

Risk Management: Resources & Information

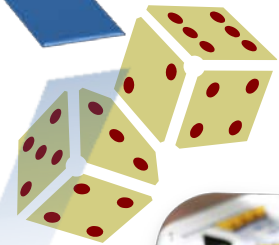
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Farmers Face Many Challenges!

- ◆ Markets
- ◆ Competition
- ◆ Transportation
- ◆ Labor issues
- ◆ Others?

RISK



What is Risk?

danger

possibility

Endanger

Chance

peril

gamble

exposure

jeopardy

consequence

hazard

menace

threat

RISK

What is Risk?

- In general, risk is defined as...”the possibility of loss or injury.” (<http://www.merriam-webster.com>)
- Risk is...*the possibility of adversity or loss, and refers to “uncertainty that matters.”*

USDA/ERS Managing Risk in Farming: Concepts, Research and Analysis (1999)

What is Agricultural Risk?

- Agricultural Risk is “the probability that an unpredictable event occurs which will negatively affect your farm business.”
 - Reduce productivity and annual income
 - Impact your financial situation & repayment capacity
 - Affect your personal or family satisfaction and wellbeing

Sources of Risk

- **Production** – affects yields & quality
- **Market or Price** – changes in prices for inputs/outputs or market conditions
- **Financial** – Changes in income, debt to asset ratio, repayment capacity
- **Legal/Institutional** – changes in policies and regulations, contractual agreements
- **Human Resource** – Labor availability & management



What Risks Impact Your Farm?

Analyze your **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats (SWOT Analysis) to identify the risks impacting your farm business.

Strengths	Weaknesses
Opportunities	Threats

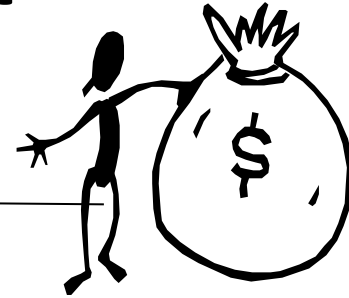
Complete the USDA-RMA Risk Management Checklist!!

What is Risk Management?

- Risk management is the process of choosing among alternatives to reduce the financial effects of risk or uncertainties
- A **conscious** effort of planning, organizing, directing, and controlling resources and activities.
- Requires the evaluation of tradeoffs between changes in risk, expected returns, entrepreneurial freedom and other variables

Risk management Approaches

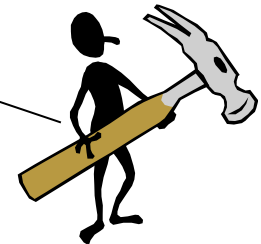
- Assume the risk



- Avoid the risk



- Reduce the risk



- Transfer the risk



What can you do?

- Risk management is hard work
- The Risk management process can be intimidating and costly
- Educate yourself ..There is plenty of information available
 - Risk Management Agency (RMA)
 - Cooperative Extension
 - Insurance companies/agents
- ***Insurance can be an option...***you may buy yield, price or revenue insurance.

Resources?

- ◆ USDA RMA: www.rma.usda.gov
- ◆ The Ag Risk Library;
<http://www.agrisk.umn.edu>
- ◆ Right Risk: <http://rightrisk.org/>
- ◆ Managing in Tough Times:
<http://mittnet.extension.org/>
- ◆ Ag In Uncertain Times:
www.farmmanagement.org/aginuncertaintimes/

THANK YOU!!

Questions?

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