage at about \$6. In this scenario, if the national margin falls below \$6, that farm would get a benefit payment coinciding with a situation where her own IOFC was likely low enough to make that payment a welcome event.

This kind of arithmetic assumes that the historic relationship between an individual farm's IOFC and the national ADPM stays about the same in future years. It may or may not. If you want to get fancy, make projections of both your IOFC and the national ADPM using what you think are consistent assumptions about milk, corn, soybean meal, hay and other feed prices relevant to your calculation.

Calculating your own IOFC isn't quite rocket science, but if you haven't been keeping the right kind of farm records it isn't all that easy either.

⁴ *This is a study in process. We anticipate being able to report the complete results in late Winter.*

Another approach you can take is to think about the last several times national margins have been low and what was your own personal experience in those years.

The early 2000s had cyclical lows in 2000, 2002-03, and 2006. The annual average national margins in those years ranged from \$7.20 in 2002 to \$7.90 in 2000. If you were farming in any of those years, do you remember your financial experience? Did you weather those "normal" lows without much difficulty? Did you find yourself pushed beyond a point you could handle? Those benchmarks might help you decide if you could benefit from MPP-Dairy coverage in the \$7 range or at some level near that.

The annual averages for 2009 and 2012 are \$4.58 and \$5.43. These are the two years that hit months of catastrophic lows well below \$4. Does how your farm performed during those two unusually hard years give you a benchmark for a level you don't want to go below without protection?

Again, your personal IOFC may have been quite different from these numbers, but you know if you were in a lot of trouble in one of those years or not so much. That might help you calibrate a national number you would rather not go below.

By remembering how much difficulty you had in a previous low year (netting out any MILC payments you got) can help you figure out whether you would have wanted Margin coverage in one or more of those years and what that coverage level would have needed to be. You can do this much without knowing what your actual Income Over Feed Cost was in any of those bad years.

Consideration #6 – Enrolling in 2015 on the Budget Plan

Some farmers may find it appealing to set a budget on how much they are willing to pay in premiums for 2015 and back into how much coverage they can afford. Remember, when you enroll in MPP-Dairy, you pick two things: 1) the dollar per cwt margin threshold (\$4 to \$8) and 2) the percentage of your Production History you want to cover (25% to 90%). If you are operating on your own budget plan, you essentially can choose between a higher \$/cwt margin threshold with a lower percentage Covered Production History or vice versa.

A budget approach will boil down to several pairs of higher dollar thresholds and lower percentages of Production History.⁵ Choices of just a little higher or lower margin threshold vs. just a little lower or higher percentage may look close enough to tempt you as well.

How do you pick between more dollars per cwt. on less milk vs. a lower margin trigger on more milk? Again, this is something each farmer will need to sort out using his own criteria. One approach might be to ask which of the two risks better describes your situation.

⁵ Using data from 21 November, consider a farm that has a (2014) PH of 4 million pounds and who is willing to spend about \$5,000 on MPP-Dairy. That farm can buy \$7 coverage on 75% of its PH for \$5,033. It can spend \$5,093 to get \$7.50 on 55% of its PH. Or, it can get \$8 coverage on 25% of its PH for \$4,891.

Is your primary challenge a liquidity risk? If your problem is cash flow, you might be better off picking a higher margin trigger even if it covers a smaller volume of milk. This will tend to ensure you get some cash even if it isn't over a big percentage of your production.

Is your primary challenge solvency risk? If your bigger challenge is solvency – you have high debts given your assets – you may be able to endure a lower \$/cwt threshold but when you hit that low point you will want it to cover a bigger percentage of your production.

Consideration #7 – Enrolling in 2015 to Cover Your Premium or More – The Lottery

No one buys insurance with the expectation or hope that they will get a bigger benefit payment than the cost of a premium. You don't want to wreck your car or burn down your house. Nevertheless, a lot of farmers are asking "what's the chance I'll get my money back if I sign up for MPP-Dairy".

Ignoring for now whether that is the right or a reasonable question, people who have this goal in mind have to keep in mind that the probability of a benefit increases as you pick higher levels of coverage. It's a sure bet that you will pay more in premiums whether or not you get any benefit payments, but the flip side is that if you go low you increase the probability that you won't get a benefit. The person who wants to play the Lottery strategy is ill advised to pick Catastrophic Coverage. This is the person who needs to think seriously about going big.

Our analysis of the margin experiences since 2000 suggests that net benefits are routinely maximized when a producer picks \$8, the maximum coverage possible, PROVIDED you can figure out when to sit a year out. In other words, the revenue maximizing choices, for all sizes of farms, is to be either all in (\$8) or all out (\$4). Going all in for 2015 runs the risk of not getting a benefit at all, but on the other hand if a producer feels strongly that s/he wants to maximize the chance of getting benefits in excess of their premiums they will have to be prepared to consider a high level of coverage.

Remember, picking a higher level of coverage affects two things relative to benefits. One, you will get a higher benefit payment if you elect a higher threshold. Two, you will be eligible for benefits more often. Less than \$4 margins don't come around very often, thank goodness. Less than \$8 margins come around more often. History doesn't tell us what will happen in 2015, but perhaps the following table will help to illustrate the point about the frequency of margin events.

Table 2. The Number of Times the Actual Dairy Producer Margin Fell Below Certain Thresholds, calculated for single months since January 2000.

Months	Margin Threshold					
	Less than \$4	\$4 to <\$5	\$5 to <\$6	\$6 to <\$7	\$7 to <\$8	\$8 or more
Number	10	5	12	16	34	99
Percentage	5.7%	2.8%	6.8%	9.1%	19.3%	56.3%

What this table tells us, at least for the almost 15 years since the beginning of 2000, is that the new national margin – the Actual Dairy Producer Margin – was below \$4 per cwt. in 10 months, but it was below \$8 in 77 months, just a little less than half the time. It was less than \$6 in 27 months or 15.3% of the months.

How Bad Will 2015 Be?

Two things are certain. One, Milk prices are heading south. Two, we don't know when the slide will stop and how low they will go.

History teaches us that we tend to be optimistic when prices start declining. We tend to anticipate average years more accurately, but we are often very optimistic when we are approaching the bottom of a cycle. We knew 2009 was going to be a rough year, but we badly underestimated just how bad it would be. There were a bunch of things that went wrong for dairy in 2009. We don't always guess that bad, but we do tend to be optimistic in a down market.

Current indications are that we are going from a good year (great actually) to an average year. That by itself would suggest our future market expectations might be a pretty good guess, based on how well futures markets anticipated average years in the past. There are some thunderclouds on the horizon that may not have been fully captured in future price expectations.

International prices give us some worrisome hints. Current futures markets are showing Class III and Class IV prices bottoming out in 2015 around \$16.50 and \$15 respectively. International prices for cheese, butter and nonfat dry milk today would equate to US Class III and IV prices that are \$2 below that. Historically, US commodity dairy prices tend to be at the lower side of the international range. Thus, our commodity dairy prices may have farther to fall than we are currently anticipating. That could pull Class III and IV prices lower than current projections indicate. This might give us some boundary on how optimistic we are, a measure of our downside risk.

Consideration #7 – The Probability of Low Margins in 2015 is Increasing

If you've looked at the MPP-Dairy Decision Tool on our DairyMarkets.org website, you know that we daily provide an estimate of the expected margin using CME futures prices but we also give percentage probabilities of lower margins. If you've been watching this page you have noticed that two things have been happening over the last month.

First, the expected margins for the two-month pairs during 2015 have dropped from the low \$10 range to the \$8 range. Second, low margins are coming sooner in 2015.

Table 3 shows a margin expectation based on CME prices on 25 August 2014. Table 4 shows margin expectations based on CME prices from 20 November 2014. It is a very stark difference.

Table 3. Expected Actual Dairy Producer Margins Based on 25 August 2014 CME Futures and Options.

Forecast Margin Select Coverage

Probability Table Forecast Graph

Margin Level	Jul-Aug 2014	Sep-Oct 2014	Nov-Dec 2014	Jan-Feb 2015	Mar-Apr 2015	May-Jun 2015	Jul-Aug 2015	Sep-Oct 2015	Nov-Dec 2015
Expected	\$13.42	\$15.19	\$12.94	\$11.17	\$10.51	\$10.27	\$10.18	\$10.61	\$10.52
< \$8.00	-	-	-	3%	9%	13%	18%	17%	22%
< \$7.50	-	-	-	2%	5%	8%	12%	11%	17%
< \$7.00	-	-	-	1%	3%	4%	7%	8%	13%
< \$6.50	-	-	-	-	1%	2%	4%	4%	9%
< \$6.00	-	-	-	-	-	1%	2%	2%	6%
< \$5.50	-	-	-	-	-	-	1%	1%	4%
< \$5.00	-	-	-	-	-	-	-	1%	2%
< \$4.50	-	-	-	-	-	-	-	-	1%
< \$4.00	-	-	-	-	-	-	-	-	1%

This table shows the expected margin and probability of a Payment in the two-month intervals protected by the insurance levels in the Margin Protection Plan. The Expected Margin and Probabilities are calculated from futures market data available on 08/25/2014.

Table 4. Expected Actual Dairy Producer Margins Based on 20 November 2014 CME Futures and Options.

Margin Protection Program Decision Tool
www.DairyMarkets.org

MPP LGM

Farm Name: Coverage Year: Actual Production History: lbs

Forecast Margin Select Coverage

Probability Table Forecast Graph

Margin Level	Sep-Oct 2014	Nov-Dec 2014	Jan-Feb 2015	Mar-Apr 2015	May-Jun 2015	Jul-Aug 2015	Sep-Oct 2015	Nov-Dec 2015	Jan-Feb 2016
Expected	\$15.88	\$12.88	\$9.62	\$8.79	\$8.70	\$9.21	\$10.09	\$10.11	\$9.77
< \$8.00	-	-	11%	35%	38%	28%	17%	22%	30%
< \$7.50	-	-	6%	25%	28%	20%	10%	16%	24%
< \$7.00	-	-	2%	16%	20%	13%	6%	11%	19%
< \$6.50	-	-	1%	10%	13%	7%	3%	6%	13%
< \$6.00	-	-	-	5%	8%	4%	2%	4%	9%
< \$5.50	-	-	-	2%	4%	2%	1%	2%	5%
< \$5.00	-	-	-	1%	2%	1%	-	1%	3%
< \$4.50	-	-	-	-	1%	-	-	-	2%
< \$4.00	-	-	-	-	-	-	-	-	1%

This table shows the expected margin and probability of a Payment in the two-month intervals protected by the insurance levels in the Margin Protection Plan. The Expected Margin and Probabilities are calculated from futures market data available on 11/20/2014.

If these margin expectations have any validity (and of course we think they do), then the clear indication is that 2015 is shaping up to be a more challenging year for dairy farmers than we thought would be the case a couple of months ago. It may get worse, or not.

Keep in mind that although the expected margin based on current future market prices have definitely worsened for dairy farmers, all of the expected margins listed in Table

4 are above \$8 per cwt. What this look at 2015 is telling us is that the dairy industry is moving from a wonderful year towards an average year. This is not a forecast of the next 2009.

On the other hand, the methodology that my colleagues have developed to calculate the probability of something lower than the expected or "best guess" margin is telling us that the probability of a payable event has increased a lot in the last few weeks.

The table is saying that there is a 35% chance that the margin for May/Apr will be below \$8, a payable event if you went all in for coverage at the \$8 threshold in 2015. The probability of a benefit for the producer who elects \$6.50 coverage in 2015, according to this calculation, never rises higher than 13%. The probability of a catastrophic \$4 margin is basically zero.

Isn't There a Sweet Spot?

Some folks have suggested that \$6 or \$6.50 coverage represents a kind of "sweet spot". I've been one of those people who talked about that kind of idea when Congress was debating the particulars of the various proposals that eventually coalesced into the Agricultural Act of 2014. My idea of a sweet spot was a level of coverage that was consistent with "normal lows" and looked to be affordably priced. Both notions are more than a little subjective, but perhaps still meaningful. My idea of a normal low is the kind of event that occurred in 2002-03 or 2006. The low point for a bi-monthly margin in 2006 was \$6.74. The year averaged \$7.67. In 2003, the low bi-monthly value was \$5.66 and the annual average was \$7.34.

\$6.50 coverage wouldn't have resulted in a benefit payment in 2006. It would have paid once in 2002 and three times in 2003.

Earlier I mentioned two strategies I call Pick and Hold or Pick and Move. The farmer that decides \$6 or \$6.50 or some other level is a "sweet spot" and just picks that coverage level every year is using a Pick and Hold strategy. A variation of this is to drop coverage to the catastrophic level in years when you've got a good reason to expect that margins will most likely be above your sweet spot threshold. This strategy would alternate between picking, say, \$6.50 for an expected bad year and \$4 for an expected good or average year.

Looking at these strategies from the 20/20 perspective of hindsight, the farmer that used a \$6.50 Pick and Hold strategy over the last 15 years would have spent more on premiums than he received in benefits. The farmer who used the Pick and Move strategy with a \$6.50 "pick" would have come out slightly ahead.

Pick and Hold or Pick and Move could be reasonable versions of a simple risk management strategy. However, no matter how convincing an argument might be made about how sweet a sweet spot is, intermediate levels of coverage are less likely to result in positive net benefits over time.

So, Should I Enroll in 2015?

Have I mentioned that I am not making a recommendation for what farmers should do with respect to electing coverage under MPP-Dairy?

The various considerations listed above are intended to help stimulate your thinking about why you might want to participate in MPP-Dairy and at what level, if you do decide to participate. There are many considerations. Some are common to a lot of farms. Some are unique to your operation and how you approach risk and/or government programs.

As I look at the market indications using our tool, I am struck that margin risk is increasing for 2015 but even then each producer has to decide if a 30% chance of rain (or snow in the case of New York) is serious enough to grab an umbrella or throw boots and a blanket in the car. You also have to decide if you want one of those little umbrellas that fits in your purse or a golf umbrella.