

Scenario planning pays off for Wisconsin couple

Angie Molkentin for *Progressive Dairyman*

The road to better marketing continues for Dave Geiser and Deb Reinhart of Gold Star Farms. After choosing a marketing consultant in November 2009, Dave and Deb began their journey. The destination: Better control of their business through better marketing.

Travel log entry: April 2010

"We're really celebrating here. Our March contracts were worth \$6,000 more than what we would have gotten from the milk plant without a contract. That is a biweekly payroll. Or a load of protein. Or a week at our favorite all-inclusive resort in Playa del Carmen."

Earlier this year, Deb Reinhart described their decision-making processes about marketing as "moving forward on faith." As they begin to see some of the results of those decisions, the couple says they are building some confidence and understanding of marketing strategy.

Deb describes the difficulty of those first few decisions to sell milk contracts: "We went forward in December with those contracts when everyone in the industry was still optimistic about the milk price going

up, so we weren't really sure about those decisions then. We decided to go ahead, very much relying on the advice and trust of our adviser and the desire to meet our cost of production goals."

Deb and Dave's adviser, Matt Mattke of Stewart-Peterson Market360, says that most people back in December were very optimistic about 2010 milk prices, including others on his consulting team. "The market was trending upward at the time, and could likely have continued," he recalls.

But what if that outlook was wrong?

It's the "what ifs" that make decision-making agonizing, Mattke points out. That's why he counsels every client to have a "Plan B" in place in case prices don't go up. "We call this 'market scenario planning,' and it's something we do on a regular basis when dealing with the uncertainties of commodity markets."

Market scenario planning helped Deb and Dave

Market scenario planning has its roots in ancient Roman military strategy. Battlefield strategists tried to predict what the enemy might do and then prepared their action plan. They envisioned all the possible moves, so they were ready to act if and when a



The road to better marketing



Deb Reinhart and Dave Geiser
Gold Star Farms
Chilton, Wisconsin
Milking: 270 cows
Feed: Purchase all feed from neighboring farms

First quarter 2010 marketing checklist:

- Continue to gain a better understanding of strategy
- Gain confidence with decision-making

particular scenario played out.

Beginning in January, with Mattke's counsel, Deb and Dave began to put milk pricing strategies in place that would lay the groundwork for good decision-making, whether the market continued to trend up or began trending down.

"Matt sent us thorough e-mails with charts and trigger points and explanations of at what point action should be taken," Deb says.

Those triggers are essential to good decision-making because they are part

of the overall strategy which is agreed upon in advance of the need.

Only now with the benefit of hindsight are Deb and Dave beginning to fully understand why those triggers were important for those first few sales and how having them in place helped them make better decisions "in the moment."

"Before we were going on faith; now we're starting to understand the why," Deb observes. The couple continues to learn and absorb. They are reading everything Mattke sends, plus

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be topped or bottomed out. Stops provide us that signal.”

Mattke points out that using a stops strategy often means recommending a milk sale on a down day. “This is often difficult for new clients like Deb to understand. Why would we price after the market has dropped? The answer is that we’re letting the market tell us when it’s time to use the safety net. If we do this methodically over time, we can reap the rewards of disciplined strategizing and decision-making.”

Gold Star Farms well-positioned

Mattke says it’s essential to make sales in increments over time, and that’s the approach Deb and Dave are taking. Sales have been made in 200,000-pound increments. As of April 1, 40 percent of the farm’s production was priced through June.

The first quarter of 2010 was a downward-trending market, reversing the upward trend at the end of 2009. Gold Star Farms did make use of call options during the downward-trending market. After contracting some milk in December and January, the farm got some safety call option protection in place in February for the milk they had previously contracted. Call options give a milk seller the opportunity to “re-own” that milk if prices climb sharply and a seller wants to “call”

Timeline	Emotional progress	Business progress
November 2009 Need to do something.	It feels as though our business has been running us instead of the other way around.	Taking whatever price they can get. Feeding expensive feed and selling cheap milk. Watched 25-30 percent of their equity erode.
December 2009 Getting comfortable working with adviser.	Everyone has been optimistic about 2010 milk prices. Should we be pricing now?	Communicating business goals to adviser. Setting 2010 cost of production goals with financial team. To help the balance sheet, adjusted feed costs down from 2009, set goals to procure less expensive feed.
January 2010 Forward on trust.	We are in an uncomfortable place right now, so we are procrastinating. We’re hands-on doers, and being unsure makes us not want to act at all.	Placed a few milk contracts. Focused heavily on feed-buying strategies. Set target prices that represent good values for purchasing corn, wheat and soybean meal.
February 2010 Learning, absorbing information from adviser.	I am so excited. We had a great phone conference with Matt. We looked at charts and we are understanding the strategies much better. We keep evolving...	January milk contract came in \$360 above mailbox price.
March 2010 Building confidence.	Hooray! Our contracts came in over and above the mailbox price. We are definitely meeting our cost of production goals.	February milk contract came in \$1,000 above mailbox price.
April 2010 Feeling control.	We’re really celebrating here. We are feeling more in control of our destiny, more adventurous but really appreciate the counsel of our adviser. There is no way we could monitor milk and grain marketing with all the things we juggle in the business.	March contracts were worth \$6,000 more than what they would have gotten from the milk plant without a contract. That is a bi-weekly payroll. Or a load of protein. Or a week at our favorite all-inclusive resort in Playa del Carmen.

that price opportunity back again. Only a few call options were bought, though, because the chances were relatively slim that prices would climb quickly during that time period, Mattke says.

“The methodical stops strategy means we don’t have to spend a lot of money on put and call options,” the adviser notes. “We simply use them

where needed as additional safety nets.” **PD**

See this article at progressivedairy.com for further illustration of how a STOP strategy works.

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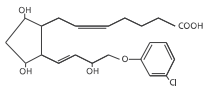
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Estrumate® (cloprostenol sodium)

Prostaglandin Analogue for Cattle
Equivalent to 250 mcg cloprostenol/mL

BRIEF SUMMARY (For full Prescribing Information, see package insert.)

Estrumate® (cloprostenol sodium) is a synthetic prostaglandin analogue structurally related to prostaglandin F₂ α (PGF₂ α). Each mL of the colorless aqueous solution contains 263 mcg of cloprostenol sodium (equivalent to 250 mcg of cloprostenol) in a sodium citrate, anhydrous citric acid and sodium chloride buffer containing 0.1% w/v chlorocresol BP as a bactericide. pH is adjusted, as necessary, with sodium hydroxide or citric acid.



ACTION:

Estrumate causes functional and morphological regression of the corpus luteum (luteolysis) in cattle. In normal, nonpregnant cycling animals, this effect on the life span of the corpus luteum usually results in estrus 2 to 5 days after treatment. In animals with prolonged luteal function (pyometra, mummified fetus, and luteal cysts), the induced luteolysis usually results in resolution of the condition and return to cyclicity. Pregnant animals may abort depending on the stage of gestation.

INDICATIONS:

For intramuscular use to induce luteolysis in beef and dairy cattle. The luteolytic action of Estrumate can be utilized to manipulate the estrous cycle to better fit certain management practices, to terminate pregnancies resulting from mismatings, and to treat certain conditions associated with prolonged luteal function.

REQUIREMENTS FOR CONTROLLED BREEDING PROGRAMS:

A variety of programs can be designed to best meet the needs of individual management systems. A controlled breeding program should be selected which is appropriate for the existing circumstances and management practices.

Before a controlled breeding program is planned, the producer’s objectives must be examined and he must be made aware of the projected results and limitations. The producer and his consulting veterinarian should review the operation’s breeding history, herd health, and nutritional status and agree that a controlled breeding program is practical in the producer’s specific situation. For any successful controlled breeding program:

- cows and heifers must be normal, nonpregnant, and cycling (rectal palpation should be performed);
- cattle must be in a fit and thrifty breeding condition and on an adequate or increasing plane of nutrition;
- proper program planning and record keeping are essential;
- if artificial insemination is used, it must be performed by competent inseminators using high-quality semen.

It is important to understand that Estrumate is effective only in animals with a mature corpus luteum (ovulation must have occurred at least 5 days prior to treatment). This must be considered when breeding is intended following a single Estrumate injection.

SAFETY AND TOXICITY:

At 50 and 100 times the recommended dose, mild side effects may be detected in some cattle. These include increased uneasiness, slight frothing, and milk let-down.

CONTRAINDICATIONS:

Estrumate should not be administered to a pregnant animal whose calf is not to be aborted.

PRECAUTIONS:

There is no effect on fertility following the single or double dosage regimen when breeding occurs at induced estrus or at 72 and 96 hours posttreatment. Conception rates may be lower than expected in those fixed time breeding programs which omit the second insemination (ie, the insemination at or near 96 hours). This is especially true if a fixed time insemination is used following a single Estrumate injection. As with all parenteral products, careful aseptic techniques should be employed to decrease the possibility of postinjection bacterial infection. Antibiotic therapy should be employed at the first sign of infection.

DOSAGE AND ADMINISTRATION:

Two mL of Estrumate (500 mcg of cloprostenol) should be administered by **INTRAMUSCULAR INJECTION** for all indications in both beef and dairy cattle.

Do not puncture stopper more than 10 times.

WARNINGS

For veterinary use only.

Women of childbearing age, asthmatics, and persons with bronchial and other respiratory problems should exercise extreme caution when handling this product. In the early stages, women may be unaware of their pregnancies. Estrumate is readily absorbed through the skin and may cause abortion and/or bronchospasms; direct contact with the skin should therefore be avoided. Accidental spillage on the skin should be washed off immediately with soap and water.

STORAGE CONDITIONS:

1. Protect from light.
2. Store in container.
3. Store at controlled room temperature 59°-86° F (15°-30° C).

HOW SUPPLIED:

20mL and 100mL multidose vials

CAUTION:

Federal (USA) law restricts this drug to use by or on the order of a licensed veterinarian.

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