

Producers and lenders get unique, inside look at team approach to risk management

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 Special for Farmshine

HARRISBURG, CANTON, and MERCER, Pa.—While attendance was hampered by the driest and sunniest day Pennsylvania dairy farmers have seen in quite awhile drawing their focus to the fields to finish corn planting... the Dairy Issue Forum put on by the Professional Dairy Managers of Pennsylvania (PDMP) last Thursday (June 2), was well attended by lenders. The forum received high marks from both the producers and lenders who took the time to hear from Wisconsin dairy producer John Ruedinger and his financial team.

“PDMP always strives to provide a unique combination of accessibility and professionalism at their forums, and this one was no exception,” said Melissa Craig of Bellefonte. Melissa holds an animal science degree from Penn State. Her husband Brian and his sister Pam and mother Sherry own and operate Murmac Farms.

“John Ruedinger and his team on the panel were very open and engaging as they shared their marketing experiences,” Craig related. “Their presentation, combined with the input from the producers and partners in the audience, created an excellent exchange of ideas.”

Craig attended because utilizing marketing strategies as a risk management tool is something she was absolutely interested in. “It’s becoming more commonplace,” she said. “Although it may appear to be a ‘new’ trend to Pennsylvania’s producers, it has been gaining momentum in other areas of the country for almost a decade. In some areas, it is almost an expected or standard financial practice. Learning from others’ experiences can only help Pennsylvania’s dairy producers as they explore marketing strategies for their farms.”

For Stan Burkholder of Burklea Farms, Chambersburg, the program was beneficial because it came from “a producer like us,” he said. John Ruedinger of Fond du Lac County, Wisconsin, was the main presenter, and he brought along his lender David Mueller and his marketing consultant Mark Ludtke of Stewart-Peterson.

“The lender was very understanding,” said Burkholder in an interview after the Forum. “He would be a great guy to work with.”

Burkholder also observed that the marketing consultant was someone who seemed easy to work with and that the financial risk of dairying is really shared by the producer and the lender.

This made the Forum a good one for the dairy lending community to participate in.

For producers, the process of developing a marketing plan can seem like a long and incremental journey, but it begins with understanding how it works from the perspective of a dairy producer who has been doing this for almost 10 years. That was the biggest benefit of Thursday’s program.

“The program certainly met my expectations,” said Andy Terrell of Mid-Atlantic Farm Credit. “I found it very valuable. It was great to have the banker, producer and broker from Stewart-Peterson all there together to talk about how each of them work together to make the hedging program work.”

Terrell noted that “the whole area of risk management has become very important to understand with the volatility we’ve had in the industry, and given the fact that dairy farming is capital intensive.

“Being able to manage all risk on the farm, including the milk price risk, is another tool in the toolbox,” he said, add-



(Above) Brian and Melissa Craig of Murmac Farms with sons Austin (left) and JT. (At left) Rich Stup of AgChoice Farm Credit.

ing that he wanted to gain an understanding of how Ruedinger’s team set up his margin account to fund the margin calls in a way that’s both accessible to the bank and to the dairy producer.

“It was good to be able to ask those questions and see how

they covered this by a separate margin line of credit and how that is balanced out of a standard milk operating line of credit once a month,” said Terrell. “The dairy farmer and the bank really need to have this worked that out ahead of time in order to make things work properly.”

He also noted that with the tools that are available through cooperatives, through the LGM-Dairy insurance (when it becomes available again), and through individual hedge accounts, producers have the ability to develop a marketing plan tailored to their own farm’s situation and tolerance for risk in the marketplace.

“This is another tool that is avail to us,” noted Rich Stup of AgChoice Farm Credit, who had participated on the planning committee for the June Forum. “Every year, Pennsylvania dairy producers are becoming more sophisticated and better business managers. That’s the nature of the business today. We can’t take things for granted or we won’t be in this business very long. Price risk management is something dairy producers are becoming very conscious of.”

For Stup, one of the take home messages from the forum is the need to develop relationships to accomplish good risk management.

“Communication and planning are keys to it,” he said. “That was evident in the dynamics of Ruedinger’s team as they answered questions. It’s really about tying the marketing strategy back to the farm’s goals. It really matters what the farm’s goals are and that they are communicated.”

Communication came through loud and clear from all pan-

elists at the forum. “It’s clear these guys are all very much involved with John’s business,” said Stup. “They know what the goals of the business are. John even has his feed nutritionist prepare John’s budget for the feeding program for the year, talk about communication. John really takes advantage of the skills of those professionals around him.”

Planning was another thing John Ruedinger emphasized. “In this case, they look at price risk management and look into the future and look at different scenarios to develop plans to use to achieve the farm’s goals,” said Stup. “His marketing advisor with Stewart-Peterson has an interesting approach to that. With scenario planning, John knows at any given time they have pre-planned what do if the market does this or that. All of the positions are already thought through so he can be proactive instead of having to react, so he can act on it, using his existing plan.”

This also takes the emotion out of the decisions because the pre-planning already considered the approach to follow under possible scenarios.

Sandy Crawford of AgChoice Farm Credit, attended the forum in Canton by video, and she found one of the biggest takeaways was to see the team approach in action.

“How John does the team approach with his marketing advisor and lender, and the amount of information he disclosed to the people working close to him, really helped him best utilize their services,” said Crawford in an interview after the Forum. “He talked about bringing the entire team together when working on his budget for his year and then having monthly meetings with the core group.”

PDMP president Glenn Gorrell, a Bradford County dairy producer, saw the forum as everything they wanted it to be. “We heard two things: John’s farm and how he manages it, which was another insight all by itself, plus the risk management tools that were the focus of the forum,” said Gorrell. “It was interesting to listen to John’s everyday management techniques.”

For Melissa Craig, the management techniques were a highlight. “Ruedinger Farm and Murmac Farm share some similarities as they have transitioned and expanded over the last 30 years,” Craig explained. “I asked Mr. Ruedinger how he changed his philosophies so that he could ‘let go’ and allow his employees to handle their responsibilities independently. I then asked him to follow up and relate how those changes gave him the ability to ‘let go’ and trust in his financial team.

“John responded that he needed to realize that he could do more for his business by ‘pushing a pencil’ for a couple hours than by driving a tractor all day,” Craig reflected. “That allowed him to ‘let go’ with his financial team.

“As for ‘letting go’ with employees...he stated that if you match your employees’ interests to their job duties, and encourage them to apply their own ideas, you will get back more than you ever expected,” said Craig. “I think John’s lender, David Mueller, summed it up best when he said that John’s philosophy was to ‘let the employees achieve their goals on his operation.’”

Look for more information on developing a marketing plan in future editions of the PDMP page in Farmshine. For more information about PDMP’s upcoming forums on profitability in August and November, visit www.pdmp.org.

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