



Surviving in Agriculture

The USDA's Risk Management Agency and the University of California Cooperative Extension in Santa Cruz, Monterey, San Benito, and Santa Clara Counties invite you to join us for **Surviving in Agriculture** a risk management workshop that will help your farm thrive in today's challenging environment. The workshop is designed to help you gain a better understanding of how to manage risk in your farm operation.



Thursday, May 2nd 2013

8:30 a.m. - 12:00 noon

**UC Cooperative Extension Santa Cruz County
1432 Freedom Blvd. - Watsonville, California**

Program #1

Welcome Laura Tourte, Farm Management Advisor

Spanish translation provided



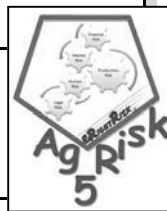
Challenges and opportunities for **Local Agriculture: An overview on water, land, labor, pests, economics, and more . . .**

Laura Tourte, Farm Management Advisor, UC Cooperative Extension



Ag Risk-5: Learn more about tools for managing risk and thriving in today's agriculture

Dr. Jay Parsons, Agricultural Economist, Colorado State University



Row Crops: Risks and challenges in berry and vegetable crop production

Mark Bolda, Strawberry & Caneberry Farm Advisor, UC Cooperative Extension
Aziz Baameur, Small Farms Advisor, UC Cooperative Extension



Strategic Risk Management: Calculate your tolerance for risk

John Hewlett, Ranch/Farm Management Specialist, University of Wyoming



Enterprise Risk Analyzer: Evaluate the breakeven and risks of your farm enterprises

John Hewlett and Dr. Jay Parsons



Program #2

Thursday, May 2nd 2013 - 1:00 to 3:00 p.m.



Practice using tools to Evaluate **Your Risk Strategies: Partial Budgets, the Enterprise Risk Analyzer, RDFinancial, and More . . .**

Registration/Fee:

No registration fee required
- lunch provided

Local Contact: For more information or to request special accommodations you may need, please contact **Laura Tourte** (831) 763-8005; ljtourte@ucdavis.edu or **Mark Bolda** (831) 763-8025; mpbolda@ucdavis.edu or **Aziz Baameur** (408) 282-3127; azbaameur@ucdavis.edu

RIGHT RISK



University of California
Agriculture and Natural Resources

How Much Risk Is Right For You?

Ag Risk 5



Sources of Risk and Tools for Managing It and *Thriving* in Today's Agriculture

Jay Parsons

John Hewlett

What is RISK?

- RISK: The probability of an event occurring that can negatively impact you:
 - *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



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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



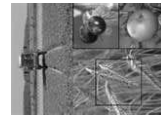
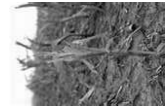
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Production Risk

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



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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



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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



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

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

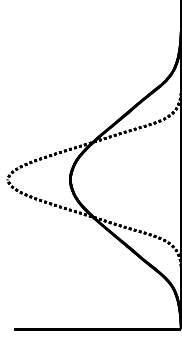


Strategies for Managing Risk

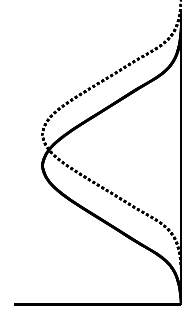
1. Avoid it
2. Reduce it
 - a) *Reduce the probability it will happen*
 - b) *Reduce the impact if it does happen*
3. Transfer it outside the business
 - a) *Insurance*
 - b) *Contracting*
4. Build your internal capacity to bear
 - a) *Increase reserves*
 - b) *Maintain flexibility*
5. Accept it

Strategy Impacts

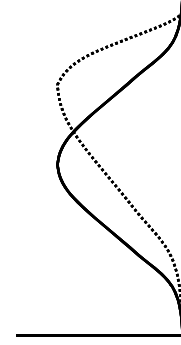
Panel 1: Same Mean, Less Dispersion



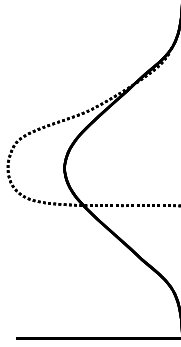
Panel 2: Same Dispersion, Higher Mean



Panel 3: Skewing the distribution



Panel 4: Truncating the Distribution



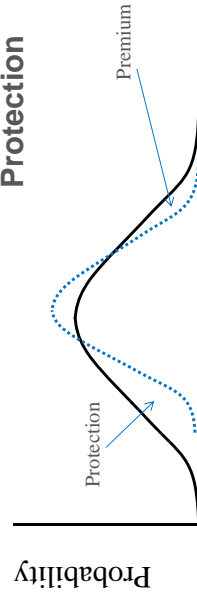
Personal Perspectives on Risk

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

These are dynamic and change over time.

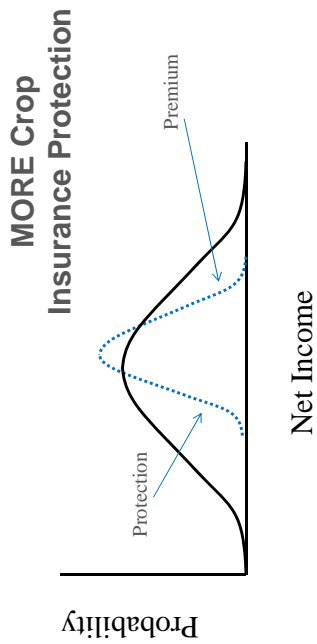
How much risk is right for you?

Crop Insurance Protection



Net Income

How much risk is right for you?



QUESTIONS?

Thank You!

Contact info:

Jay Parsons

jparsons@eRightRisk.com

970-215-8043

University of California
Agriculture and Natural Resources

2012 California Crop Insurance Profile

Insurance Plans Available in California

Insurable Crops	Insured Acres	Total Acres	Percent Insured
Alfalfa Seed	8,663	39,710	22%
Almonds	661,184	780,000	84%
Apples	6,074	17,500	35%
Avocados	36,082	51,794	69%
Barley	86,423	120,000	54%
Blueberries	1,914	3,900	49%
Cherries	24,591	29,000	85%
Citrus – 8 types of fruit	224,782	269,400	83%
Corn	238,151	610,000	39%
Cotton & ELS Cotton	324,463	367,000	88%
Beans (Dry)	22,704	58,500	39%
Figs	4,593	8,045	57%
Forage Production	133,074	950,000	14%
Grapes (Table)	79,908	85,000	94%
Grapes (Wine)	480,299	506,000	94%
Grain Sorghum	1,034	17,000	6%
Mint	2,214	3,700	60%
Oats	12,598	25,000	50%
Olives	21,630	44,000	49%
Onions	3,404	43,300	8%
Pears	8,295	14,000	59%
Pecans	307	3,600	9%
Pistachios	83,239	153,000	54%
Potatoes	20,458	29,000	71%
Prunes	50,799	58,000	88%
Rice*	458,425	575,000	84%
Rice (Cultivated Wild)	13,879	15,000	93%
Safflower*	35,205	53,000	66%
Stonefruit (Includes Plums)	88,718	115,000	77%
Strawberrie	421	38,000	1%
Sugar Beets	3,852	24,500	27%
Tomatoes (Fresh)	14,416	30,000	48%
Tomatoes (Processing)	240,958	260,000	93%
Walnuts	136,397	227,000	60%
Wheat*	382,264	750,000	51%
Dollar Liability Program		Total Dollar Liability	
Adjusted Gross Revenue			\$50,675,841
Apiculture (Rainfall Index)			\$2,840,436
Forage Seeding			\$3,317,586
Livestock Gross Margin (LGM) Dairy			\$111,499,097
Livestock Risk Protection (LRP) Lamb			\$13,964,099
Nursery			\$226,227,112
Pasture, Rangeland, Forage (Rainfall Index)			\$9,159,898
Raisins			\$173,169,530

Davis Regional Office

Contact: Jeff Yasui, Director
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Davis, CA 95616
Phone: (530) 792-5870
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E-mail: jeff.yasui@rma.usda.gov

Western Regional Compliance Office

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

Data as of January 2013

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, Sacramento, San Benito, Santa Clara, San Joaquin, Stanislaus and Tulare Counties
Forage (Alfalfa) Seed	Kings and Fresno Counties
Strawberries	Fresno, Merced, Monterey, Santa Barbara, Santa Cruz
Citrus Dollar (Navels)	Fresno, Kern, Madera and Tulare Counties
PRF (Rainfall Index)	All Counties
Olives	Butte, Colusa, Fresno, Glenn, Tehama, Kern, Madera, San Joaquin, Sutter, Tulare, Yolo
Pistachios	Alameda, Butte, Colusa, Contra Costa, Fresno, Glenn, Kern, Kings, Madera, Merced, Riverside, San Benito, San Joaquin, San Luis Obispo, Santa Barbara, Stanislaus, Sutter, Tehama, Tulare, Yolo, Yuba



California Fifteen Year Crop Insurance History

Year	Policies Earning Premium	Net Acres Insured	Liability	Gross Premium	Losses	Loss Ratio
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	24,726	4,062,207	4,792,588,280	248,898,972	110,209,054	0.44
2012	25,441	4,583,226	5,358,332,573	259,126,046	91,451,022	0.35

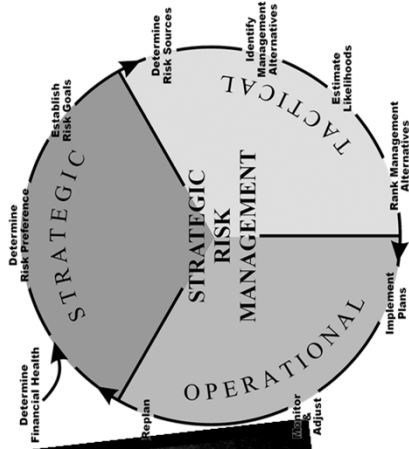
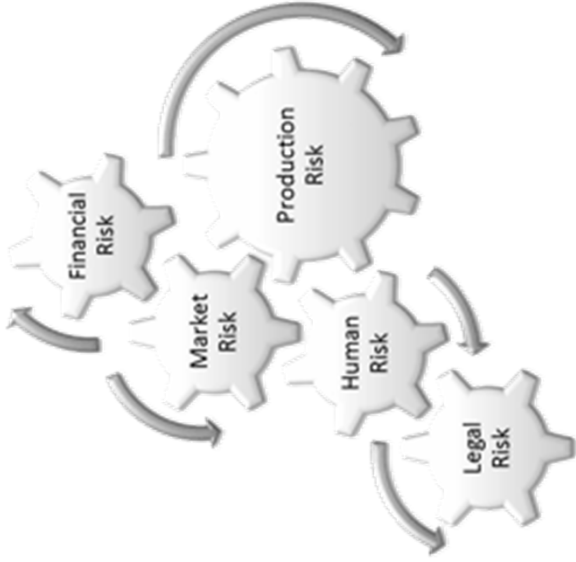
* 2012 numbers are incomplete

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.



Strategic Risk Management in Agriculture

John Hewlett
Jay Parsons



What Does This Graph Represent?



1900

Time

Today

Risk Navigator SRM



NEW THINKING NEEDED

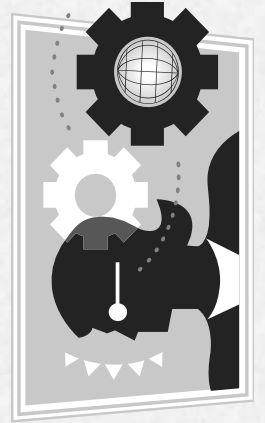


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Strategic Thinking Involves

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



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

Peter Drucker

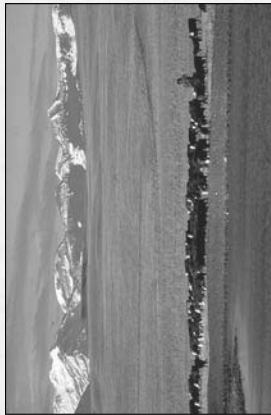


Risk Navigator SRM

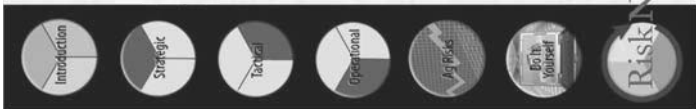


Sources of Risk

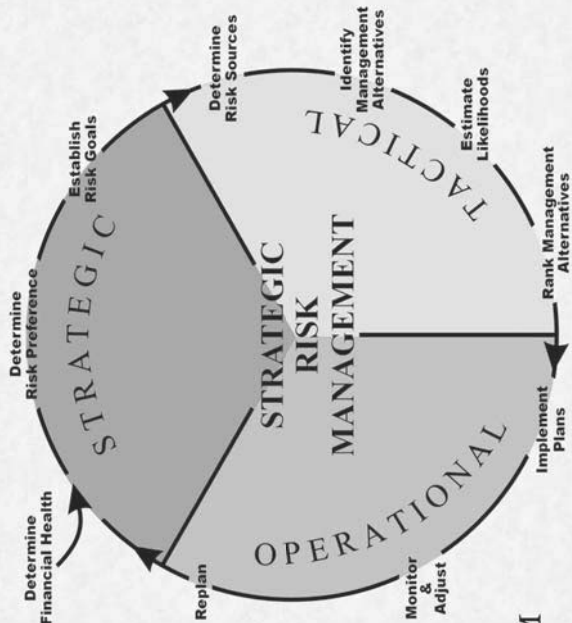
- **Production**- yield/quality variability
- **Marketing**- changes in price/external conditions
- **Financial**- variability in debt/equity capital and ability to meet cash demands
- **Legal**- responsibilities for contracts, statutory compliance, tort liability, and business structure
- **Human**-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



Risk Navigator SRM



- Step 1: A Financial Health Checkup
- Step 2: Determine Your Risk Preferences
- Step 3: Establish Your Risk Goals



Risk Navigator SRM



Summary

WHERE DO YOU WANT TO GO?
STRATEGIC GOALS

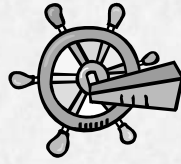


WHERE ARE YOU NOW?

Determine FINANCIAL HEALTH,
RISK PREFERENCES and RISK SOURCES

HOW ARE YOU GOING TO GET THERE?

TACTICAL and OPERATIONAL PLANS



RiskNavigator SRM



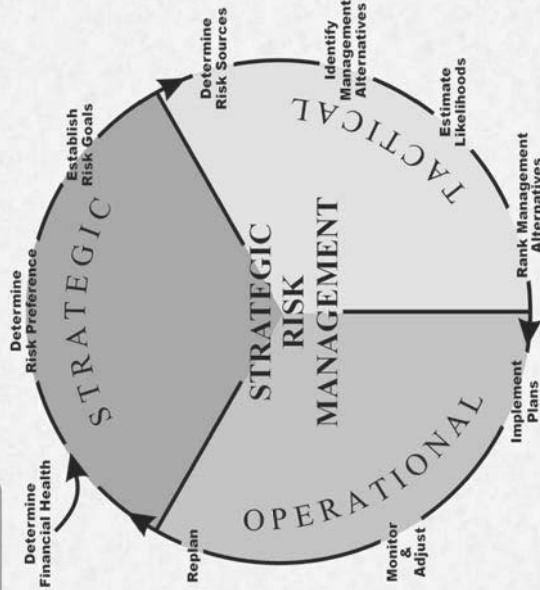
The Human Dimension of Risk Management



RiskNavigator SRM



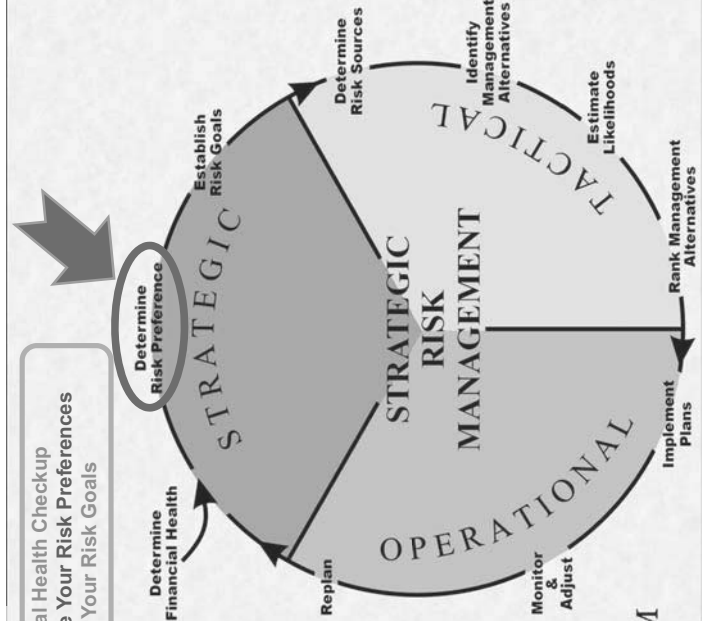
- Step 8 Implement Plans
- Step 9: Monitor and Adjust
- Step 10: Replan



RiskNavigator SRM



- Step 1: A Financial Health Checkup
- Step 2: Determine Your Risk Preferences
- Step 3: Establish Your Risk Goals

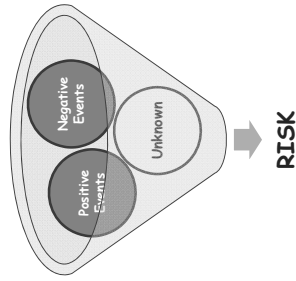


RiskNavigator SRM



What is RISK?

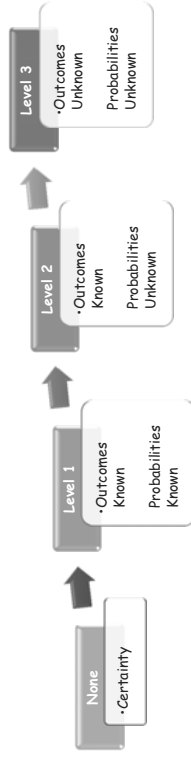
- **Certainty**- lack of doubt
- **Uncertainty**- doubt about future events
- **RISK**- potential variation in the outcome of future events



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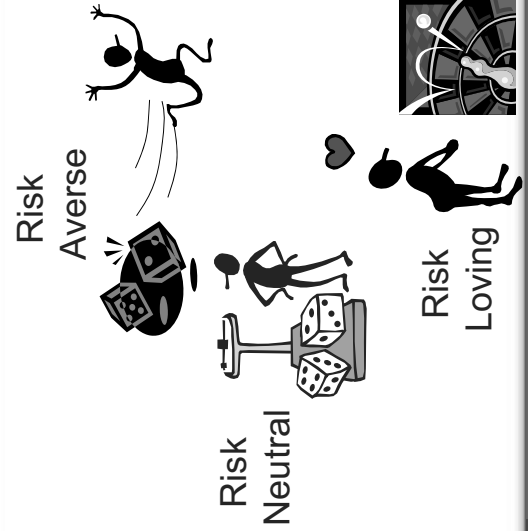
What is RISK?

- **RISK**- potential variation in the outcome of future events



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Types of Risk Preference



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Strategies for Managing Risk

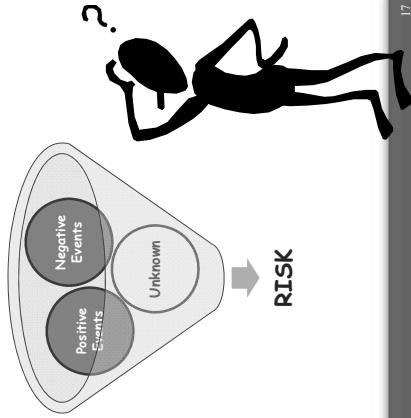
1. Avoid it
2. Reduce it
 - a) Reduce the probability it will happen
 - b) Reduce the impact if it does happen
3. Transfer it outside the business
 - a) Insurance
 - b) Contracting
4. Increase capacity to bear
 - a) Increase reserves
 - b) Maintain flexibility
5. Accept it



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What is RISK?

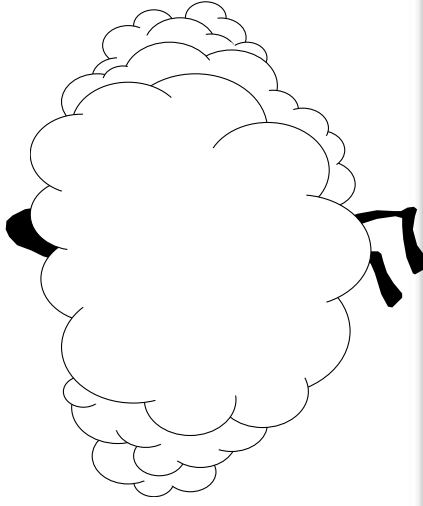
- **Cost of Loss**
 - *Income*
 - *Resources*
 - *Productive capacity, etc.*
- **Cost of Uncertainty**
 - *Worry, doubt, fear, misallocation of resources, etc.*
 - *With potential for gain or loss comes moral or ethical implications*



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The HUMAN Dimension of Risk Management

- Emotionally we **avoid risk (uncertainty)** to avoid the shame of:
 - *Failure,*
 - *Being wrong,*
 - *Being laughed at*
 - *Being made fun of,*
 - *Loosing the farm, etc.*



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The HUMAN Dimension of Risk Management

- Humans tend to be **loss averse** more than **risk averse**
- **Emotion can cloud** the ability to decide rationally
- The **way questions about risk are framed** will influence attitudes about risk
- **Obtaining more information** about certain risks tends to promote a willingness to take those risks
- People tend to ignore that runs of luck tend to **regress to the mean** over time
- Humans do not possess **all information** necessary to decide in an economically rational manner
- Human choice is often based on **inadequate sampling**



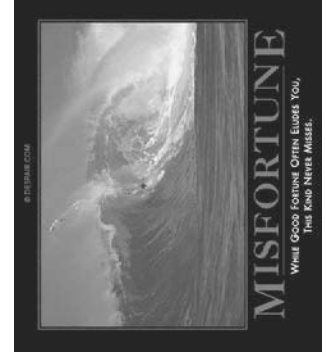
Tversky and Kahneman, 1992

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Risk Tradeoffs

Profits are 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 (uncertainty)** are you willing to accept for **possible higher returns?**



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Risk Tolerance

Introduction Strategic Tactics Operational Analytics Big Data Investment Risk Navigator SRM

Risk Tolerance: Emotional Style*

Resilience Outlook Social Intuition Self-Awareness Attention Sensitivity To Context

* The Emotional Life of Your Brain, Davidson and Begley, 2012.

Risk Tolerance: Emotional Style*

Resilience Outlook Social Intuition Self-Awareness Attention Sensitivity To Context

- **Resilience:** *how quickly or slowly you recover from life's setbacks*
- When flooded with emotions, the brain and body attempt to return to the baseline mood, **resilience** is a measure of how quickly that occurs.

Fast ← → Slow

Risk Navigator SRM

* The Emotional Life of Your Brain, Davidson and Begley, 2012.

Risk Tolerance: Emotional Style*

Resilience Outlook Social Intuition Self-Awareness Attention Sensitivity To Context

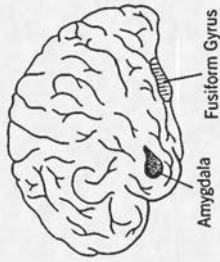
- **Outlook:** *reflects how long and how well you can sustain positive emotions*
- The *outlook* dimension measures how long your brain can sustain feelings of joy or pleasure after a positive event or having positive thoughts.

Negative ← → Positive

Risk Navigator SRM

* The Emotional Life of Your Brain, Davidson and Begley, 2012.

Risk Tolerance: Emotional Style*



Social Intuition: *how attuned you are to nonverbal social cues*

- *Socially-intuitive* persons can read the body language of others, know what mood they are in, understand meaning from subtle voice intonations or facial expressions.

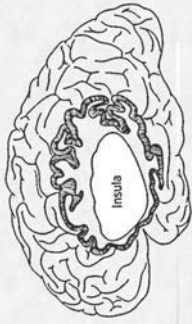
Puzzled ← Socially Intuitive →

* The Emotional Life of Your Brain, Davidson and Begley, 2012.

Risk Navigator SRM



Risk Tolerance: Emotional Style*



Self-Awareness: *how well you understand or are in tune with your feelings, thoughts, and body messages.*

- Your level of understanding of why you act or react to certain things versus being completely unaware of what is going on inside yourself.

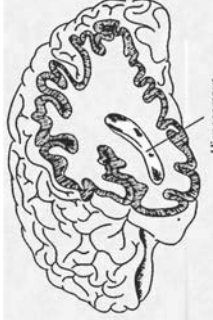
Self-opaque ← Self-aware →

* The Emotional Life of Your Brain, Davidson and Begley, 2012.

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Risk Tolerance: Emotional Style*



Sensitivity to Context: *how well you pick up on the rules of social interaction*

- The outer-directed version of Self-Awareness; how attuned you are to the social environment and actions appropriate to where you are now.

Tuned-out ← Tuned-in →

* The Emotional Life of Your Brain, Davidson and Begley, 2012.

Risk Navigator SRM



Risk Tolerance: Emotional Style*



Attention: *how well you can screen out emotional or other distractions and remain focused*

- A capacity to remain receptive to whatever thoughts, sensory input, or emotion might pass through but remain non-judgmental about it.

Unfocused ← Focused →

* The Emotional Life of Your Brain, Davidson and Begley, 2012.

Risk Navigator SRM



Resilience Scores

How quickly you recover from setbacks

2.33	Team 2
0.67	Team 1

Score	Resilience Scores
1-2	Very fast to recover
3-5	Fast to recover
6-8	Slow to recover
9-10	Very slow to recover

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Outlook Scores

How long and how well you sustain positive emotions

902.33	Team 2
767.33	Team 1

Score	Outlook Scores
100-200	Very positive outlook
300-500	Positive outlook
600-800	Negative outlook
900-1000	Very negative outlook

Risk Navigator SRM

New Risk Management



- Factor #1
- Factor #2
- Factor #3
- . . .

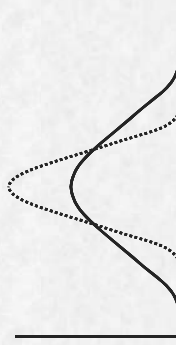


Risk Navigator SRM

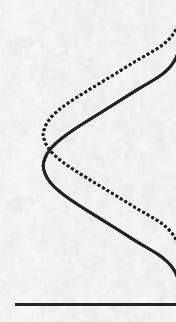
* The Emotional Life of Your Brain, Davidson and Begley, 2012.

Strategy Choices

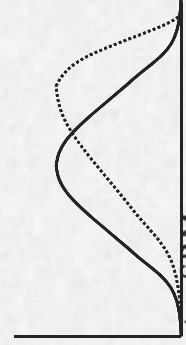
Panel 1: Same Mean, Less Dispersion



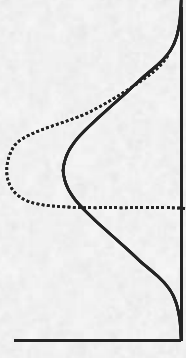
Panel 2: Same Dispersion, Higher Mean



Panel 3: Skewing the distribution



Panel 4: Truncating the Distribution



Risk Navigator SRM

Other False Assumptions

FALSE

- Men are better decision makers (risk managers) under stress than women
- Decision-making capacity declines with age
- Managers under stress are able to make good decisions about advice they receive

Risk Navigator SRM



The Human Dimension of Risk Management

- Emotion matters
- We can better understand ourselves and how we process information
- From that we can learn to apply new approaches for better success

Better understand how much risk is right for you and your operation

Risk Navigator SRM



QUESTIONS?

University of California
Agriculture and Natural Resources



for SRM CAS RMA USDA
Custom Ag Solutions

RightRisk™

Financial Health & Enterprise Risk Analysis



John Hewlett
Jay Parsons

EnterpriseRiskAnalyzer_v1.01.xlsx - Microsoft Excel

H2 2011

	A	B	C	D	E	F	G	H
1								2011
2								
3								
4								
5								
6								
7								
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25								

SCHEDULE F (Form 1040) - Profit or Loss From Farming

PART I Farm Income - Cash Method

1a Sales of livestock and other resale items

1b Sales of livestock and other resale items not reported on line 1a

1c Total of lines 1a and 1b

1d Cost or other basis of livestock or other items reported on line 1c

2a Subtract line 1d from line 1c

2b Specified sales of products you raised

3a Sales of products you raised not reported on line 2a

3b Cooperative distributions (Form(s) 1099-PATR) - taxable amount

4b Agricultural program payments - taxable amount

5a Commodity Credit Corporation (CCC) loans reported under election

5b CCC loans forfeited - taxable amount

6a Crop insurance proceeds and federal crop disaster payments

6b Amount received in 2011 - taxable amount

7a Amount deferred from 2010

7b Specified custom hire (machine work) income

7c Custom hire income not reported on line 7a

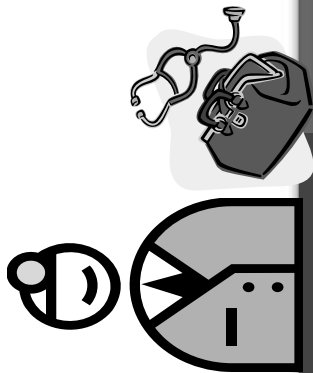
8a Specified other income

8b Other income not reported on line 8a

9 Gross income - Add amounts in the right column (lines 1e, 2a, 2b, 3b, 4b, 5b, 6b, 6d, 7a, 7b, 8a, and 8b)

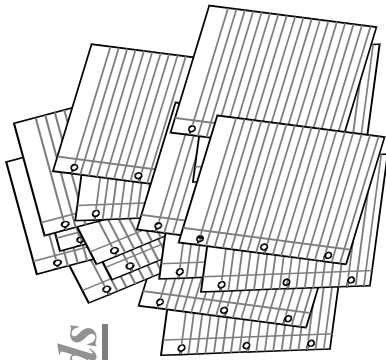


GOT financial health?

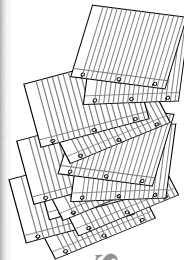


Determining
Your Financial Health: HOW?

× Financial Records

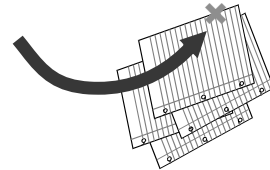


Determining
Your Financial Health: HOW?

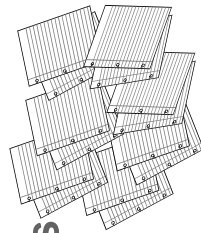


× Financial Records

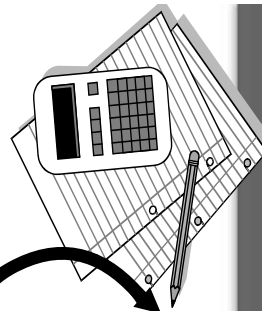
× Financial Statements



× Financial Statements

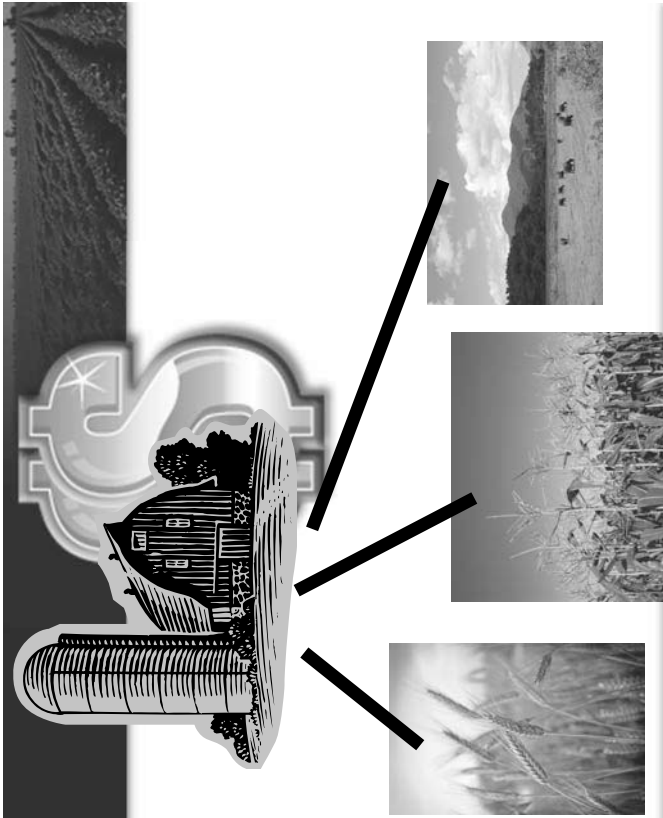
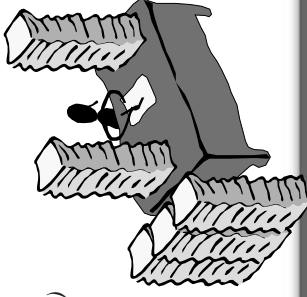


× Financial Analysis



Enterprise Profitability

- Whole-farm profitability is derived from *enterprise profitability*
- One enterprise may be profitable but another may have only marginal profitability or may have costs greater than returns
- May be defined as returns greater than the sum of ALL costs:
 - *Cash and non-cash (e.g. depreciation)*
 - *Actual and imputed (e.g. unpaid family labor)*
 - *Variable and fixed (ownership costs)*



Enterprise Risk Analyzer



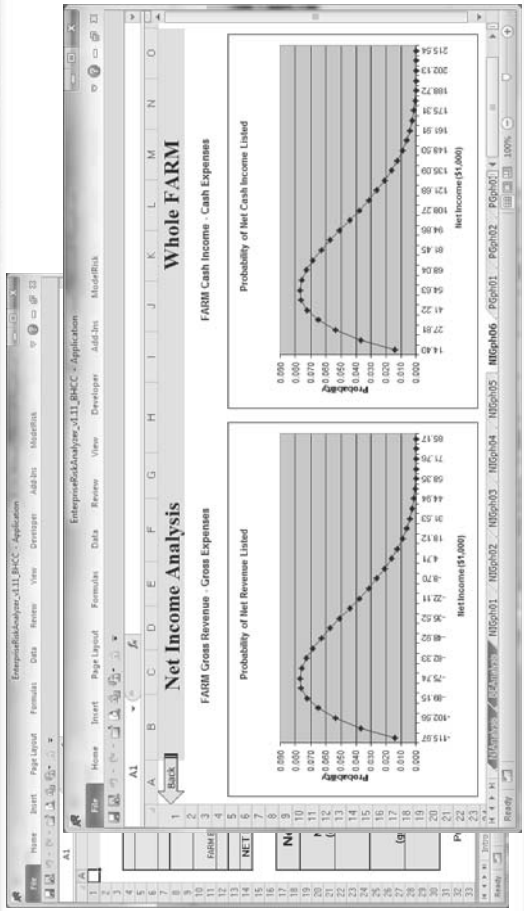
Enterprise Profitability cont.

- Estimates require information from past financial statements or records
- Estimates allow assessment of net returns
- Estimates allow calculation of break even:
 - *Breakeven price*
 - *Breakeven quantity*
- Can help management decide where to make adjustments in the crop or livestock mix



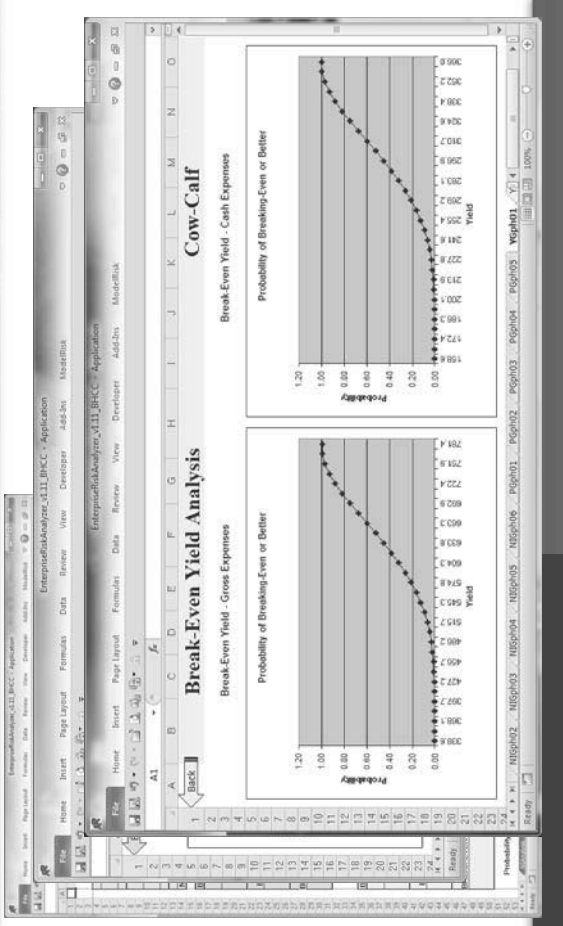
Enterprise Risk Analyzer

Net Return Analysis



Enterprise Risk Analyzer

Break-even Analysis



RightRisk LLC

Who We Are

Educational Programs

Consulting

Research

Members Only

Contact Us:

RightRisk, LLC
1000 E. 10th St.
Fort Collins, CO 98765 U.S.A.
Phone: 970.225.1234
1001 Laramie Rd.
Ft. Collins, CO 98765 U.S.A.

The RightRisk Mission:

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

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

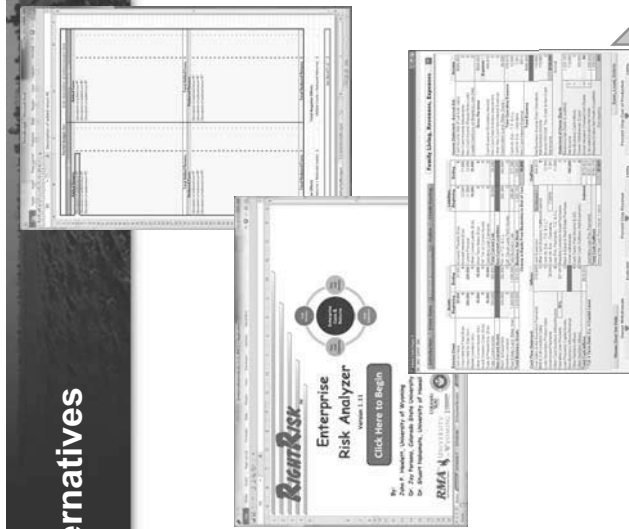
Our professional staff consists of members with over 20 years of experience in education, consulting with individual farmers, ranchers, small business owners, farm and ranch families, and ranches. The RightRisk staff has conducted educational programs in more than 30 U.S. states, and worked with more than 7,000 farm and ranch families.

How Much Risk is Right for You...

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Tools to Evaluate Alternatives

- **Partial Budget**
relatively minor changes
- **Enterprise Budget**
larger changes
- **Whole Farm Budget**
substantial changes



<http://RightRisk.org> > Tools

<http://California.eRightRisk.com>

Partial Budget



Account	Amount	Account	Amount
Accounts Payable (A/P)	25,364	Accounts Receivable (A/R)	100,000
Accumulated Depreciation	57,207	Current Liabilities	15,000
Capital Assets	15,000	Current Assets	15,000
Equity	15,000	Equity	15,000
...
Total Assets	183,571	Total Liabilities & Equity	183,571

Whole Farm Budget

Category	Amount	Category	Amount
Accounts Payable (A/P)	25,364	Accounts Receivable (A/R)	100,000
Accumulated Depreciation	57,207	Current Liabilities	15,000
Capital Assets	15,000	Current Assets	15,000
Equity	15,000	Equity	15,000
...
Total Assets	183,571	Total Liabilities & Equity	183,571

Risk Management Strategies:

Panel 1 : Same Mean, Less Dispersion

Panel 2: Same Dispersion, Higher Mean

Panel 3 : Skewing the distribution

Panel 4: Truncating the Distribution

Practice Session

- Risk Preference Calculator
- Ag Survivor scenarios
- Enterprise Risk Analyzer
- General Risk Management Questions
- More . . .



Risk Preference Calculator

Read the page and determine the level of risk you are willing to take in order to achieve your business goals. The calculator will then generate a risk preference score based on your answers to the questions. This score will be used to determine the level of risk you are willing to take in order to achieve your business goals.

AG SURVIVOR

Home | About | Discussion | Risk Navigator | Workshops | Enterprise Risk Analyzer

SCHEDULE F Form 1043 - Full or Part Time Farming

Line	Income	Expenses	Net Income
1	10000	0	10000
2	0	0	0
3	0	0	0
4	0	0	0
5	0	0	0
6	0	0	0
7	0	0	0
8	0	0	0
9	0	0	0
10	0	0	0
11	0	0	0
12	0	0	0
13	0	0	0
14	0	0	0
15	0	0	0
16	0	0	0
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99	0	0	0
100	0	0	0

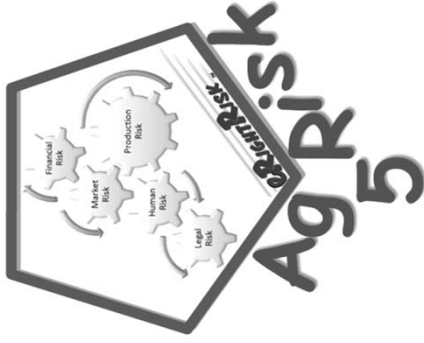
Questions?

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CAS RMA USDA RightRisk

Wrap up ---

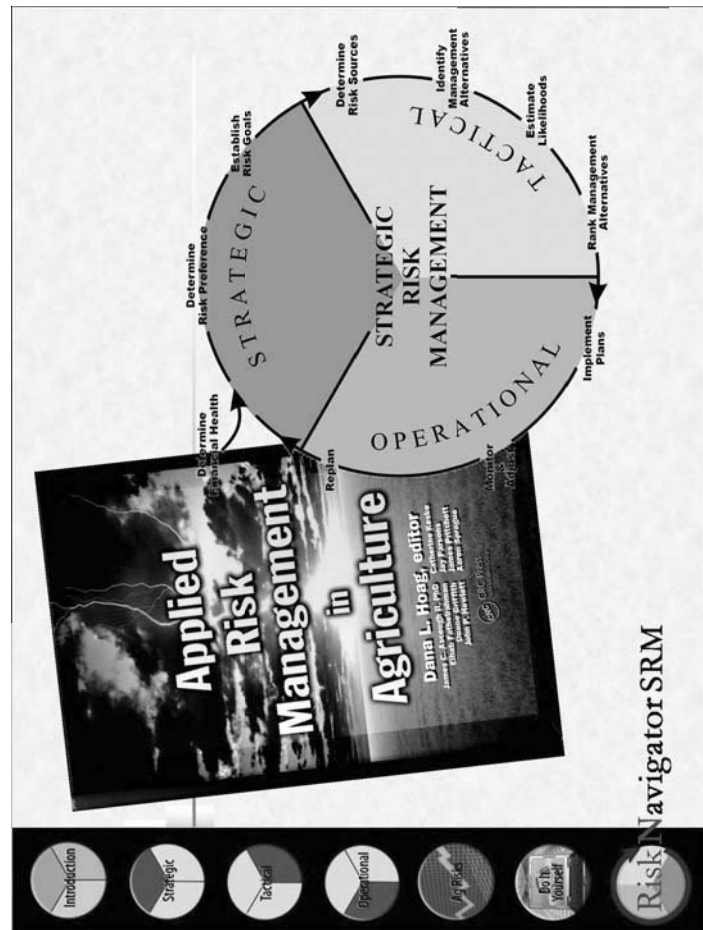


John Hewlett
Jay Parsons



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



Risk Navigator SRM

Current Federal Insurance Options

2012 California Crop Insurance Profile

2012 Premiums by Crop

Crop	2012 Premiums
Alfalfa	1,015,124
Apples	1,015,124
Asparagus	1,015,124
Avocados	1,015,124
Berries	1,015,124
Citrus	1,015,124
Corn	1,015,124
Cotton	1,015,124
Crucifers	1,015,124
Grains	1,015,124
Legumes	1,015,124
Oilseeds	1,015,124
Other	1,015,124
Peaches	1,015,124
Peanut	1,015,124
Pears	1,015,124
Pistachios	1,015,124
Plums	1,015,124
Rubbers	1,015,124
Soybeans	1,015,124
Sweeteners	1,015,124
Tobacco	1,015,124
Wheat	1,015,124
Wool	1,015,124
Other	1,015,124
Total	1,015,124

2012 Net Acres Insured by Crop

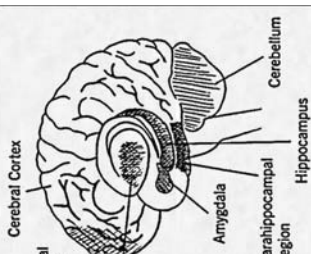
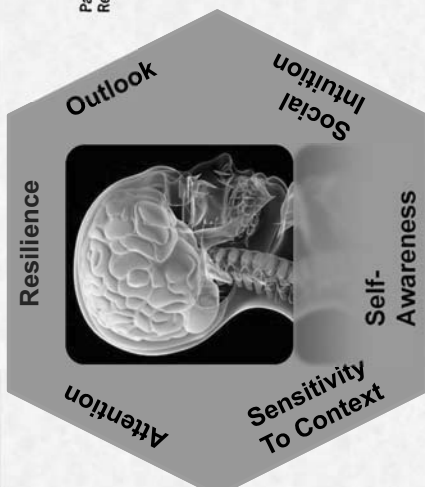
Crop	2012 Net Acres
Alfalfa	1,015,124
Apples	1,015,124
Asparagus	1,015,124
Avocados	1,015,124
Berries	1,015,124
Citrus	1,015,124
Corn	1,015,124
Cotton	1,015,124
Crucifers	1,015,124
Grains	1,015,124
Legumes	1,015,124
Oilseeds	1,015,124
Other	1,015,124
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Pears	1,015,124
Pistachios	1,015,124
Plums	1,015,124
Rubbers	1,015,124
Soybeans	1,015,124
Sweeteners	1,015,124
Tobacco	1,015,124
Wheat	1,015,124
Wool	1,015,124
Other	1,015,124
Total	1,015,124

<http://www.rma.usda.gov/pubs/2013/stateprofiles/california12.pdf>

California Fifteen Year Crop Insurance History

Year	Policies	Earnings	Net Acres Insured	Eligibility	Losses	Loss Ratio
1998	4,232,277	2,548,025,256	135,426,212	135,426,212	135,344,448	1.02
1999	4,232,277	2,548,025,256	135,426,212	135,426,212	135,344,448	1.02
2000	4,232,277	2,548,025,256	135,426,212	135,426,212	135,344,448	1.02
2001	4,232,277	2,548,025,256	135,426,212	135,426,212	135,344,448	1.02
2002	4,232,277	2,548,025,256	135,426,212	135,426,212	135,344,448	1.02
2003	4,232,277	2,548,025,256	135,426,212	135,426,212	135,344,448	1.02
2004	4,232,277	2,548,025,256	135,426,212	135,426,212	135,344,448	1.02
2005	4,232,277	2,548,025,256	135,426,212	135,426,212	135,344,448	1.02
2006	4,232,277	2,548,025,256	135,426,212	135,426,212	135,344,448	1.02
2007	4,232,277	2,548,025,256	135,426,212	135,426,212	135,344,448	1.02
2008	4,232,277	2,548,025,256	135,426,212	135,426,212	135,344,448	1.02
2009	4,232,277	2,548,025,256	135,426,212	135,426,212	135,344,448	1.02
2010	4,232,277	2,548,025,256	135,426,212	135,426,212	135,344,448	1.02
2011	4,232,277	2,548,025,256	135,426,212	135,426,212	135,344,448	1.02
2012	4,232,277	2,548,025,256	135,426,212	135,426,212	135,344,448	1.02

Risk Tolerance: Emotional Style*



Risk Navigator SRM

* The Emotional Life of Your Brain, Davidson and Begley, 2012.

Strategies for Managing Risk

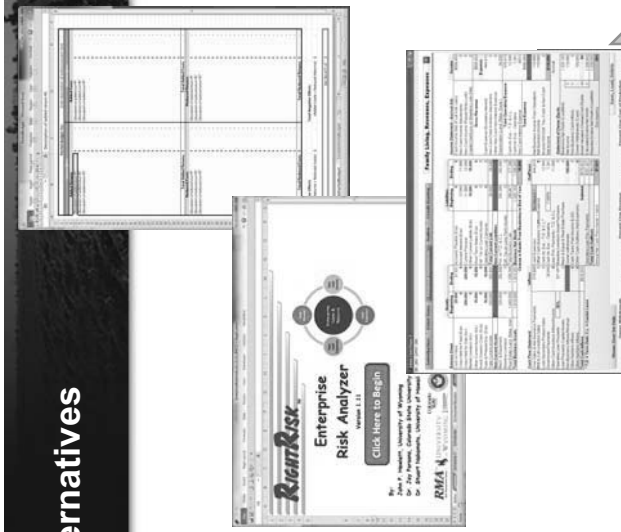
1. Avoid it
2. Reduce it
 - a) Reduce the probability it will happen
 - b) Reduce the impact if it does happen
3. Transfer it outside the business
 - a) Insurance
 - b) Contracting
4. Increase capacity to bear
 - a) Increase reserves
 - b) Maintain flexibility
5. Accept it



5

Tools to Evaluate Alternatives

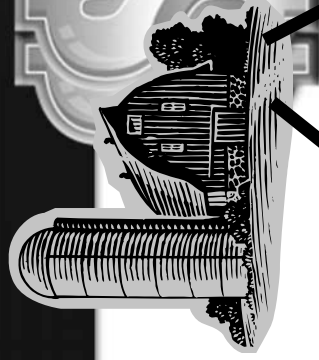
- **Partial Budget**
relatively minor changes
- **Enterprise Budget**
larger changes
- **Whole Farm Budget**
substantial changes



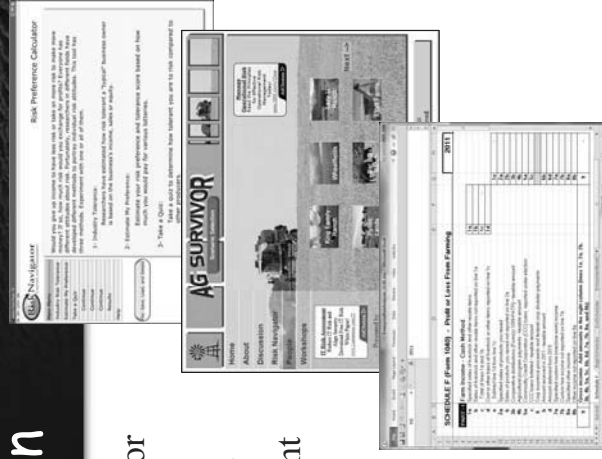
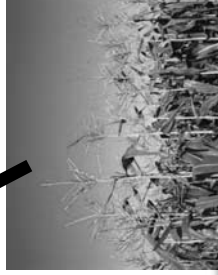
<http://RightRisk.org> > Tools

Practice Session

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- Ag Survivor scenarios
- Enterprise Risk Analyzer
- General Risk Management Questions
- More . . .

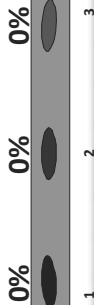


2011	2010
1	2
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23	24
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87	88
89	90
91	92
93	94
95	96
97	98
99	100



Are you ever really **FINISHED** managing risk?

- 1. Yes
- 2. No
- 3. I'm not sure



9

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10



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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

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719 - 251 - 0890
information@eRightRisk.com

Over Night Deliveries:

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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...

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