

**Figure 1** Price risk management scenario

**700 cow**  
dairy farm

**Balance Sheet Leverage**  
Debt: 60%  
Equity: 40%  
of assets

Generally protects  
**50 - 70%**  
of expected  
milk sales

Forward contracts:  
protein, corn for  
grain, grows for  
all forage needs,  
fertilizer prices,  
fuel prices

**2017**  
is initial  
forecast

	2014 Actual	2015 Actual	2016 Plan	2017 Forecast
Net income	\$1.4 million	\$350,000	\$10,000	\$100,000
Marketing gain (loss)	(\$30,000)	\$150,000	\$200,000	?
Milk price strategy	Put options 50%	Contract 50%	Contract 60%	Hedge 50%
Input cost strategy	Contract 80%	Contract 80%	Contract 80%	Contract 80%

For illustration only. The results and information provided are estimates, are provided for informational purposes and should not be construed as advice or a recommendation. Always consult an attorney or tax professional regarding your specific legal or tax situation.