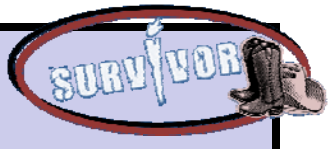


Surviving in Agriculture



The USDA's Risk Management Agency and the University of California Cooperative Extension in San Diego County invite you to join us for **Surviving in Agriculture** a risk management workshop that will help your farm thrive in today's challenging environment. Workshop presentations and activities are designed to help you and your family or business partners gain a better understanding of how to manage risk in your farm operation.

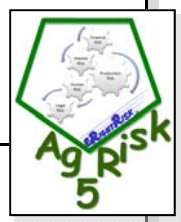


Tuesday, June 26th 2012
9:00 a.m. - 12:00 noon
San Diego County Farm Bureau
1670 East Valley Parkway, Escondido

Program #1

Welcome: Ramiro Lobo, Farm Advisor, University of California

- C**hallenges and opportunities for Agriculture in San Diego County:
A comprehensive overview on water, land, labor, pests, economics, and more
Ramiro Lobo, Small Farms & Agricultural Economics Farm Advisor, University of California
- A**g Risk-5: Learn more about tools for managing risk and thriving in today's agriculture
Dr. Jay Parsons, Agricultural Economist, Colorado State University
- O**rchard Crops: risks and challenges in orchard crop production
Dr. Gary Bender, Citrus, Avocados and Subtropical Crop Advisor, University of California
- S**trategic Risk Management: calculate your tolerance for risk
John Hewlett, Ranch/Farm Management Specialist, University of Wyoming
- A**g Survivor - Risk Decisions on Farms (a risk simulation)
John Hewlett and Dr. Jay Parsons



Program #2

Tuesday, June 26th 2012 - 1:00 to 3:00 p.m.

- P**practice using risk management tools using actual farm records/case study information (computers provided). See how your operation compares to others, learn to analyze your own records, evaluate risk exposure and more....



Registration/Fee: \$20 per farm/ranch couple if paid online or postmarked by **Friday - June 22**; and \$25 thereafter or at the door. The registration fee covers lunch and instructional materials.
 Register online at: <http://ucanr.org/riskmgt-2012> or contact Barbara Henderson for registration details.

Local Contact: For more information or to request special accommodations you may need, please contact Ramiro Lobo or Barbara Henderson by phone at 760.752.4724 or by email at relobo@ucdavis.edu or bghenderson@ucdavis.edu.



Ag Risk 5



Sources and Tools Available for Managing Risk on Farms and Ranches in California

Jay Parsons
John Hewlett

What is RISK?

- RISK: The probability of an event occurring that can negatively impact your:
 - *Current profit level*
 - *Financial situation (equity position)*
 - *Satisfaction and well-being*

Origin of Word RISK

- RISICARE

–*Italian word*

–“*TO DARE*”

Risk Tradeoffs

Profits are
the returns for
taking risks



- Upside: Greater risk taking usually leads to greater wealth over time
- Downside: Losses from risk taking can potentially be devastating
- Managing risks are a matter of evaluating tradeoffs.
- How much risk and how much stress are you willing to endure to potentially achieve higher returns?

Sources of Risk

- **Business Risks**
 - *Business risks are those risks that occur independently of the way a firm (or farm) is financed. Even with 100% equity (no debt obligations) these risks still occur.*
- **Sources of Business Risk**
 - *Market risk*
 - *Production risk*
 - *Institutional risk*
 - *Social risk*
 - *Legal risk*
 - *Human risk*

Marketing and Price Risk

Prices of inputs or outputs change after you commit to a plan of action.

What are Your Sources?

- Total national production
- Government programs
- Demand (including quality issues)
- Seasonal effects

Marketing and Price Risk

What are Your Management Controls?

- Forward pricing or contracting
- Diversified market timing
- Diversified production
- Selecting low price risk enterprises
- Obtaining market outlook reports (information)
- Negotiated lease agreements
- Crop Insurance

RMA

RightRisk

7

Production Risk

Uncontrollable events such as weather, pests or disease make yields or inputs unpredictable.

What are Your Sources?

- Weather
- Pests
- Disease
- Genetic variations
- Timing of operations



RMA

RightRisk

8

Production Risk

What are Your Management Controls?

- Selecting low production risk enterprises
- Using low-risk production practices
- Diversification
- Maintaining flexibility and extra capacity
- Utilizing land over a wide spread area
- Crop insurance



Current Federal Insurance Options

Insurance Plans Available in California			
Insurable Crops	Insured Acres	Total Acres	Percent Insured
Adult Seed	4,672	29,710	15%
Almonds	62,420	720,000	8%
Apples	5,514	18,000	30%
Azuki	35,508	52,158	68%
Buckwheat	62,360	1,000,000	6%
Cherries	24,517	29,000	85%
Citrus - All types of fruit	200,000	200,000	100%
Corn	222,386	640,000	35%
Cotton & ELS Cotton	262,264	420,000	62%
Beans (Dry)	15,506	40,000	39%
Flax	9,511	8,791	108%
Forage Production	144,729	340,000	43%
Grapes (Table)	78,720	80,000	98%
Grapes (Wine)	448,681	487,000	92%
Grain Sorghum	1,087	17,000	6%
Mint	2,368	3,700	64%
Onion	12,884	20,000	64%
Ornamentals	2,328	43,000	5%
Peanut	7,107	11,177	63%
Pecans	100	3,000	3%
Potatoes	23,487	29,000	81%
Pumpkins	24,190	30,000	81%
Rice	483,642	375,000	128%
Rice (Unirrigated Wild)	9,007	10,000	90%
Safflower	32,045	48,000	67%
Soybeans (Includes Plums)	71,862	115,000	62%
Sugar Beets	3,378	25,000	14%
Tomatoes (Fresh)	115,968	90,000	130%
Tomatoes (Processing)	245,173	258,000	95%
Wheat	125,881	277,000	45%
Wheat	439,487	860,000	51%

Dollar Liability Program		Total Dollar Liability	
Adjusted Gross Revenue		\$50,995,073	
Agriculture (Market Index)		\$1,909,793	
Forage Seedings		80	
LSP Feeder Cattle/Fed Cattle/Steer/Dairy		\$1,865,743	
LSP Lamb		\$15,125,681	
Sheep		\$20,473,471	
Wool (Market Index)		\$20,745,868	
Wool		\$128,472,707	

Crop Pilot Programs		
Program	County Availability	
Adjusted Gross Revenue	Fresno, Kern, Riverside, San Diego, San Joaquin, San Luis Obispo, Tulare and Ventura Counties	
Agriculture (Market Index)	All Counties	
Forage	Orange, Riverside, San Diego, San Luis Obispo, Santa Barbara and Ventura Counties	
Produce	Contra Costa, Fresno, Kern, Santa Clara, San Joaquin, Stanislaus and Tulare Counties	
Cherries	Fresno, Kern, Madera and Tulare Counties	
Forage (All) Seed	All Counties	
Citrus (Dollar Amount)		
Wool (Market Index)		

Western Regional Compliance Office		LRP - Livestock Risk Protection (Not Available)	
Contact: Jeff Veal, Director		PRP - Pasture, Rangeland, Forage	
Address: 430 S. Street, # 4168			
Davis, CA 95616			
Phone: (530) 792-5850			
Fax: (530) 792-5850			
E-Mail: jeff.veal@rma.usda.gov			

<http://www.rma.usda.gov/pubs/2012/stateprofiles/california11.pdf>

California Fifteen Year Crop Insurance History						
Year	Policies Earning Premium	Net Acres Insured	Liability	Gross Premium	Losses	Loss Ratio
1997	21,416	3,322,856	1,796,989,512	88,138,544	22,184,148	0.23
1998	23,089	3,526,298	2,124,399,638	109,881,653	118,272,047	1.08
1999	28,590	4,023,277	2,494,656,258	130,826,215	133,134,448	1.02
2000	29,191	4,278,811	2,746,253,781	143,343,881	92,359,640	0.64
2001	27,668	4,810,138	2,690,254,801	142,319,840	117,309,796	0.82
2002	27,200	3,920,007	2,833,818,262	146,356,279	79,069,848	0.54
2003	26,471	3,969,438	2,951,841,257	150,191,677	79,366,130	0.53
2004	25,629	3,668,123	3,153,568,412	157,913,694	85,152,323	0.53
2005	24,869	3,818,813	3,317,832,621	168,995,411	92,497,107	0.55
2006	24,480	3,232,668	3,058,807,941	186,617,268	98,500,333	0.47
2007	24,207	3,780,829	3,708,288,115	187,455,253	154,139,100	0.82
2008	24,074	3,870,375	3,911,843,812	187,920,948	89,455,031	0.48
2009	24,273	3,852,206	4,448,816,611	243,273,227	177,694,829	0.73
2010	24,489	3,752,220	4,493,432,544	219,282,809	111,142,002	0.51
2011	23,974	4,002,185	4,418,781,274	239,149,814	99,694,654	0.21



2011 California Crop Insurance Profile

Insurance Plans Available in California

Insurable Crops	Insured Acres	Total Acres	Percent Insured
Alfalfa Seed	4,627	39,710	12%
Almonds	624,825	750,000	83%
Apples	6,524	18,000	36%
Avocados	35,508	52,158	68%
Barley	64,300	120,000	54%
Blueberries	1,940	3,900	50%
Cherries	24,017	29,000	83%
Citrus – 8 types of fruit	220,049	267,400	82%
Corn	222,386	640,000	35%
Cotton & ELS Cotton	382,354	450,000	85%
Beans (Dry)	15,506	40,000	39%
Figs	5,521	8,791	63%
Forage Production	144,729	940,000	15%
Grapes (Table)	78,770	85,000	93%
Grapes (Wine)	446,691	497,000	90%
Grain Sorghum	1,087	17,000	6%
Mint	2,368	3,700	64%
Oats	12,394	20,000	62%
Onions	2,328	43,300	5%
Pears	7,977	11,977	67%
Pecans	126	3,300	4%
Potatoes	23,497	29,000	81%
Prunes	54,180	58,000	93%
Rice	483,642	575,000	84%
Rice (Cultivated Wild)	9,007	10,660	84%
Safflower	32,045	58,000	55%
Stonefruit (Includes Plums)	75,862	115,000	66%
Sugar Beets	3,378	25,000	15%
Tomatoes (Fresh)	15,356	30,000	51%
Tomatoes (Processing)	245,173	258,000	95%
Walnuts	126,981	227,000	56%
Wheat	435,467	860,000	51%
Dollar Liability Program		Total Dollar Liability	
Adjusted Gross Revenue			\$50,995,078
Apiculture (Rainfall Index)			\$0
Forage Seeding			\$1,909,793
LRP Feeder Cattle/Fed Cattle/Swine/Dairy			\$73,895,743
LRP Lamb			\$15,122,687
Nursery			\$266,473,421
PRF (Rainfall Index)			\$20,745,858
Raisins			\$106,472,704

Davis Regional Office

Contact: Jeff Yasui, Director
Address: 430 G Street, # 4168
Davis, CA 95616
Phone: (530) 792-5870
Fax: (530) 792-5893
E-mail: jeff.yasui@rma.usda.gov

Crop Pilot Programs

Program	County Availability
Adjusted Gross Revenue	Fresno, Kern, Riverside, San Diego, San Joaquin, San Luis Obispo, Tulare and Ventura Counties
Apiculture (Rainfall Index)	All Counties
Avocados	Orange, Riverside, San Diego, San Luis Obispo, Santa Barbara and Ventura Counties
Cherries	Contra Costa, Fresno, Kern, Santa Clara, San Joaquin, Stanislaus and Tulare Counties
Forage (Alfalfa) Seed	Kings and Fresno Counties
Citrus Dollar (Navels)	Fresno, Kern, Madera and Tulare Counties
PRF (Rainfall Index)	All Counties

Western Regional Compliance Office

Contact: Susan Choy, Director
Address: 430 G Street, # 4167
Davis, CA 95616
Phone: (530) 792-5850
Fax: (530) 792-5865
E-Mail: susan.choy@rma.usda.gov

LRP = Livestock Risk Protection
NA = Not Available
PRF = Pasture, Rangeland, Forage

Data as of January 2012



California Fifteen Year Crop Insurance History

Year	Policies Earning Premium	Net Acres Insured	Liability	Gross Premium	Losses	Loss Ratio
1997	21,416	3,322,859	1,796,989,512	98,138,544	22,184,168	0.23
1998	24,069	3,526,388	2,124,396,498	109,881,653	118,272,047	1.08
1999	28,590	4,023,277	2,494,656,258	130,826,215	133,134,448	1.02
2000	29,191	4,278,811	2,796,253,781	143,343,081	92,359,660	0.64
2001	27,958	4,010,128	2,690,254,801	142,519,840	117,359,756	0.82
2002	27,200	3,920,007	2,833,618,262	146,356,279	79,069,948	0.54
2003	26,471	3,990,438	2,951,841,797	150,191,677	79,366,135	0.53
2004	25,629	3,908,123	3,153,568,412	157,913,694	83,152,323	0.53
2005	24,859	3,818,813	3,317,832,621	168,995,411	92,497,107	0.55
2006	24,490	3,732,668	3,658,867,941	186,617,268	88,506,353	0.47
2007	24,207	3,780,829	3,708,288,115	187,455,253	154,139,100	0.82
2008	24,074	3,810,375	3,911,645,612	197,920,945	89,455,031	0.45
2009	24,723	3,932,306	4,648,316,411	243,273,227	177,694,925	0.73
2010	24,649	3,752,230	4,493,432,544	219,282,609	111,142,020	0.51
2011	23,914	4,002,185	4,618,781,274	239,149,814	49,494,554	0.21

* 2011 numbers are incomplete

NOTE: To see detailed information on the above 15 Year Crop Insurance History by County, go to RMA's Summary of Business Application at: <http://www3.rma.usda.gov/apps/sob/> and then click on the "Run Current Reports" button. Select the State/County tab and then select the appropriate Year and State to get a listing by County. Select the desired output type – Formatted Print or Download Data to Excel.



Institutional Risk

Government or other institutional rules, regulations and policies effect profitability through costs or returns.

What are Your Sources?

- Changes in social attitudes
- Changing regulations about land use and environmental quality
- The possibility of lawsuits for accidents or misuse of chemicals

Institutional Risk

What are Your Management Controls?

- Maintaining a liability insurance program
- Keeping informed of new regulations and interpretations of the law



Human Risk

The character, health or behavior of the people involved in your operation introduces risk.

What are Your Sources?

- Health issues
- Divorce
- The possibility of losing a key employee
- Moral or the mental state of the work force



Human Risk

What are Your Management Controls?

- A backup management plan
- A plan to deal with the possible loss of a key employee
- Maintaining a health and life insurance program
- Establishing and maintaining an estate plan
- A good employee benefit package

Sources of Risk in Agriculture – *Ag Risk 5*

1. Marketing and Price Risk
2. Production Risk
3. Institutional Risk
4. Human Risk
5. Financial Risk



RMA

Right Risk

15

Financial Risk

Financial risk is the extra risk that is attached to being leveraged. It's the added variability that results from financial obligations associated with debt financing.

What are Your Sources?

- Possibility of losing a lease
- Production, prices, or casualty losses
- Instable financial partners
- Anything that would negatively affect cash flow and the ability to meet debt obligations

RMA

Right Risk

16

Financial Risk

What are Your Management Controls?

- Maintaining a financial cushion
- Practicing solid land leasing strategies
- Incorporating all or part of your operation
- Maintaining up-to-date financial information

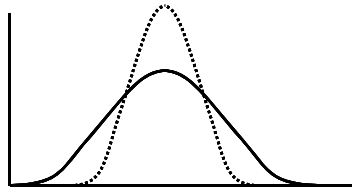


Strategies for Managing Risk

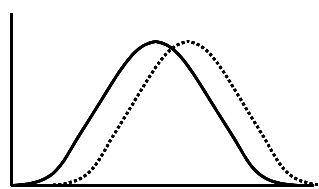
1. Avoid it
2. Reduce it
 - a) *Reduce the probability it will happen*
 - b) *Reduce the impact if it does happen*
3. Transfer it outside the business
 - a) *Insurance*
 - b) *Contracting*
4. Build your internal capacity to bear
 - a) *Increase reserves*
 - b) *Maintain flexibility*
5. Accept it

Strategy Impacts

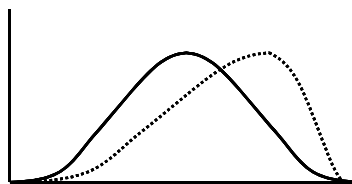
Panel 1: Same Mean, Less Dispersion



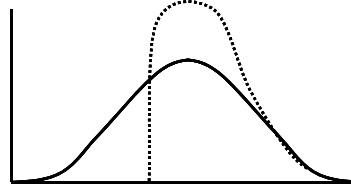
Panel 2: Same Dispersion, Higher Mean



Panel 3: Skewing the distribution



Panel 4: Truncating the Distribution



RMA

RightRisk

19

Personal Perspectives on Risk

- Generational differences
- Gender differences
- Life stage/family differences
- Life experiences

These are dynamic and change over time.

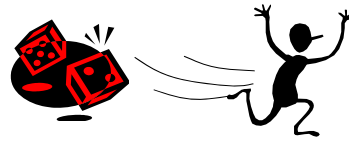
RMA

RightRisk

20

Types of Risk Preference

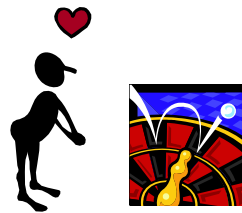
Risk Averse



Risk Neutral



Risk Loving



RMA

RiskRisk

21

Risk Preference

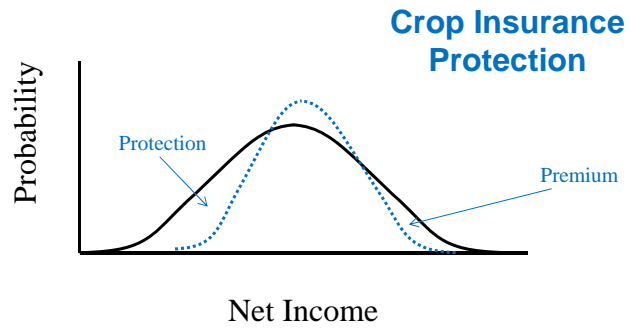
Management situations with multiple decision makers are likely to have multiple risk preferences represented.

RMA

RiskRisk

22

How much risk is right for you?

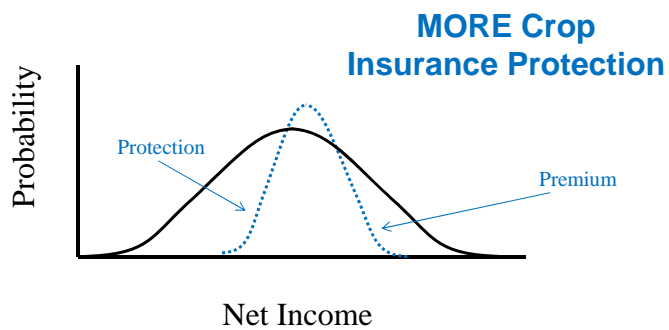


RMA

Risk Risk

23

How much risk is right for you?



RMA

Risk Risk

24

QUESTIONS?

University of California
Agriculture and Natural Resources

Thank You!

Contact info:

Jay Parsons

jparsons@eRightRisk.com

970-215-8043

RMA

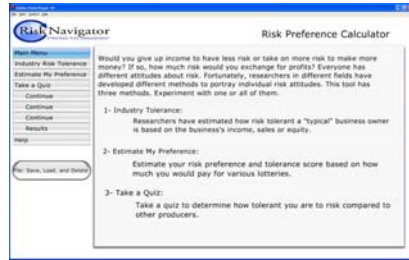
eRightRisk

25

Strategic Risk Management in Agriculture

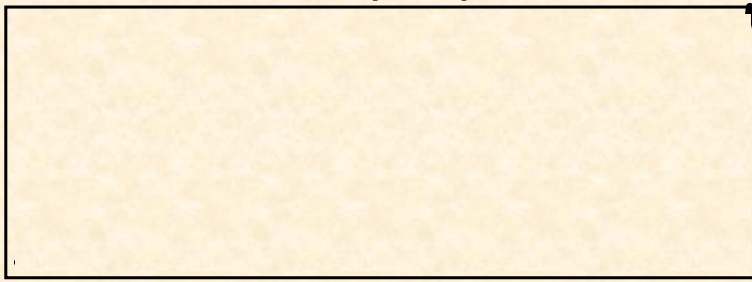


John Hewlett
Jay Parsons



- Introduction
- Strategic
- Tactical
- Operational
- Ag Risks
- Do It Yourself
- Risk Navigator SRM

What Does This Graph Represent?



1900 Time Today



NEW THINKING NEEDED

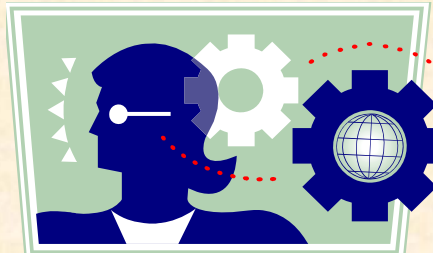


Risk Navigator SRM



Strategic Thinking Involves

Studying the environment through an intuitive, visual and creative process, which results in an understanding of the emerging themes, issues, patterns and opportunities.

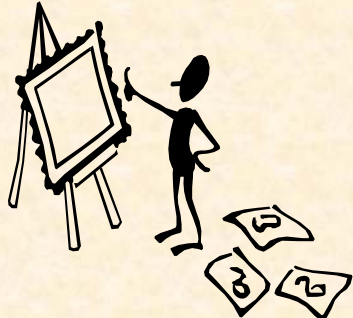


Risk Navigator SRM

- Introduction
- Strategic
- Tactical
- Operational
- Ag Risks
- Do It Yourself
- Risk Navigator SRM

“The best way to predict the future is to create it.”

Peter Drucker



Risk Navigator SRM

- Introduction
- Strategic
- Tactical
- Operational
- Ag Risks
- Do It Yourself
- Risk Navigator SRM



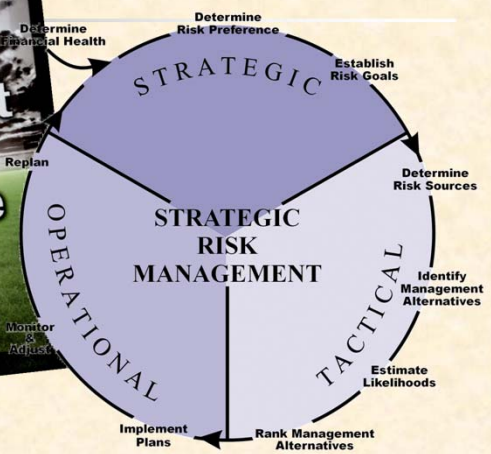
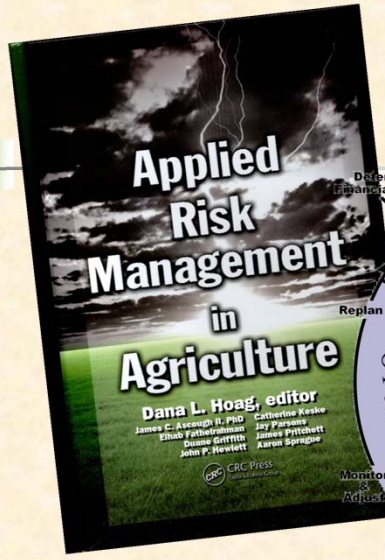


Sources of Risk

- **Production**- yield/quality variability
- **Marketing**- changes in price/external conditions
- **Financial**- variability in debt/equity capital and ability to meet cash demands
- **Legal**- responsibilities for contracts, statutory compliance, tort liability, and business structure
- **Human**- managing people and estate transfers



Risk Navigator SRM



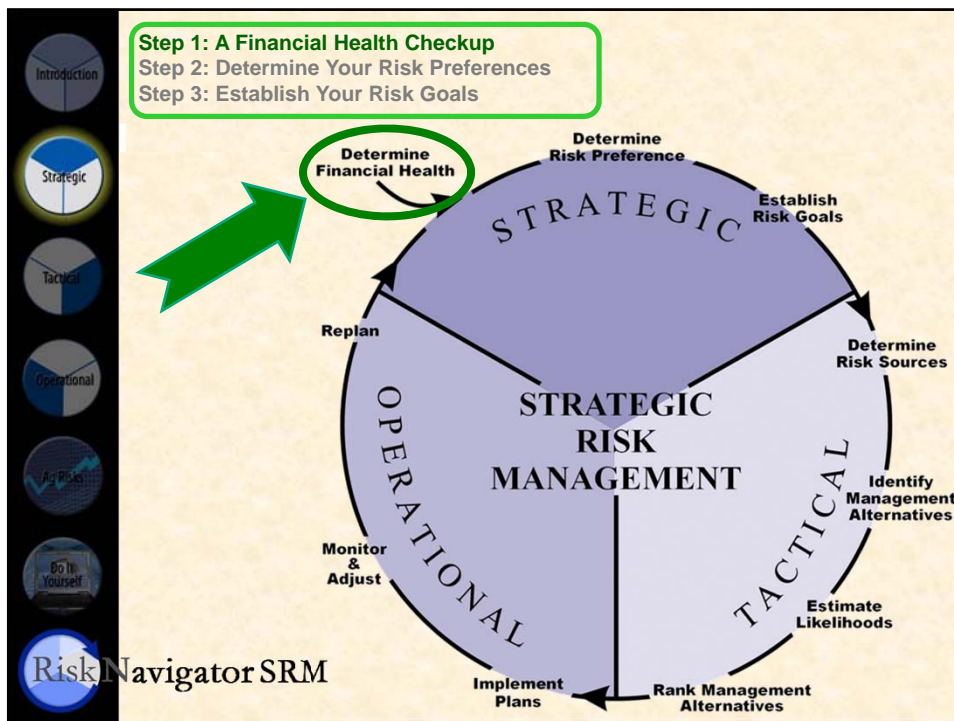
Risk Navigator SRM

Strategic Management

“...Choosing where to go...”

The first stage of the process, provides an initial understanding of the health of the financial resource available

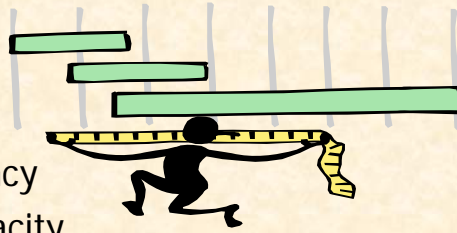

Risk Navigator SRM



- Introduction
- Strategic
- Tactical
- Operational
- Risk
- Do It Yourself
- Risk

Measures of Financial Health

- **Financial Performance Measures**
 - Liquidity
 - Solvency
 - Profitability
 - Financial Efficiency
 - Repayment Capacity
- ***SWEET 16***

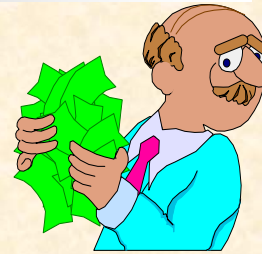

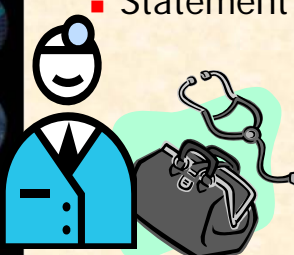



Risk Navigator SRM

- Introduction
- Strategic
- Tactical
- Operational
- Risk
- Do It Yourself
- Risk

Sources of Financial Information

- **Financial Statements**
 - Balance Sheet
 - Statement of Cash Flows
 - Income Statement
 - Statement of Owner Equity

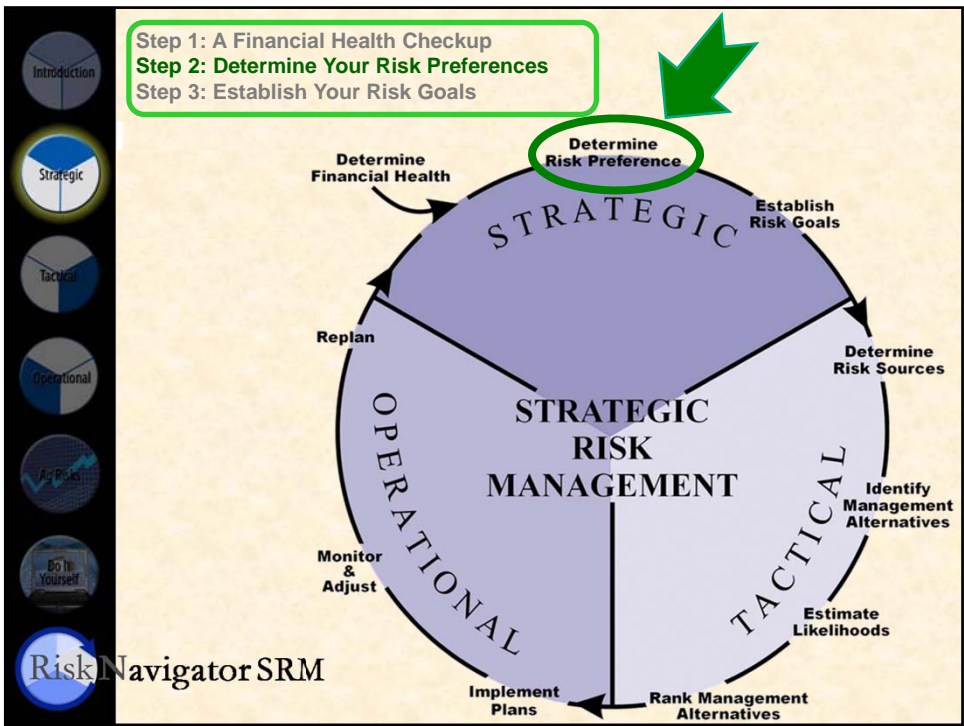





- Introduction
- Strategic
- Tactical
- Operational
- Do It Yourself
- Risk Navigator SRM

Resource Inventory

- Land/ Equipment
- Improvements
- Soil, Water, Range
- Livestock
- Finances
- Wildlife
- Human Potential

Risk Navigator SRM






Risk Preference

- Measurable
- Dynamic (changes over time)
- Influenced by a number of factors
 - Financial health/wealth
 - Current risk portfolio
 - Value at risk (consequence)
 - Demographics: gender, age
- Measure CURRENT risk preference

Risk Navigator SRM



Risk Trade-offs

- Upside: Greater risk taking leads to greater wealth over time
- Downside: Losses from risk taking can be potentially devastating
- How much inconvenience and stress are you willing to endure?

Risk Navigator SRM

Introduction

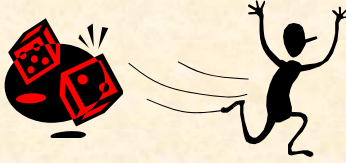
Strategic


Tactical

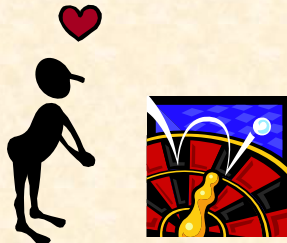
Operational

Risk Navigator SRM

Three Types of Risk Preference

Risk Averse 

Risk Neutral 

Risk Loving 

Risk Navigator SRM

Introduction

Strategic

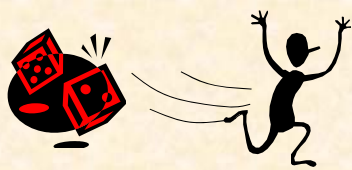
Tactical

Operational

Risk Navigator SRM

Risk Averse

- Prefers investment with lower, but certain, expected payoff
- Compare to an investment with higher, but uncertain, payoff



Risk Navigator SRM



Risk Neutral

- Only cares about the expected payoff of an investment and not the risk that must be taken to achieve the investment goal
- Neither actively takes risks nor pays to avoid them
- Example: Self-insures against loss



Risk Navigator SRM



Risk Loving

Actively engages in risky investments



Risk Navigator SRM



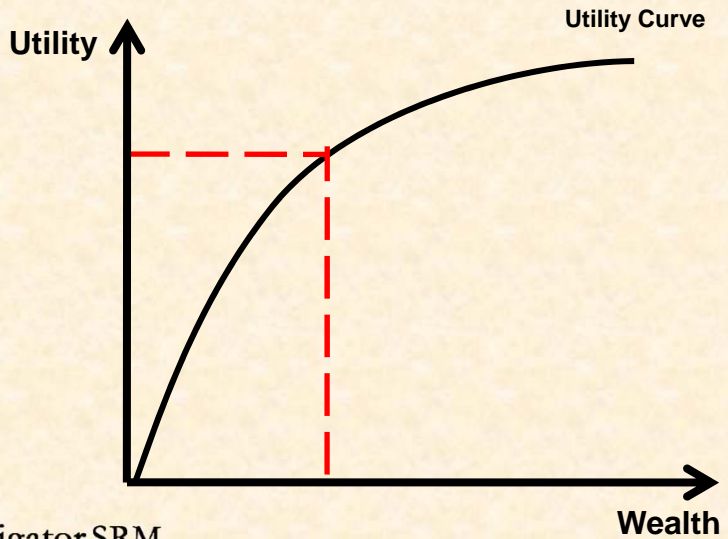
Utility (U)

- Scale of satisfaction
- Based on economic theory
- Mathematically complex formulas that show:
 - Risk tolerance depends upon wealth
 - Satisfaction derived from wealth
 - Rate of satisfaction derived from wealth changes as wealth changes
 - Utility derived from wealth $U(W)$

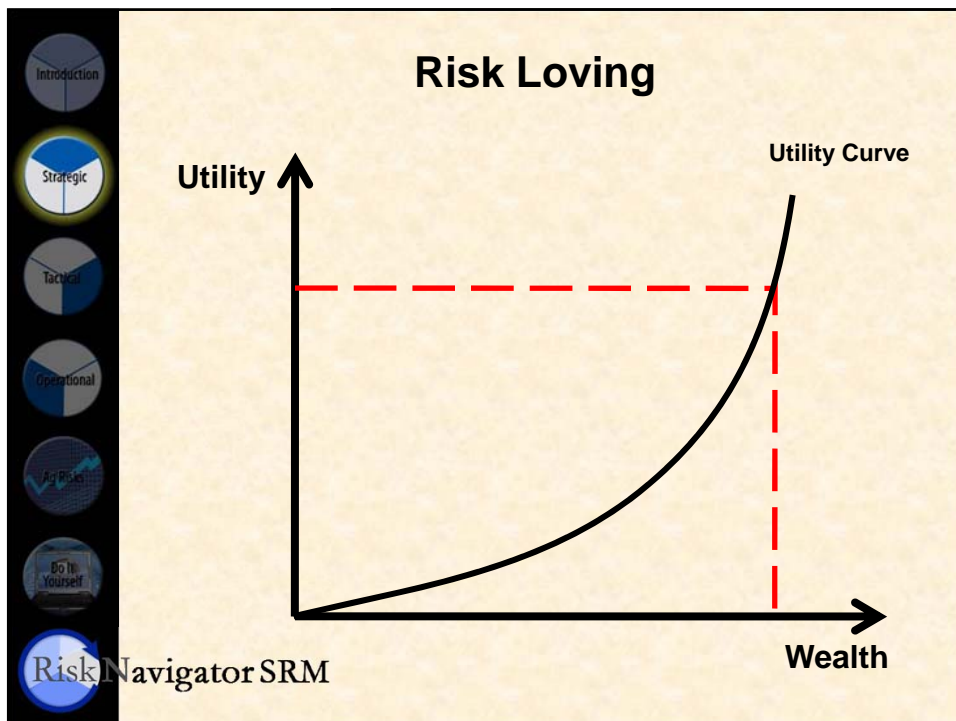
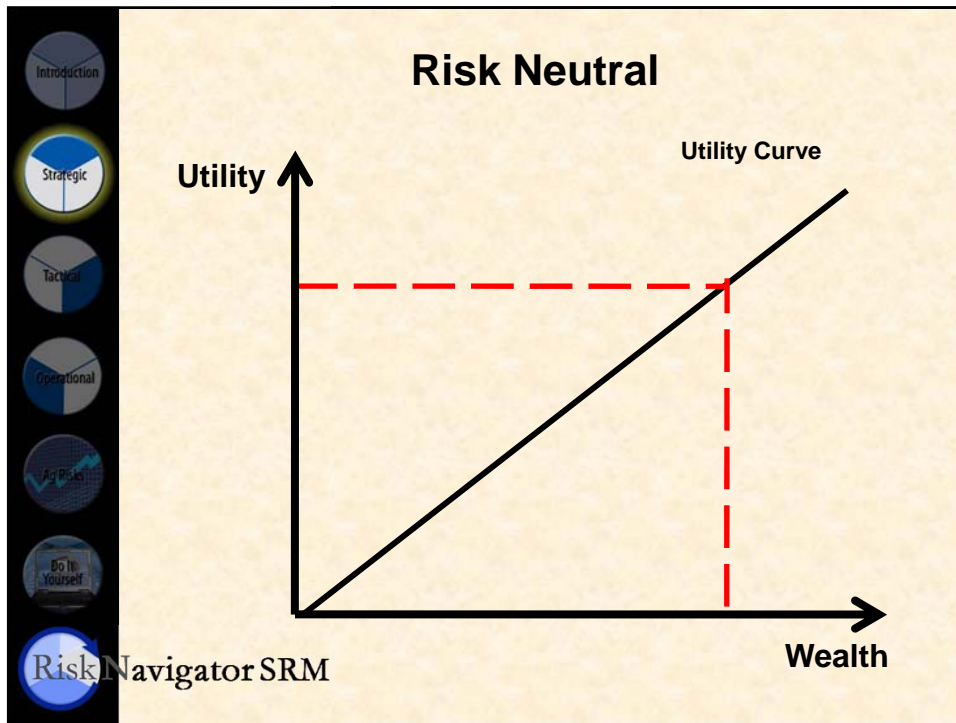
Risk Navigator SRM



Risk Averse



Risk Navigator SRM



Introduction

Strategic


Tactical

Operational

Risk

Do It Yourself

Risk Navigator SRM



Finding Your Ability and Preference to Tolerate Risk

Investment Risk Tolerance Quiz

1. In general, how would you describe your attitude toward risk?

- A total gambler
- Willing to take risks after consulting with expert advisors
- Cautious
- A total risk averse

2. You are on a TV game show and the chance of winning is 50%. Which would you prefer?

- \$1,000 in cash
- A 50% chance of winning \$2,000
- A 50% chance of winning \$10,000
- A 50% chance of winning \$100,000

3. You have just finished working for a "Toxic Waste Removal" company. There is a 50% chance you will get cancer, and a 50% chance you will die. How do you feel about this?

- I would like to quit
- I take a short-term vacation and then return to work
- I take a short-term vacation and then return to work after a job search
- I would never work for a job like this
- I would never work for a job like this unless I had a very high salary

4. If you were offered \$100,000 in cash, would you accept it?

- Yes, I would accept it
- No, I would not accept it
- I would accept it if I had a very high salary
- I would accept it if I had a very high salary and a 50% chance of winning \$1,000,000

Introduction

Strategic

Tactical

Operational

Risk


Do It Yourself

Risk Navigator SRM

Please select a Team.


1. Team 1
2. Team 2

0%



Team 1

0%

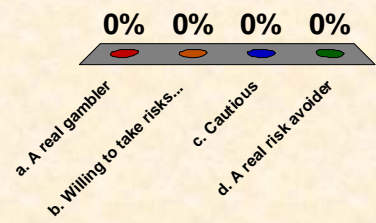


Team 2



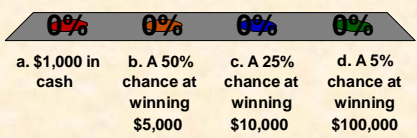
In general, how would your best friend describe you as a risk taker?

- a. A real gambler
- b. Willing to take risks after completing adequate research
- c. Cautious
- d. A real risk avoider



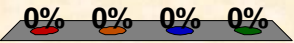
You are on a TV game show and can choose one of the following. Which would you take?

- a. \$1,000 in cash
- b. A 50% chance at winning \$5,000
- c. A 25% chance at winning \$10,000
- d. A 5% chance at winning \$100,000



You have just finished saving for a “once-in-a-lifetime” vacation. Three weeks before you plan to leave, you lose your job. You would:

- a. Cancel the vacation
- b. Take a much more modest vacation
- c. Go as scheduled, reasoning that you need the time to prepare for a job search
- d. Extend your vacation, because this might be your last chance to go first-class




a. Cancel the vacation
b. Take a much mor...
c. Go as scheduled, ...
d. Extend your vacati...

Risk Navigator SRM

If you unexpectedly received \$20,000 to invest, what would you do?

- a. Deposit it in a bank account, money market account, or an insured CD
- b. Invest it in safe, high-quality bonds or bond mutual funds
- c. Invest it in stocks or stock mutual funds



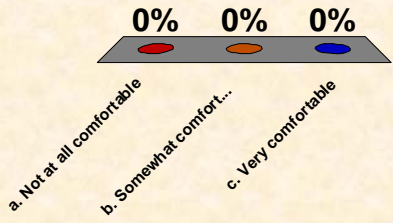
a. Deposit it in a ban...
b. Invest it in safe, h...
c. Invest it in stocks o...

Risk Navigator SRM



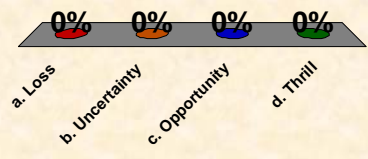
In terms of experience, how comfortable are you investing in stocks or stock mutual funds?

- a. Not at all comfortable
- b. Somewhat comfortable
- c. Very comfortable



When you think of the word “risk” which of the following words comes to mind first?

- a. Loss
- b. Uncertainty
- c. Opportunity
- d. Thrill



Introduction

Strategic

Tactical

Operational

Risk

Do It Yourself

RiskNa

Quiz Results

Score	Risk Tolerance Level
6-8	Low tolerance for risk
9-12	Below-average tolerance for risk
13-15	Average/moderate tolerance for risk
16-19	Above average tolerance for risk
20-22	High tolerance for risk

Introduction

Strategic

Tactical

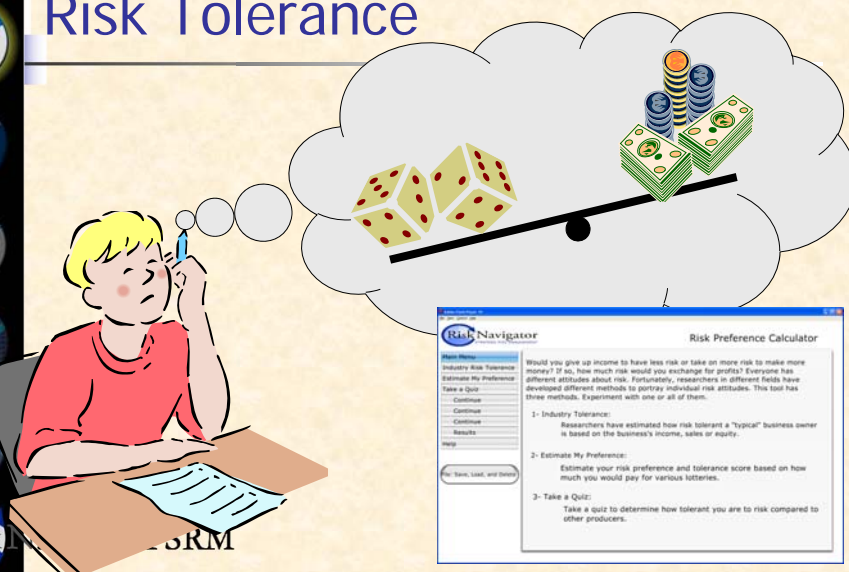
Operational

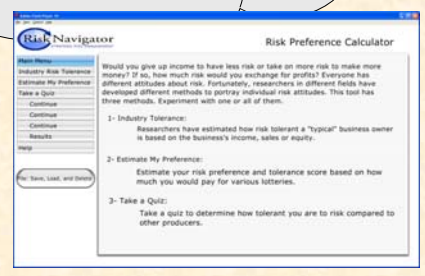
Risk

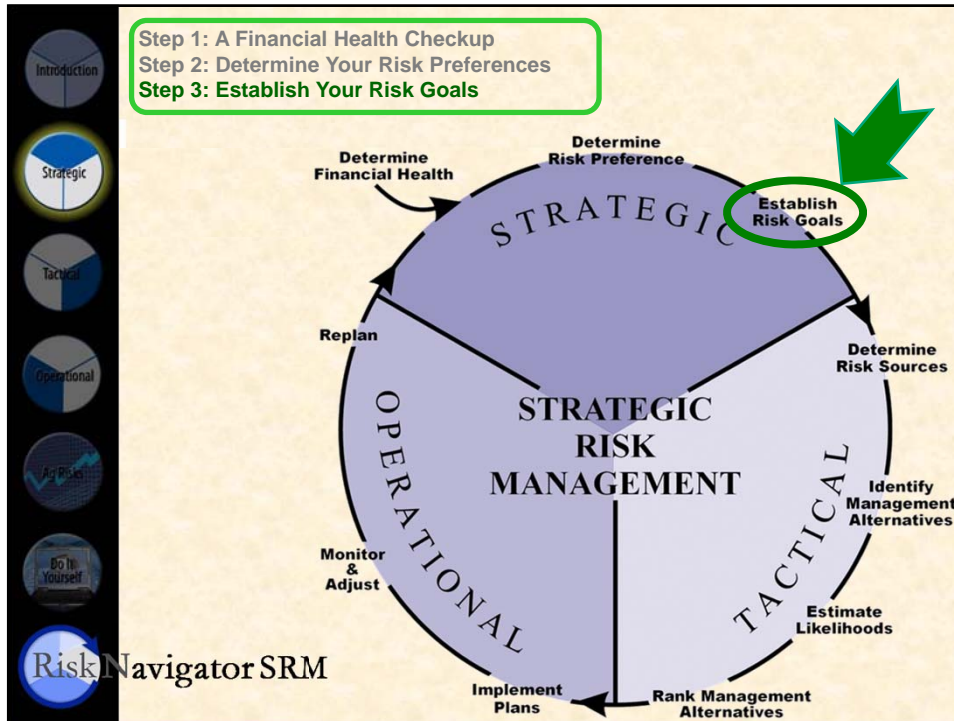
Do It Yourself

Risk

Risk Tolerance

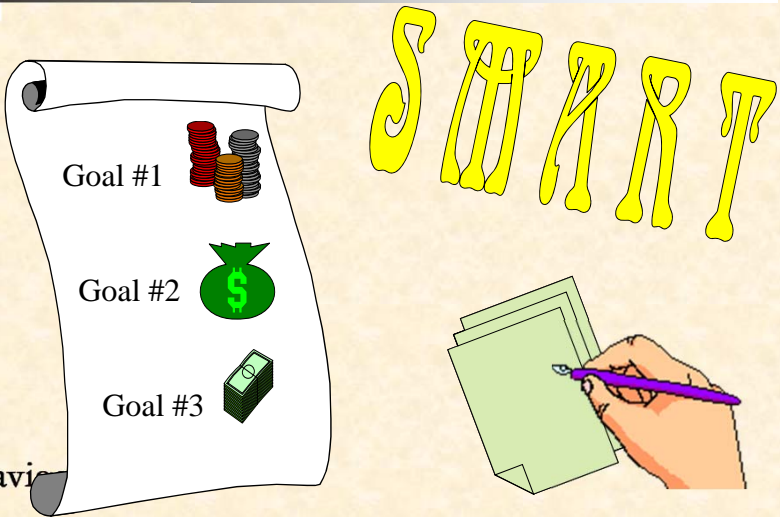








Introduction
Strategic
Tactical
Operational
No Risk
Do It Yourself
Risk Navigator


Writing Goals



The illustration shows a scroll with three goals: Goal #1 with coins, Goal #2 with a money bag, and Goal #3 with a stack of bills. To the right, the word 'SMART' is written in large, yellow, stylized letters. Below it, a hand is shown writing on a piece of paper with a purple pen.

Goal #1 

Goal #2 

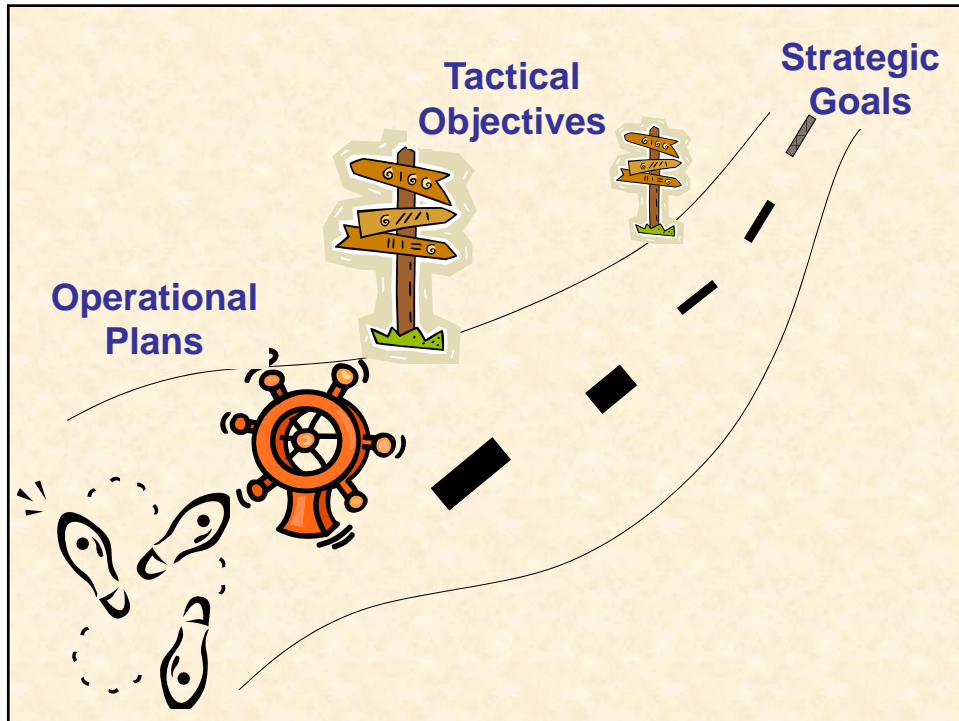
Goal #3 

SMART

Introduction
Strategic
Tactical
Operational
No Risk
Do It Yourself
Risk Navigator SRM

Strategic Management

- Looks at the BIG picture
- Tells:
 - Where you are heading
 - What it might look like once you arrive
- Keeps the operation focused
- Allows for proactive management



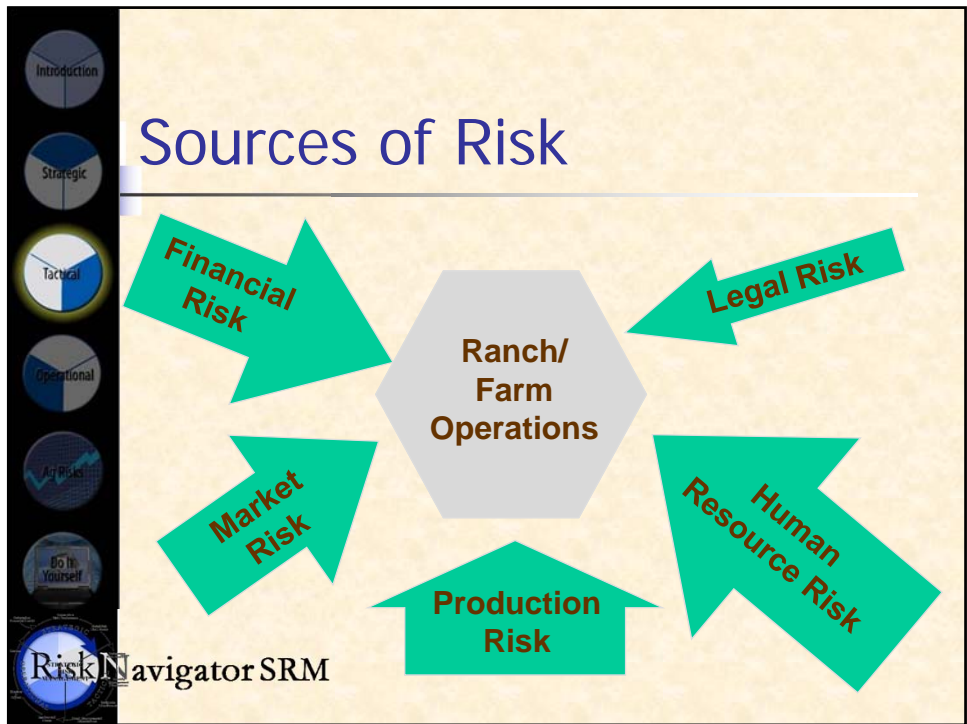
Tactical Management

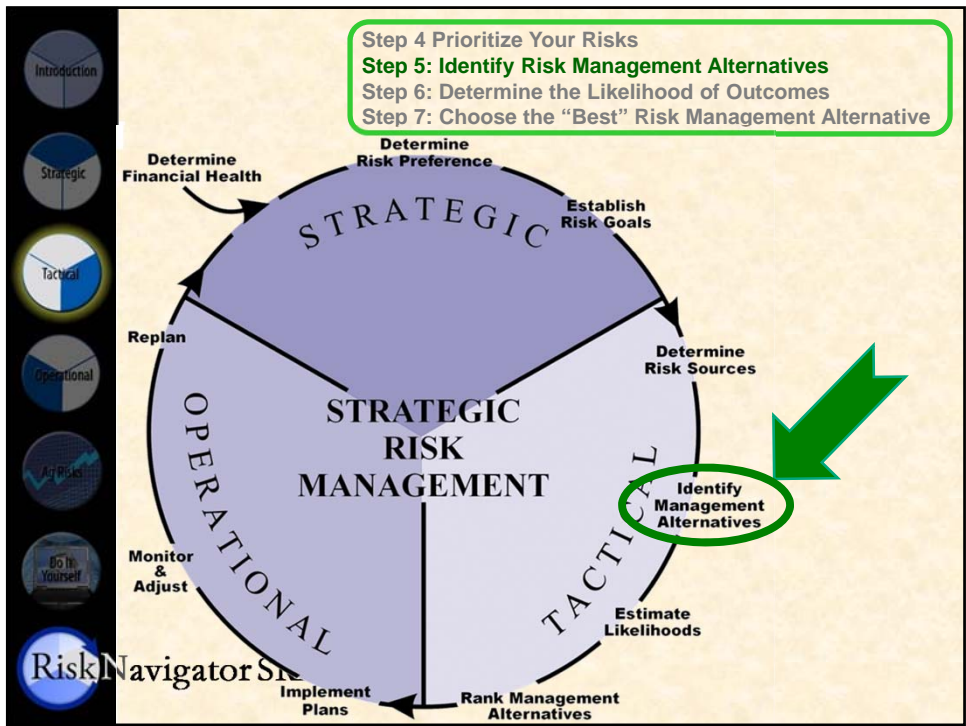
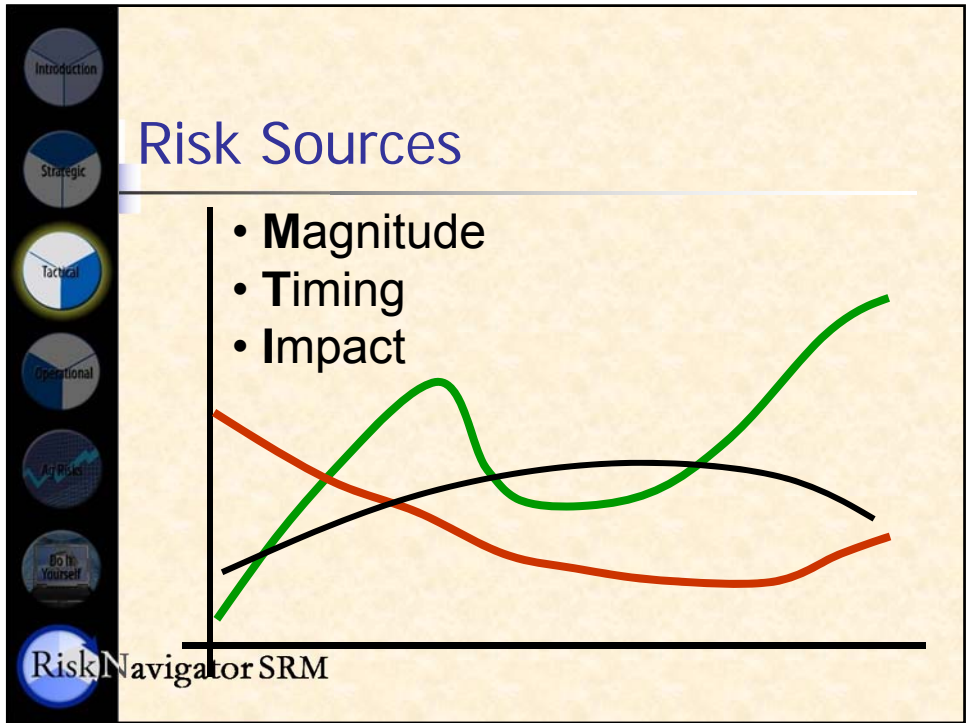
“...Choosing the right things to do...”

At the tactical level, we analyze the alternatives for “how” we will get to where we want to go.

Risk Navigator SKM

The slide features a dark, stormy sky background with a green field at the bottom. On the left side, there is a vertical navigation menu with circular icons labeled: Introduction, Strategic, Tactical (highlighted), Operational, Air Power, Do It Yourself, and Risk Navigator SKM.

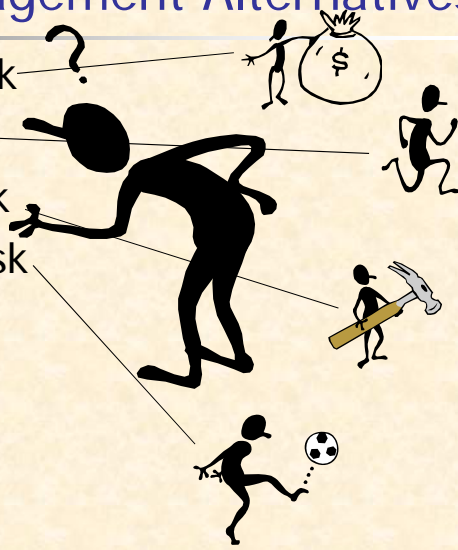




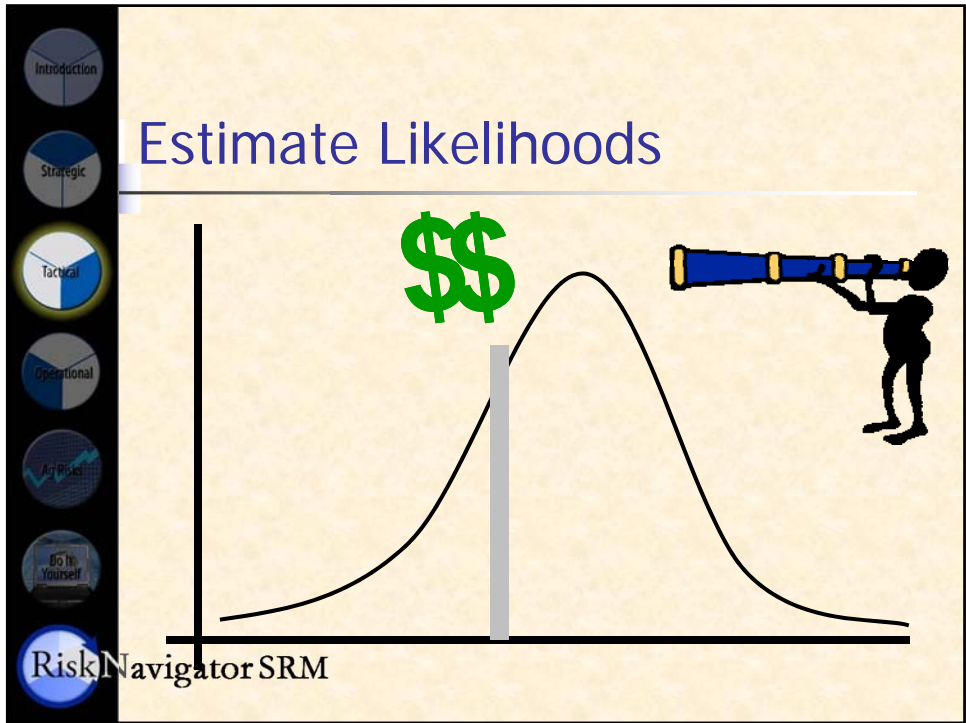
- Introduction
- Strategic
- Tactical
- Operational
- Act Risks
- Do It Yourself
- Risk Navigator SRM

Identify Management Alternatives

- Assume the risk
- Avoid the risk
- Reduce the risk
- Transfer the risk







Introduction
Strategic
Tactical
Operational
Analyze
Do It Yourself

Rank Management Alternatives

A stick figure holds a large money bag with a dollar sign. Another stick figure stands next to a flipchart with a dollar sign and a large 'X' over it, and another dollar sign with a question mark below it. A third stick figure is running. A fourth stick figure is holding a hammer and a large pencil. A fifth stick figure is kicking a soccer ball.

Risk Navigator SRM

Introduction
Strategic
Tactical
Operational
Analyze
Do It Yourself

Choose the Alternative

A decision tree diagram with three branches. The top branch has a dollar sign (\$), the middle branch has a dollar sign (\$), and the bottom branch has a dollar sign (\$). The top branch further splits into two sub-branches, one with three dollar signs (\$\$\$) and one with a dollar sign (\$). The middle branch further splits into two sub-branches, one with a dollar sign (\$) and one with a dollar sign (\$). The bottom branch further splits into two sub-branches, one with a dollar sign (\$) and one with a dollar sign (\$). A stick figure is pointing towards the diagram.

Risk Navigator SRM

Introduction
Strategic
Tactical
Operational
Agencies
Do It Yourself
Risk Navigator

Operational Management

“...Doing Things Right...”

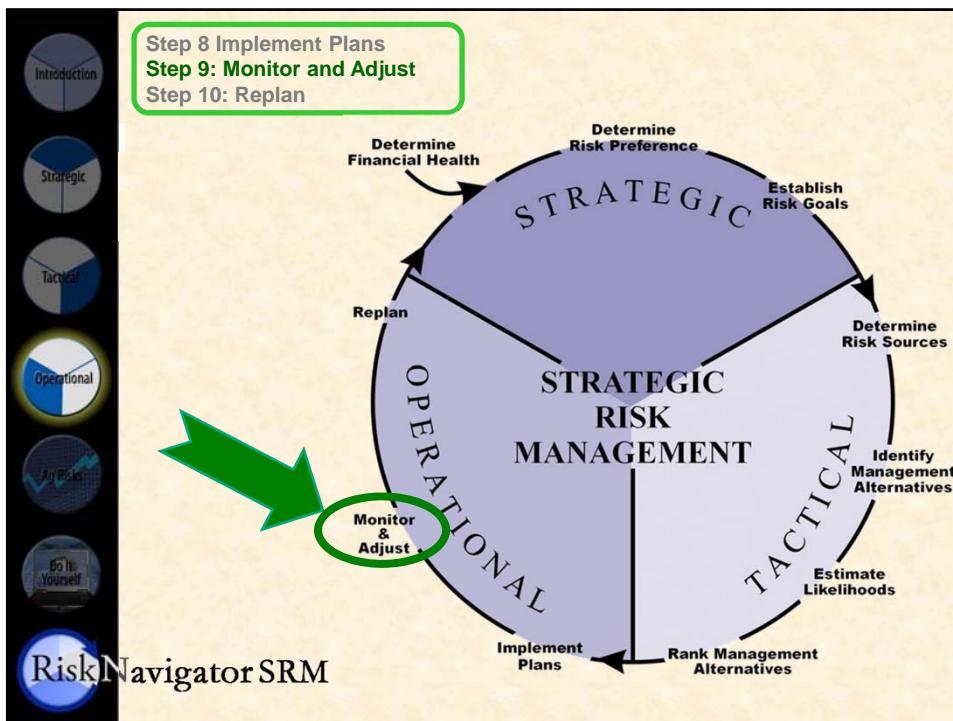
The things that must be done today and tomorrow in order to reach the tactical objectives and strategic goals.





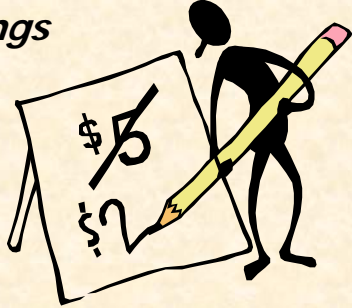
Operational Management

- Putting the strategic plan into *action* on the day-to-day basis necessary. . .
- Following the *tactics* outlined in the tactical level describing *how* to go about the process of. . .
- Achieving the *strategic goals* within the constraints of the *financial health* and *risk preferences* outlined at the strategic level

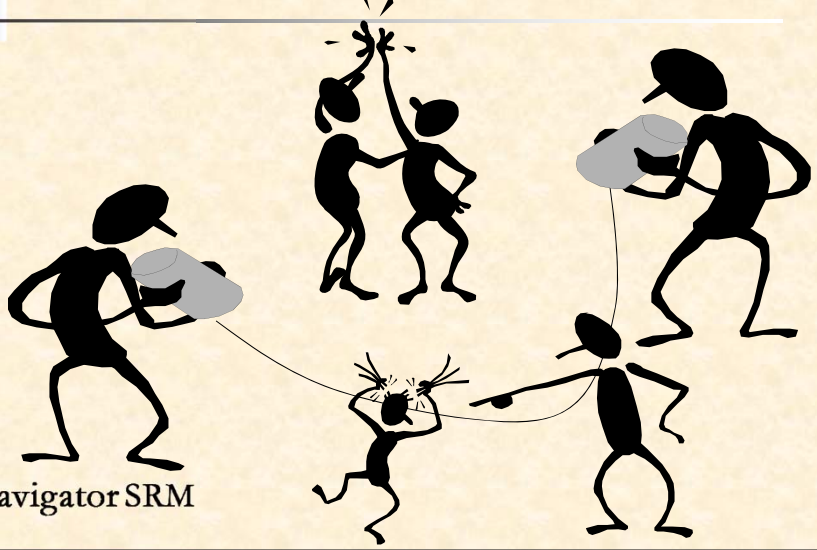


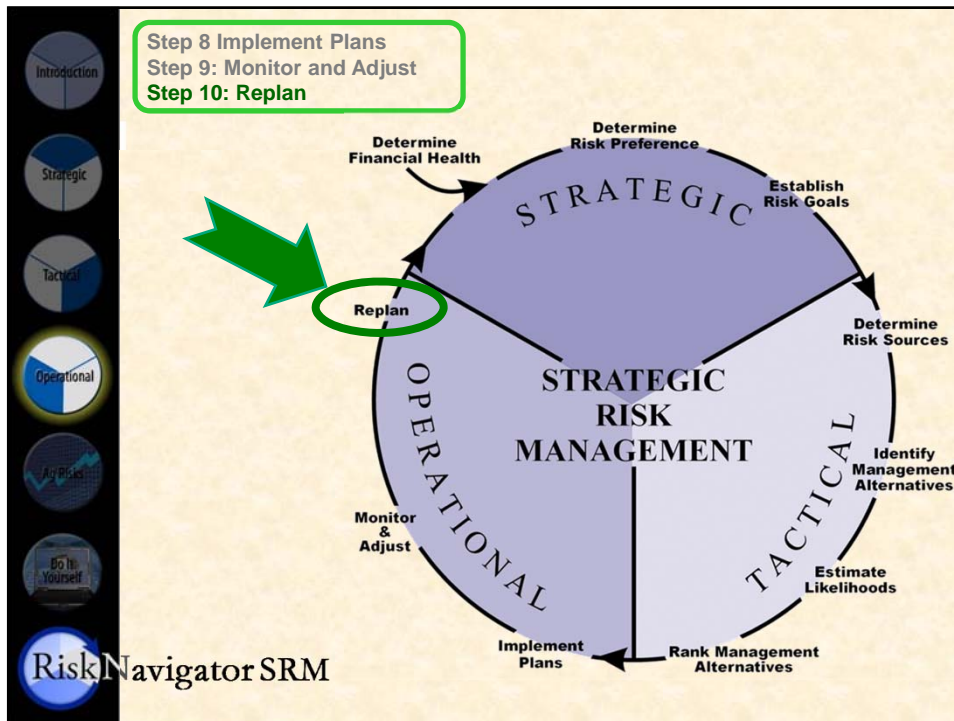
Monitor and Adjust

- Concerned with providing *control* for the implementation process
 - Informational control:
doing the right things
 - Behavioral control:
doing things right



Communication is Essential





Replan

- As we move toward our goals, we should review our chosen route
- Make sure we are still "on course"

Risk Navigator SRM



- Introduction
- Strategic
- Tactical
- Operational
- Ag Risks
- Do It Yourself
- Risk Navigator SRM

Summary

WHERE DO YOU WANT TO GO? STRATEGIC GOALS

WHERE ARE YOU NOW? Determine FINANCIAL HEALTH, RISK PREFERENCES and RISK SOURCES

HOW ARE YOU GOING TO GET THERE? TACTICAL and OPERATIONAL PLANS

- Introduction
- Strategic
- Tactical
- Operational
- Ag Risks
- Do It Yourself
- Risk Navigator SRM






→
<http://RightRisk.org>

Applied Risk Management in Agriculture
 Dana L. Hoag, editor
 Economic Downturn
 Creating New Era in Risk Mgmt. - Get Details Now!
www.rightrisk.org

The Strategic Risk Management Toolbox
 A Selection for the Professional Agricultural Manager

Home | About SRMP | Textbook | Example Farm | Ag Survivor | Blog | Who We Are | What's New?

Tool Inventory

- Alphabetical
- By Chapter
- Action Planning Worksheet
- Adequacy Achievement Grid
- Balance Sheet
- Cash Flow
- Critical Success Indicator Worksheet
- Deferred Tax & Missing Data
- EWS Farming Risk Financial
- Financial Statements
- Human Resource Risk Assessment
- Management Team Roster
- Marketing Plan
- Mission Statement Worksheet
- Resource Flow Plan
- Stress System Ratio Analyzer
- Risk Efficiency
- Risk Influence Calculator
- Risk Management Worksheet

Home | About | Textbook | Example Farm | AgSurvivor | Blog | Who We Are | What's New?
 Release 1.3, Copyright © 2009 Optimal Ag Consulting, Inc. All Rights Reserved.

Risk Navigator SRM
<http://RightRisk.org>

QUESTIONS?

STRATEGIC RISK MANAGEMENT

STRATEGIC
 Determine Financial Health
 Determine Risk Preference
 Establish Risk Goals

Operational
 Determine Risk Sources

TACTICAL
 Identify Management Alternatives
 Estimate Likelihoods

Operational
 Rank Management Alternatives
 Implement Plans
 Monitor & Adjust

University of California
 Agriculture and Natural Resources

Risk Navigator SRM
RightRisk
RMA



Finding Your Ability and Preference to Tolerate Risk

If you had a choice, would you take on more risk if it meant more profit or would you prefer to accept a lower profit if it meant less risk of a loss? How much profit are you willing to forgo to take on additional risk? The answers to these questions vary greatly between individuals. Some people avoid risks, while others crave it. In this step of the SRMP, you will gain a better understanding of your risk preferences.

Risk tolerance is defined as the amount of risk you are willing to undertake to achieve an investment goal. You can have three different attitudes towards risk:

- Risk averse individuals highly dislike or fear risk. They would prefer a guaranteed payoff from their investment at the expense of receiving a lower rate of return.
- Risk neutral individuals care about the expected payoff of the investment and not the risk needed to achieve the operation's goals. Risk neutral investors neither actively seek risks nor pay to avoid them.
- Risk loving individuals actively seek risky investments that may potentially present high payoffs.

These risk concepts can be illustrated by a mathematical example known as an expected value.

Suppose you have just harvested your wheat. You have been offered \$20,000 for the entire crop by your local elevator. This is income you can receive with certainty. You also have the option to store the wheat yourself and wait to see whether prices rise. You have calculated that if you store your wheat you have a 75 percent chance of the price rising in the spring, which will present to you a payoff of \$26,000. There is also a 25 percent chance the price will fall, providing you with a revenue of only \$10,000. The “expected value” of the self storage strategy is:
 $(0.75 * \$26,000) + (0.25 * \$10,000) = \$22,000.$

A risk averse individual would prefer to take the guaranteed \$20,000. The self-storage option offers a risk premium of \$2,000 to compensate for the 25 percent chance of the price falling. The question for each producer lies in how comfortable he or she is with the \$2,000 risk premium. Would you take the risk for only \$500 more? How about \$4,000 more? A risk averse producer would need more risk premium than a more neutral producer.

Next, you'll find a brief investment risk tolerance quiz to give you insight as to whether you have tendencies toward risk averse, risk neutral, or risk loving behaviors. Understanding your risk preferences will prove to be useful as we guide you through the rest of the SRMP.

S T E P  2

Investment Risk Tolerance Quiz

- In general, how would your best friend describe you as a risk taker?
 - A real gambler
 - Willing to take risks after completing adequate research
 - Cautious
 - A real risk avoider
- You are on a TV game show and can choose one of the following. Which would you take?
 - \$1,000 in cash
 - A 50% chance at winning \$5,000
 - A 25% chance at winning \$10,000
 - A 5% chance at winning \$100,000
- You have just finished saving for a “once-in-a-lifetime” vacation. Three weeks before you plan to leave, you lose your job. You would:
 - Cancel the vacation
 - Take a much more modest vacation
 - Go as scheduled, reasoning that you need the time to prepare for a job search
 - Extend your vacation, because this might be your last chance to go first-class
- If you unexpectedly received \$20,000 to invest, what would you do?
 - Deposit it in a bank account, money market account, or an insured CD
 - Invest it in safe, high-quality bonds or bond mutual funds
 - Invest it in stocks or stock mutual funds
- In terms of experience, how comfortable are you investing in stocks or stock mutual funds?
 - Not at all comfortable
 - Somewhat comfortable
 - Very comfortable
- When you think of the word “risk” which of the following words comes to mind first?
 - Loss
 - Uncertainty
 - Opportunity
 - Thrill
- Some experts are predicting prices of assets such as gold, jewels, collectibles, and real estate (hard assets) to increase in value. Bond prices may fall; however, experts tend to agree that government bonds are relatively safe. Most of your investment assets are now in high-interest government bonds. What would you do?
 - Hold the bonds
 - Sell the bonds, put half the proceeds into money market, and put the other half into hard assets
 - Sell the bonds and put the total proceeds into hard assets
 - Sell the bonds, put all the money into hard assets, and borrow money to buy more
- Given the best and worst case returns of the four investment choices below, which would you prefer?
 - \$200 gain best case; \$0 gain/loss worst case
 - \$800 gain best case; \$200 loss worst case
 - \$2,600 gain best case; \$800 loss worst case
 - \$4,800 gain best case; \$2,400 loss worst case
- In addition to whatever you own, you have been given \$1,000. You are now asked to choose between:
 - A sure gain of \$500
 - A 50% chance to gain \$1,000 and a 50% chance to gain nothing

10. In addition to whatever you own, you have been given \$2,000. You are now asked to choose between:
- A sure loss of \$500
 - A 50% chance to lose \$1,000 and a 50% chance to lose nothing
11. Suppose a relative left you an inheritance of \$100,000, stipulating in the will that you invest ALL the money in ONE of the following choices. Which one would you select?
- A savings account or money market mutual fund
 - A mutual fund that owns stocks and bonds
 - A portfolio of 15 common stocks
 - Commodities like gold, silver, and oil
12. If you had to invest \$20,000, which of the following investment choices would you find most appealing?
- 60% in low-risk investments, 30% in medium-risk investments, 10% in high-risk investments
 - 30% in low-risk investments, 40% in medium-risk investments, 30% in high-risk investments
 - 10% in low-risk investments, 40% in medium-risk investments, 50% in high-risk investments
13. Your trusted friend and neighbor, an experienced geologist, is putting together a group of investors to fund an exploratory gold mining venture. The venture could pay back 50 to 100 times the investment if successful. If the mine is a bust, the entire investment is worthless. Your friend estimates the chance of success is only 20%. If you had the money, how much would you invest?
- Nothing
 - One month's salary
 - Three month's salary
 - Six month's salary

Add up your score, using the following key:

- a=4; b=3; c=2; d=1
- a=1; b=2; c=3; d=4
- a=1; b=2; c=3; d=4
- a=1; b=2; c=3
- a=1; b=2; c=3
- a=1; b=2; c=3; d=4
- a=1; b=2; c=3; d=4
- a=1; b=2; c=3; d=4
- a=1; b=3
- a=1; b=3
- a=1; b=2; c=3; d=4
- a=1; b=2; c=3
- a=1; b=2; c=3; d=4

How does your risk tolerance compares to others?

Score	Risk Tolerance Level
0-18	Low tolerance for risk
19-22	Below-average tolerance for risk
23-28	Average/moderate tolerance for risk
29-32	Above average tolerance for risk
33-47	High tolerance for risk

Source: Grable, J. E., & Lytton, R. H. (1999). Financial risk tolerance revisited: The development of a risk assessment instrument. *Financial Services Review*, 8, 163-181.





Risk Management Without Losing the Farm

John Hewlett
Jay Parsons



A product of:
the *RightRisk*
Education Team



Sources of Risk

- **Production** - yield/quality variability
- **Marketing** - changes in price/external conditions
- **Financial** - variability in debt/equity capital and ability to meet cash demands
- **Legal** - responsibilities for contracts, statutory compliance, tort liability, and business structure
- **Human** - managing people and estate transfers



Example: Hay Storage

Actions

Buy Hay	Do Nothing	Sell Hay
---------	------------	----------



3

Example: Hay Storage

Possible Winter

Severe



4

Example: Hay Storage

Possible
Winter

Normal



5

Example: Hay Storage

Possible
Winter

Mild



6

RightRisk

Example: Hay Storage

		Actions		
		Buy Hay	None	Sell Hay
Winter	Severe	\$36,159	\$34,365	\$31,524
	Normal	\$50,997	\$51,497	\$51,997
	Mild	\$52,997	\$53,997	\$54,997

Which would you choose?

RightRisk Payoff Matrix Exercise

7

RightRisk

RightRisk

Example: Hay Storage

		Actions			
		Buy Hay	None	Sell Hay	
Winter	Prob.				
	Severe	1/6	\$36,159	\$34,365	\$31,524
	Normal	4/6	\$50,997	\$51,497	\$51,997
Mild	1/6	\$52,997	\$53,997	\$54,997	

8

RightRisk

RightRisk Payoff Matrix Exercise

		Actions		
		Buy Hay	None	Sell Hay
Winter	Probability			
Severe	1/6	\$36,159	\$34,365	\$31,524
Normal	4/6	\$50,997	\$51,497	\$51,997
Mild	1/6	\$52,997	\$53,997	\$54,997

Which strategy would you choose, buy hay, no action, or sell hay?

Explain Why.

Basic Risk Management Decision Rules

Maximax

Maximax is for risk lovers; those people that like the thrill of getting a high payoff with great risk. Under this criterion, a person looks through each action and chooses the one with the highest possible payoff. That is, they are choosing the best of the best.

Maximin

A more conservative approach might be to look at a worse-case scenario. A risk averse person might want to choose the best of the worst returns. This is called the “maximin” strategy because we would be maximizing the minimum possible outcome. That is, we are choosing the best of the worst thing that could happen.

Most Likely

Sometimes you might have some information about what is most likely to happen; then you would ignore normal probabilities. For example, long-range weather forecasts could help pin down what is most likely to happen. You might know that a wet year is more likely in an El Nino year.

Maximize Expected Value

None of the strategies so far has taken into account the probabilities associated with the scenario outcomes. The expected value is the weighted sum of the outcomes using the probabilities of occurrence as the weights. The expected value is what you would average over a long period of time. A risk-neutral person would base their choice on the expected value of the outcomes. This person would not be concerned with the variability in the outcomes but rather the expected return over the long haul.

Variability

Variability in the outcomes can be measured using the standard deviation. The standard deviation of a set of outcomes is the square root of the variance. A person will realize an outcome within one standard deviation, plus or minus, from the mean two-thirds of the time. They will realize a return within two standard deviations about 90 percent of the time.

Example: Hay Storage

Winter	Prob.	Actions		
		Buy Hay	Store Hay	Sell Hay
Severe				\$31,524
Normal	4/6	\$50,997	\$51,997	\$51,997
Mild	1/6	\$52,997	\$53,997	\$54,997
Exp. Value		\$48,857	\$49,058	\$49,085

Maximize Expected Value

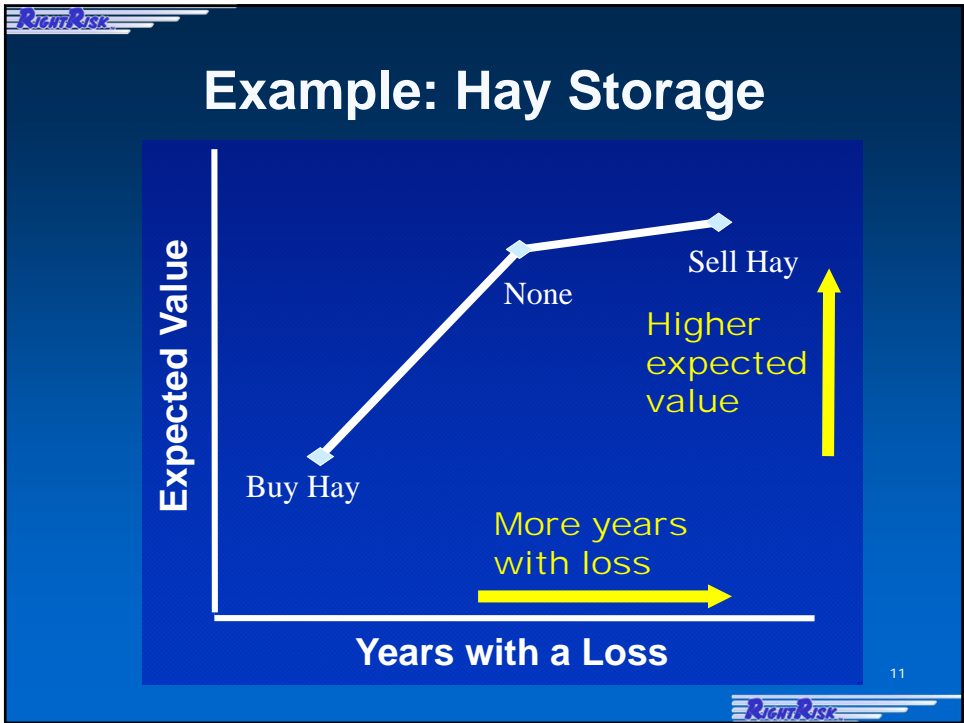
9

Example: Hay Storage

Winter	Prob.	Actions		
		Buy Hay	Store Hay	Sell Hay
Severe	1/6	\$36,159	\$34,365	\$31,524
Normal	4/6	\$50,997	\$51,497	\$51,997
Mild	1/6	\$52,997	\$53,997	\$54,997
Min. Value		\$36,159	\$34,365	\$31,524

Maximize Minimum Value

10



AG SURVIVOR
Scenario Selection

Ag Survivor
Provides an opportunity to practice risk management without the *real world* consequences

Realistic Farm Setting and Ag Economy

Actual Weather, Price and Other Probabilities

Variety of Risks and Risk Management Scenarios

Customized to Your Location

Practice Risk Management Without Taking Risks

RightRisk is a product of the RightRisk Education Team. RightRisk is a research and education program to help you the farmer and explore risk management decisions and evaluate them for you. Using RightRisk, you explore different risk management styles.

RightRisk assesses real-world farm/ranch settings and agricultural economics. It allows many kinds of risk and risk management strategies and lets you compare one strategy against another. You use real probabilities and you see the results. With RightRisk, you can run a model as many times as you like to determine if you are doing well or poorly because of luck or bad strategy.

In the end, the knowledge and practice you gain through RightRisk will help you make better decisions for your farming/ranching operation.

*A product of the RightRisk Education Team:
Colorado State University & University of Wyoming,
University of Arizona, University of Idaho,
Montana State University, University of Nevada, Utah
State University, and Washington State University Extension cooperatively.*

**Partially funded by:
Western Center for Risk Management Education
and
USDA - Risk Management Education**

13

Risks

Outcomes

Big Horn Basin Farms

Decisions

14

Production Risk



Sources

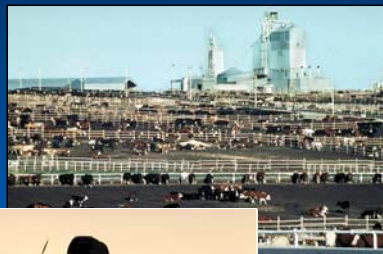
Weather, pests, disease, technology, genetics, inputs (availability, quality, price), equipment, labor ...

Controls

Diversification, insurance (crop, revenue), buildings, storage, vaccines, labor, production contracts (e.g. ensure input supply and quality), new technologies (e.g. automate watering) ...

15

Marketing Risk



Sources

Product quality (genetics, disease, handling, input/feed...)

Product price (quality, timing, global market, weather, government policy ...)

Controls

Futures and options, forward contracting, retained ownership, quality controls, storage (timing), cooperatives, niche/value-added marketing...

16

RightRisk

RIGHT RISK

Big Horn Basin Farms

Scenario Guide

17

RightRisk

RightRisk

General

General Information

Crop Enterprise: Malt Barley			
Crop acres:	265 acres	Normal annual yield:	110 bu./acre
Production cost per acre:	\$222.04	Initial market price:	\$2.83 per bushel
Output 2:	Barley Straw	Output 2 Annual Yield:	0.5 tons/acre
Output 2 Market Price:	\$50.00 per ton	Annual government payment:	\$4,956
Crop Enterprise: Sugar Beets			
Crop acres:	250 acres	Normal annual yield:	22 tons/acre
Production cost per acre:	\$506.97	Initial market price:	\$39.79 per ton
Crop Enterprise: Corn Grain			
Crop acres:	90 acres	Normal annual yield:	140 bu./acre
Production cost per acre:	\$360.98	Initial market price:	\$2.46 per bushel
Initial Inventory:	0 bushels	Annual government payment:	\$4,165
Crop Enterprise: Corn Silage			
Crop acres:	90 acres	Normal annual yield:	23 tons/acre
Production cost per acre:	\$428.49	Initial market price:	\$20.00 per ton
Initial Inventory:	0 tons	Annual government payment:	\$4,165
Crop Enterprise: Alfalfa Hay			
Crop acres:	105 acres	Normal annual yield:	5 tons/acre
Production cost per acre:	\$292.56	Initial market price:	\$72.11 per ton

18

RightRisk

RightRisk

Expected Revenues			Expected Expenses		
Sales	Units	Revenue	Units	Expense	
Malt Barley	29,150 bushels	\$82,494.50	Malt Barley	265 acres	\$58,840.60
Barley Straw	133 tons	\$6,625.00	Sugar Beets	250 acres	\$126,742.50
Sugar Beets	5,500 tons	\$218,845.00	Corn Grain	90 acres	\$32,488.20
Corn Grain	12,600 bushels	\$30,996.00	Corn Silage	90 acres	\$38,564.10
Corn Silage	2,070 tons	\$41,400.00	Alfalfa Hay	105 acres	\$30,718.80
Alfalfa Hay	525 tons	\$37,857.75	Cost adjustment for leased acres		-\$15,322.23
Lease payments to others		-\$55,113.38	Other costs (dep., int., taxes, etc.)		\$79,819.00
Government Payments		\$13,286.00	Annual Total:		\$351,850.97
Annual Total:		\$376,390.88			

Expected Annual Net Farm Return: \$24,539.91

RightRisk

RightRisk

Big Horn Basin Farms

General

General Information

Crop Enterprise: Malt Barley		Normal annual yield:	
Crop acres:	265 acres	110	bu./acre
Production cost per acre:	\$222.04	Initial market price:	\$2.83 per bushel
Output 2: Barley Straw		Output 2 Annual Yield:	0.5 tons/acre
Output 2 Market Price:	\$50.00 per ton	Annual government payment:	\$4,956

Crop Enterprise: Sugar Beets		Normal annual yield:	
Crop acres:	250 acres	22	tons/acre
Production cost per acre:	\$506.97	Initial market price:	\$39.79 per ton

Crop Enterprise: Corn Grain		Normal annual yield:	
Crop acres:	90 acres	140	bu./acre
Production cost per acre:	\$360.98	Initial market price:	\$2.46 per bushel
Initial Inventory:	0 bushels	Annual government payment:	\$4,165

Crop Enterprise: Corn Silage		Normal annual yield:	
Crop acres:	90 acres	23	tons/acre
Production cost per acre:	\$428.49	Initial market price:	\$20.00 per ton
Initial Inventory:	0 tons	Annual government payment:	\$4,165

Crop Enterprise: Alfalfa Hay		Normal annual yield:	
Crop acres:	105 acres	5	tons/acre
Production cost per acre:	\$292.56	Initial market price:	\$72.11 per ton

Expected Revenues			Expected Expenses		
Sales	Units	Revenue	Units	Expense	
Malt Barley	29,150 bushels	\$82,494.50	Malt Barley	265 acres	\$58,840.60
Barley Straw	133 tons	\$6,625.00	Sugar Beets	250 acres	\$126,742.50
Sugar Beets	5,500 tons	\$218,845.00	Corn Grain	90 acres	\$32,488.20
Corn Grain	12,600 bushels	\$30,996.00	Corn Silage	90 acres	\$38,564.10
Corn Silage	2,070 tons	\$41,400.00	Alfalfa Hay	105 acres	\$30,718.80
Alfalfa Hay	525 tons	\$37,857.75	Cost adjustment for leased acres		-\$15,322.23
Lease payments to others		-\$55,113.38	Other costs (dep., int., taxes, etc.)		\$79,819.00
Government Payments		\$13,286.00	Annual Total:		\$351,850.97
Annual Total:		\$376,390.88			

Expected Annual Net Farm Return: \$24,539.91
 Expected Two-Year Net Farm Return: \$49,079.81

Next >>

RightRisk

RightRisk

RightRisk™

Year 1	Decision
Period 1	Buy Barley Insurance Buy Sugar Beet Insurance
Period 2	Forward Price Corn Beet Replant Option
Period 3	Sell (-) Hay Irrigation Water Allocation
Period 4	Sell or Store Barley Sell (-) Hay



21

RightRisk

RightRisk

Big Horn Basin Farms

General

General Information

Crop Enterprise: Malt Barley			
Crop acres:	265 acres	Normal annual yield:	110 bu./acre
Production cost per acre:	\$222.04	Initial market price:	\$2.83 per bushel
Output 2:	Barley Straw	Output 2 Annual Yield:	0.5 tons/acre
Output 2 Market Price:	\$50.00 per ton	Annual government payment:	\$4,956

Crop Enterprise: Sugar Beets			
Crop acres:	250 acres	Normal annual yield:	22 tons/acre
Production cost per acre:	\$506.97	Initial market price:	\$39.79 per ton

Crop Enterprise: Corn Grain			
Crop acres:	90 acres	Normal annual yield:	140 bu./acre
Production cost per acre:	\$360.98	Initial market price:	\$2.46 per bushel
Initial Inventory:	0 bushels	Annual government payment:	\$4,165

Crop Enterprise: Corn Silage			
Crop acres:	90 acres	Normal annual yield:	23 tons/acre
Production cost per acre:	\$428.49	Initial market price:	\$20.00 per ton
Initial Inventory:	0 tons	Annual government payment:	\$4,165

Crop Enterprise: Alfalfa Hay			
Crop acres:	105 acres	Normal annual yield:	5 tons/acre
Production cost per acre:	\$292.56	Initial market price:	\$72.11 per ton

Expected Revenues			Expected Expenses		
Sales	Units	Revenue	Units	Expense	
Malt Barley	29,150 bushels	\$82,494.50	Malt Barley	265 acres	\$58,840.60
Barley Straw	133 tons	\$6,625.00	Sugar Beets	250 acres	\$126,742.50
Sugar Beets	5,500 tons	\$218,845.00	Corn Grain	90 acres	\$32,488.20
Corn Grain	12,600 bushels	\$30,996.00	Corn Silage	90 acres	\$38,564.10
Corn Silage	2,070 tons	\$41,400.00	Alfalfa Hay	105 acres	\$30,718.80
Alfalfa Hay	525 tons	\$37,857.75	Cost adjustment for leased acres		-\$15,322.23
Lease payments to others		-\$55,113.38	Other costs (dep., int., taxes, etc.)		\$79,619.00
Government Payments		\$13,286.00			
Annual Total:		\$376,390.88	Annual Total:		\$351,850.97

Expected Annual Net Farm Return:	\$24,539.91
Expected Two-Year Net Farm Return:	\$49,079.81

NEXT →

RightRisk

Right Risk: The Chance to Practice Different Strategies

- *Ag Survivor* is designed to be a hands-on tool for producers to use and explore potential results of risk management strategies.
- *Ag Survivor* can help you learn about your own risk management style.
- We hope the knowledge gained from using *Ag Survivor* can help you think about potential risk management strategies for your operation.
- *Ag Survivor* isn't a decision-aid that tells you how much a particular strategy will return you on your specific operation.

RightRisk

- Investigate other risk management information resources through the RightRisk links library...
- **Western Risk Management Library**
The Western Risk Management Library is host to over 677 articles, fact sheets, and presentations on managing risk in western agricultural operations. Explore the five main sources of risk: production, market, financial, legal, and human resource risk.
- **Risk and Resilience in Agriculture**
The *Risk and Resilience in Agriculture* materials are designed with the purpose of helping agricultural producers develop individual and family strategies to best deal with today's agricultural business environment.
- **Managing for Today's Cattle Market and Beyond**
Managing for Today's Cattle Market and Beyond is a well-planned collection of 38 outstanding papers, produced by 29 authors from 16 states. The project was conceived by the Western Extension Marketing Committee for extension and classroom audiences.
- **National Ag Risk Education Library**
The Library contains three major sections, the main Ag Risk Library section, the Specialty Crop Library section, and the FINBIN financial database.

RightRisk is partially funded by:

...Plus more available at... WWW.RightRisk.org



RiemRisk

Scenarios

- King Family Ranch
- Wheatfields
- Lazy U Ranch
- EWS Farms
- Bar BQ Ranch
- Public Lands Ranch
- Oasis Ranch
- High Plains Ranch
- Big Horn Basin Farms
- Mountain View Farms
- Chesapeake Maryland Farm




25

RiemRisk

RiemRisk

QUESTIONS?



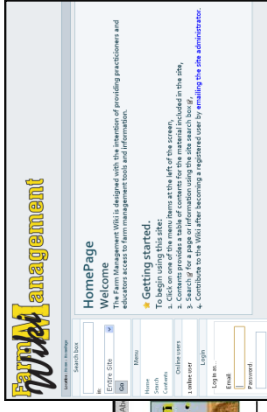
26

RiemRisk

Important Web Sites

Farm Management

<http://FarmManagement.org>



Western Risk Management Library

Management Library

<http://agecon.uwyo.edu/RiskMgt>



Risk Management Agency (RMA)

Agency (RMA)

<http://www.rma.usda.gov>



Risk Navigator SRM





Brought to you by RightRisk, LLC

Home

RightRisk, LLC is a premier organization helping today's and tomorrow's agricultural firms and farm and ranch families better understand their problems associated with:

Who We Are

- Financial Risks
- Market Risks
- Production Risks
- Legal Risks
- Human Risks

Educational Programs

Consulting

Research

Members Only

Contact us:

RightRisk, LLC
 2601 S. Lemay, #7-423
 Fort Collins, CO 81001 U.S.A.
 719 - 251 - 0890
information@RightRisk.com

Over Night Deliveries:

RightRisk, LLC
 1525 Lexington Rd
 Pueblo, CO 81001 U.S.A.

RightRisk, LLC has offices in Colorado, Wyoming and Arizona giving our professional staff easy access to locations around the world.

Our professional staff consists of members with over 20 years of experience in education, consulting with individual farmers, ranchers, small business owners, farm families, and policy decision-makers, and research. They have university appointments with extension, teaching, and/or research responsibilities. Collectively, members of RightRisk, LLC have conducted educational programs in more than 30 U.S. states, and worked with more than 7,000 farm and ranch families.

The RightRisk Mission:

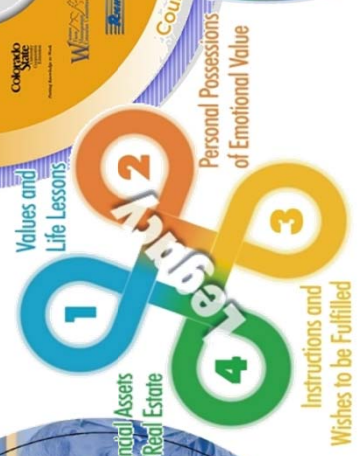
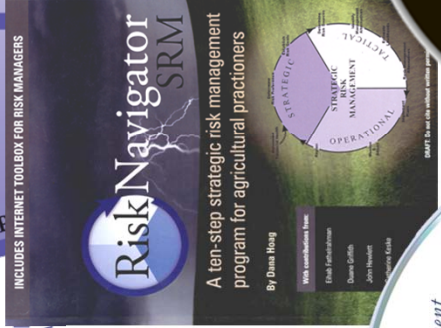
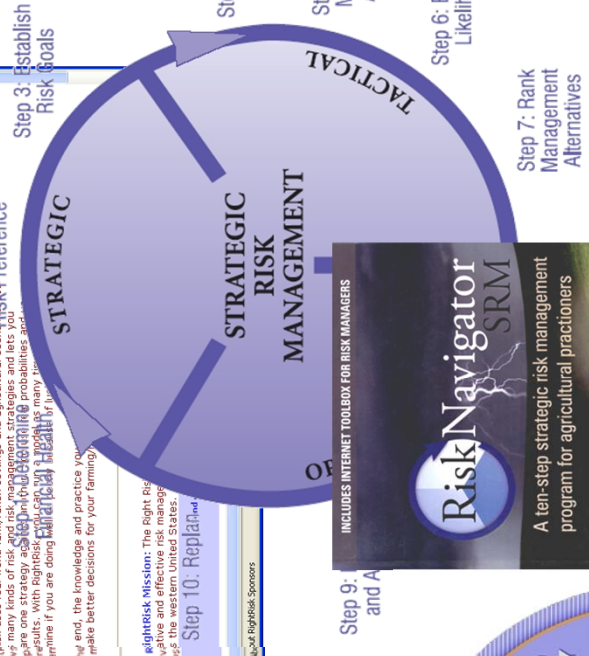
RightRisk helps decision-makers throughout the world discover innovative and effective risk management solutions.

How much risk is right for you...

Copyright © 2008, RightRisk-LLC All Rights Reserved.

<http://California.eRightRisk.com>





<http://RightRisk.org>

RIGHT RISK™