A Risk Management Toolbox

Sackets Harbor, NY -- Combining crops, dairy and agritourism into a vibrant and successful family-run farm operation requires an open mind toward new methods, technologies and opportunities, and the same kind of business acumen that you are likely to find in a meeting room of corporate executives.

Ron and Nancy Robbins’ farm is located in Jefferson County, New York, between the Adirondack foothills and the St. Lawrence River valley, near the eastern shore of Lake Ontario. Starting with 100 rented acres in 1977, their farm has grown to over four thousand acres of vegetables and field crops, a 1000 head dairy, a grain storage and processing facility for both feed and food-grade grains, and an agricultural tour and education enterprise.

In addition to diversification, the Robbins have adopted a range of business and risk management tools to optimize fluctuating dairy margins, maximize profit, manage risk, and ensure smooth operation and growth of the farm despite potential obstacles and challenges that could come their way.

“We’ve really embraced risk management in all aspects here, and I think it’s gotten us from being average farmers, to being above average, [in terms of] production, and financially,” said Ron Robbins.

Four years ago, with seed funding from the New York Farm Viability Institute (NYFVI), the Robbins initiated monthly meetings with their team of advisors: nutritionist, veterinarian, breeding consultant, banker, and County Extension farm business management agent. They were so satisfied with the success of these meetings that they continue to include them in their annual budget.

One of Ron Robbins’ biggest concerns is dairy volatility, on both the feed and the milk sides. He insures his field crops with crop insurance to protect against adverse weather, which gives him the confidence to forward contract feed and price his harvest ahead of time, and gives him credibility with his lender.

“Cows don’t milk if you don’t have good feed. I think more dairy producers should look at crop insurance to make sure they’re protected in case some sort of weather event limits their ability to grow crops,” Robbins said.

Looking for a way to protect milk income, Robbins purchased Livestock Gross Margin – Dairy crop insurance. LGM-Dairy insurance uses futures prices for corn, soybean meal and milk to determine the expected gross margin and the actual gross margin. If the actual gross margin is less than the expected gross margin for the insurance period, the farm receives an indemnity payment. This helps to protect the farm margin against unexpected milk price declines and feed increases.

To make the most of risk management tools, Robbins also recommends budgeting and understanding the cost of production, and selecting reputable agents and merchants to do business with.