Practice Session

University of California Agriculture and Natural Resources

John Hewlett
Jay Parsons

RightRisk RMA

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*

RMA RightRisk

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

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

Types of Risk Preference

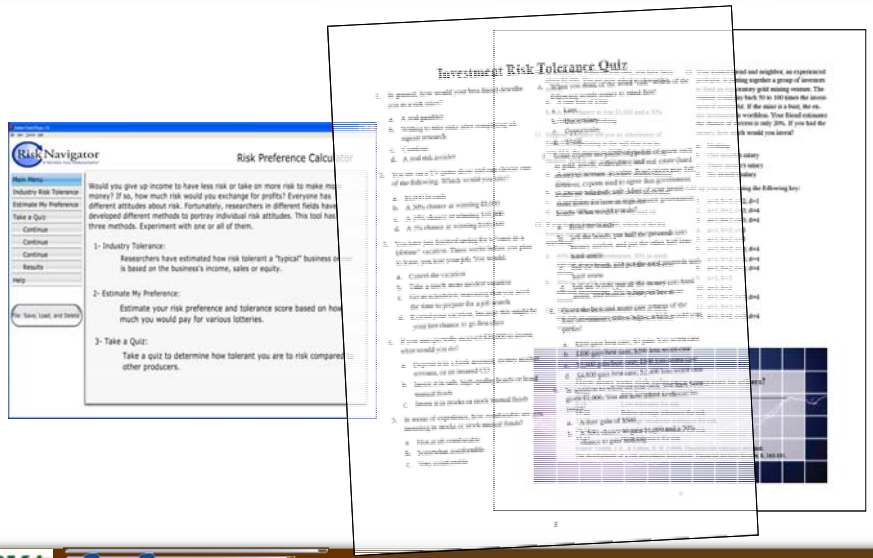
Risk Averse

Risk Neutral

Risk Loving

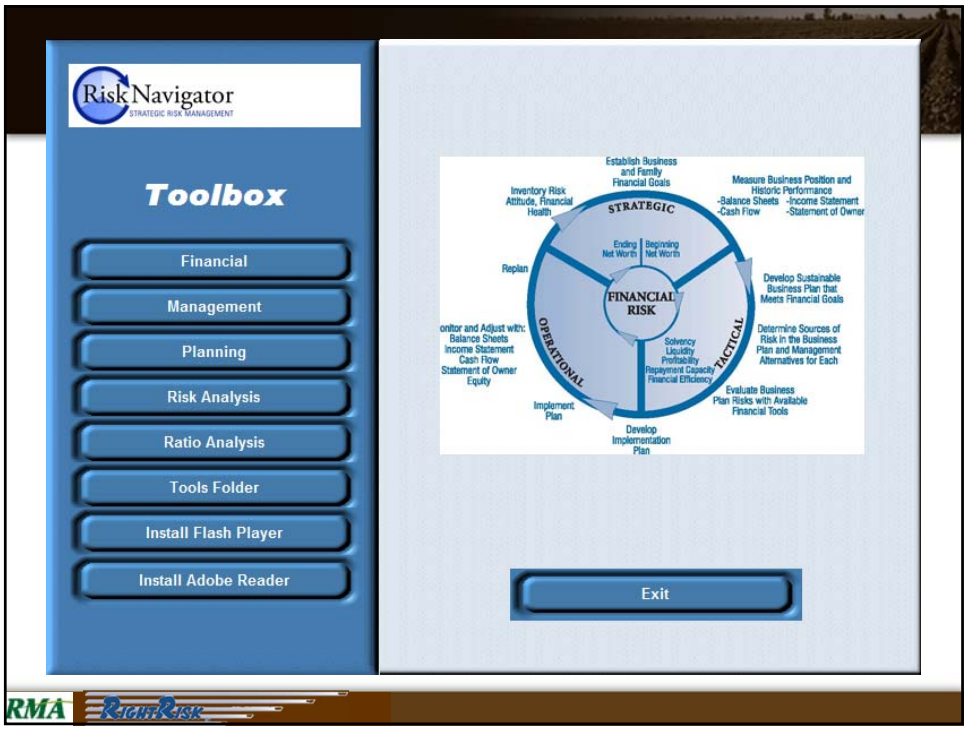
RMA RightRisk 5

Finding Your Ability and Preference to Tolerate Risk



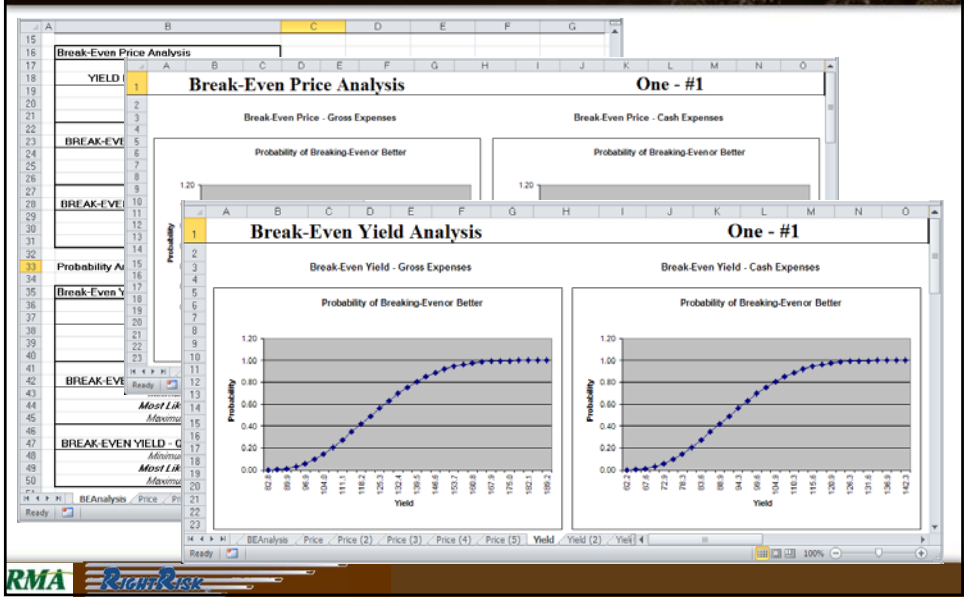
RMA RightRisk

AG SURVIVOR
Scenario Selection
Home
About
Discussion
Risk Navigator
People
Workshops
Next -->
<-- Prev
Home | About | Discussion | Risk Navigator | People | Workshops
Copyright © 2012 by Optimal Ag Consulting, Inc. All Rights Reserved.
RMA
RightRisk


Risk Navigator
STRATEGIC RISK MANAGEMENT
Toolbox
Financial
Management
Planning
Risk Analysis
Ratio Analysis
Tools Folder
Install Flash Player
Install Adobe Reader
STRATEGIC
OPERATIONAL
TACTICAL
FINANCIAL RISK
Establish Business and Family Financial Goals
Measure Business Position and Historic Performance
-Balance Sheets -Income Statement
-Cash Flow -Statement of Owner
Develop Sustainable Business Plan that Meets Financial Goals
Determine Sources of Risk in the Business Plan and Management Alternatives for Each
Evaluate Business Plan Risks with Available Financial Tools
Develop Implementation Plan
Implement Plan
Monitor and Adjust with:
Balance Sheets
Income Statement
Cash Flow
Statement of Owner Equity
Replan
Inventory Risk Attitude, Financial Health
Ending Net Worth
Beginning Net Worth
Solvency
Liquidity
Profitability
Repayment Capacity
Financial Efficiency
Exit
RMA
RightRisk

Enterprise Risk Analyzer

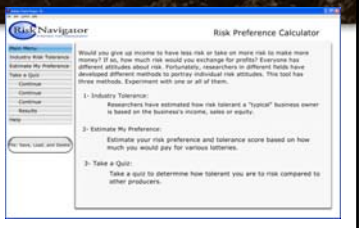
Breakeven Analysis



Practice Session

University of California Agriculture and Natural Resources

- Risk Preference Calculator
- RDFinancial
- Enterprise Risk Analyzer
- General Risk Management Questions
- More. . .



RMA RightRisk