University of California Agriculture and Natural Resources

UC Cooperative Extension

DROUGHT AND PERENNIAL CROPS:
Risk Management Implications for Southern California

The University of California Cooperative Extension, in collaboration with the USDA Risk Management Agency and the San Diego County Farm Bureau invite you to join us for a risk management workshop that will explore the water situation and outlook, the impacts of drought on perennial crops in Southern California and offer techniques for managing the associated risks to help you and your farm thrive in today's challenging environment.

Tuesday, July 8th 2014
7:30 a.m. - 3:00 p.m.
San Diego County Farm Bureau
1670 East Valley Parkway | Escondido, CA 92127

7:30 am	**Registration, Continental Breakfast & Welcome** Ramiro Lobo – UCCE Advisor, Small Farms & Agricultural Economics
8:00 am	**San Diego Region's Current Water Supply Situation & Drought Response Actions** Dana Friehauf – Acting Water Resources Manager, San Diego Co. Water Authority
8:30 am	**Current Water Situation and Outlook in Valley Center Metropolitan Water District** Gary Arant – Director, Valley Center Municipal Water District
9:00 am	**The San Diego County Irrigated Lands Working Group** Eric Larson – Executive Director, San Diego County Farm Bureau
9:30 am	**Water/Irrigation Efficiency Research in Southern California** Ramiro Lobo – UCCE Advisor, Small Farms & Agricultural Economics
10:00 am	**BREAK**
10:15 am	**Drought Management Strategies for Grapes/Vineyards** Alex McGeary – Owner/Manager, Shadow Mountain Vineyards & Winery
10:45 am	**Drought Management Strategies for Tree Crops** Gary Bender – UCCE Advisor Emeritus, Avocados, Citrus & Subtropical Crops
11:15 am	**Ag Risk 5: Sources of Risk and Management Strategies for Growers** John Hewlett – Farm/Ranch Management Specialist, University of Wyoming
12:00 noon	**LUNCH – Provided & Catered by Phil's Barbeque**
1:00 pm	**Tools to Evaluate your Risk Management Strategies** Dr. Jay Parsons – Risk Management Specialist, Colorado State University
2:00 pm	**Hands-on, Practice Session Using Risk Management Tools:** Manage your Risks by Selecting and Comparing Risk Management Strategies
3:00 pm	**ADJOURN**

Registration/Fee:

$20 per farm/ranch in advanc

Please register and pay online at: http:/

to secure a space and to help us plan fo

The registration fee covers handout materials, refreshments, and lunch.

Information:

California.eRightRisk.com

on how to register by phone or mail.

How Much Risk Is Right For You?

RightRisk™

Western Region Sustainable Agriculture Research and Education

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Project Director John Mangus, Custom Ag Solutions

USDA

http://eRightRisk.com

Ag Risk-5

sources of risk and management strategies for risk control

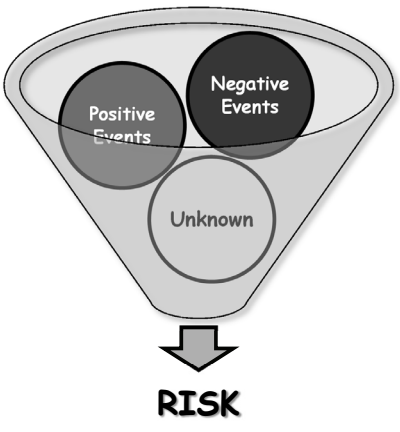
John P. Hewlett
University of Wyoming

Jay Parsons
University of Nebraska-Lincoln

USDA RMA CAS Custom Ag Solutions University of California Agriculture and Natural Resources RightRisk

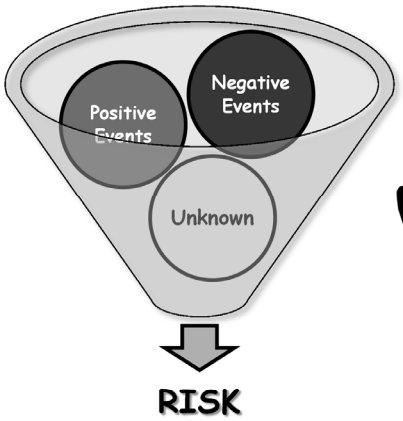
What is RISK?

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



What is RISK?

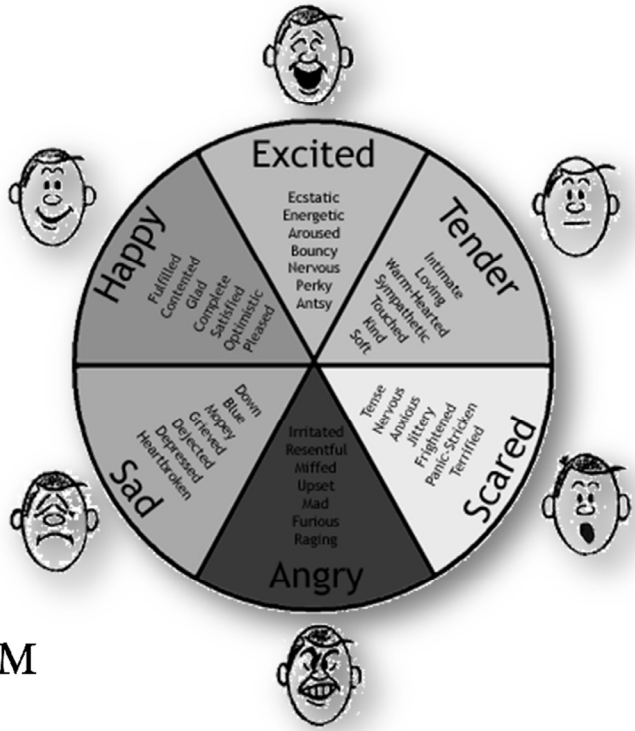
- **Cost of Loss**
  - *Income*
  - *Resources*
  - *Productive capacity, etc.*
- **Cost of Uncertainty**
  - *Worry, doubt, fear, misallocation of resources, etc.*
  - *With potential for gain or loss comes moral or ethical implications*



Introduction
Strategic
Tactical
Operational
Ag Risks
Do It Yourself
RiskNavigator SRM

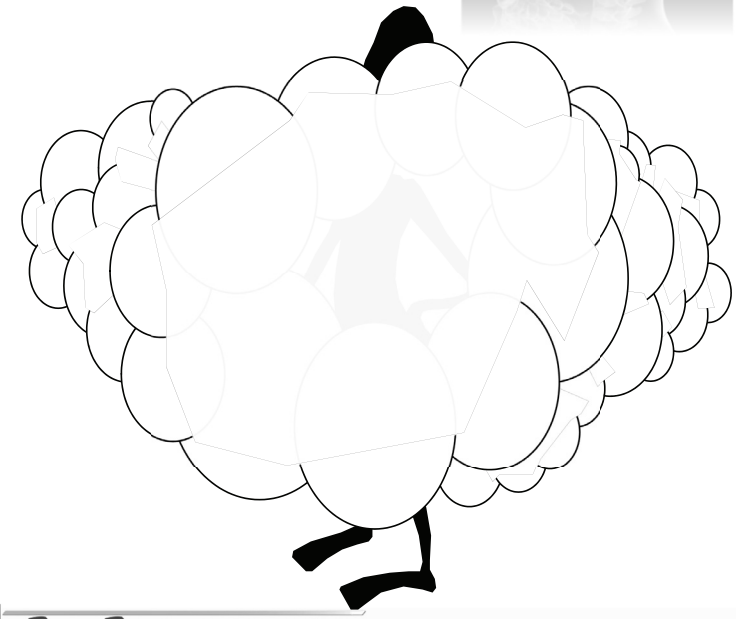
The Human Dimension of Risk Management

EMOTION

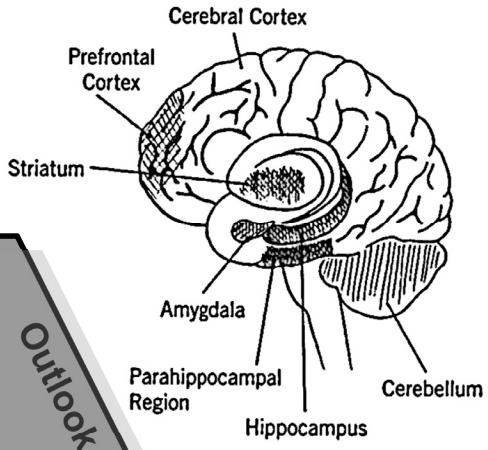


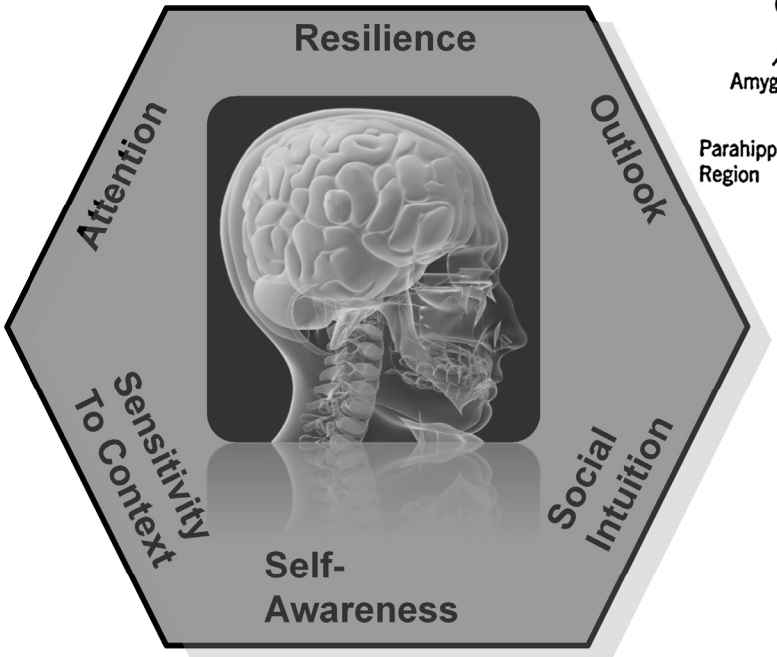
The HUMAN Dimension of Risk

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



Risk Tolerance: Emotional Style*





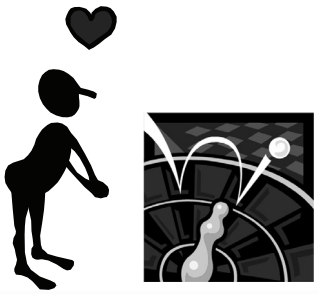
* The Emotional Life of Your Brain, Davidson and Begley, 2012.

Types of Risk Preference

Risk Averse

Risk Neutral

Risk Loving



Personal Perspectives on Risk

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

dynamic and changing over time.

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**?

Sources of Risk in Agriculture – *Ag Risk 5*

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

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

What are Your Sources?

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

What are Your Management Controls?

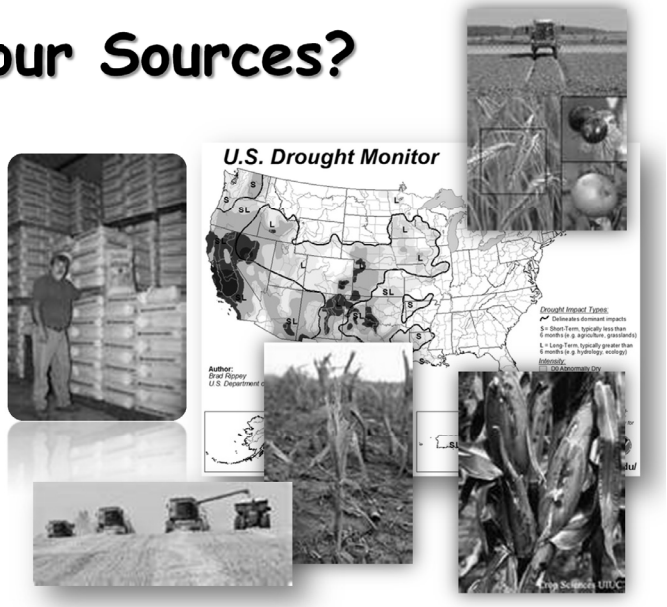
- Forward pricing or contracting
- Diversified market timing
- Diversified production
- Selecting low price risk enterprises
- Obtaining market outlook reports (information)
- Negotiated lease agreements
- Crop Insurance

Production Risk

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

What are Your Sources?

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



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

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

What are Your Management Controls?

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

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

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

Financial Risk

Financial risk is the extra risk that is attached to being leveraged. Added variability resulting from debt financing.

What are Your Sources?

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

Financial Risk

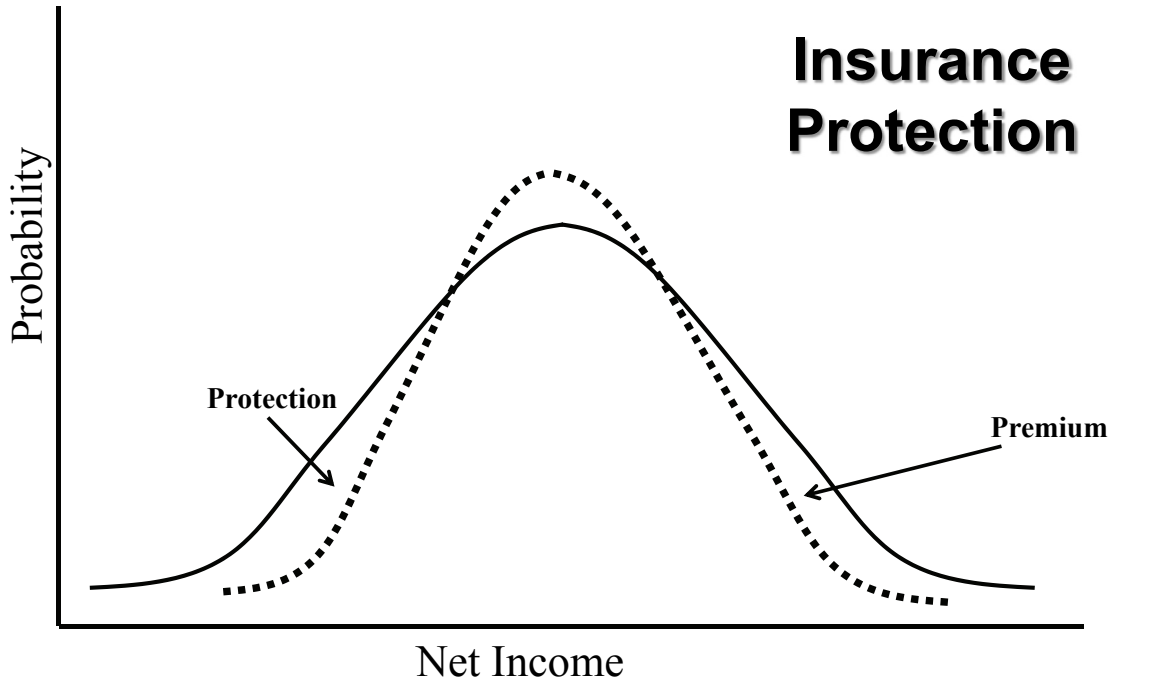
What are Your Management Controls?

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

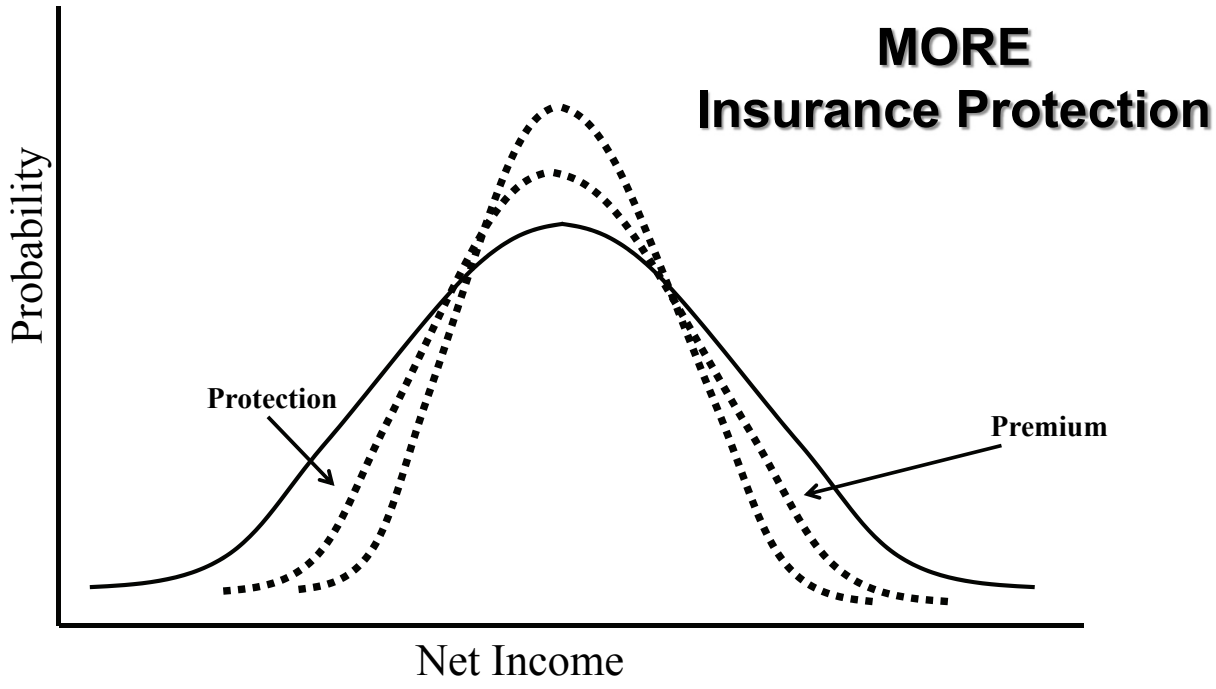
Strategies for Managing Risk

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. **Increase capacity to bare**
   a) Increase reserves
   b) Maintain flexibility
5. **Accept it**

How much risk is right for you?

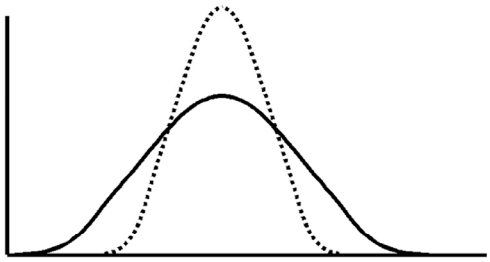


How much risk is right for you?

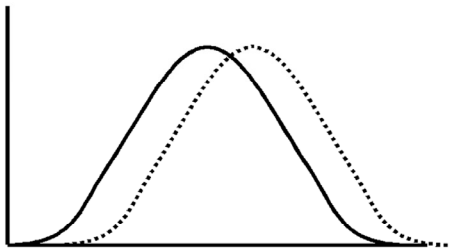


Strategy Impacts

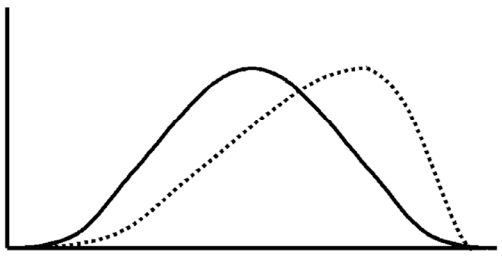
Panel 1: Same Mean, Less Dispersion



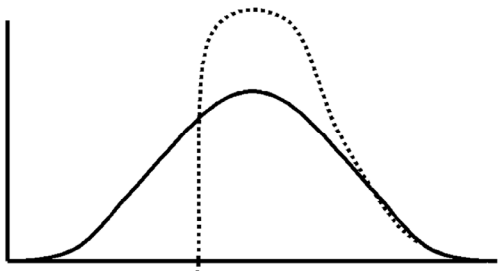
Panel 2: Same Dispersion, Higher Mean



Panel 3: Skewing the distribution



Panel 4: Truncating the Distribution



Current Federal Insurance Options

2013 California Crop Insurance Profile

Insurance Plans Available in CALIFORNIA

Insurable Crops	Insured Acres	Total Acres	Percent Insured
Alfalfa Seed	10,416	28,023	35%
Almonds	692,001	876,195	79%
Apples	5,684	13,026	32%
Avocados	36,147	53,559	68%
Barley	48,962	100,000	49%
Blueberries	2,216	3,900	57%
Cherries	26,852	36,173	74%
Citrus – 8 types of fruit	227,963	257,382	84%
Corn	232,551	560,000	42%
Cotton & ELS Cotton	263,497	280,000	94%
Beans (Dry)	17,911	49,000	37%
Figs	4,216	8,045	52%
Forage Production	135,188	921,910	15%
Grapes (Table)	84,951	92,197	92%
Grapes (Wine)	484,439	587,600	83%
Grain Sorghum	893	6,249	10%
Mint	1,849	3,200	58%
Oats	3,290	6,829	48%
Olives	25,131	44,000	57%
Onions	4,239	55,145	8%
Pears	8,699	14,000	62%
Pecans	300	3,800	9%
Pistachios	87,887	178,000	49%
Potatoes	18,404	33,000	56%
Prunes	48,882	61,988	79%
Rice	463,402	553,110	84%
Rice (Cultivated Wild)	13,329	15,000	89%
Safflower	34,558	57,000	61%
Stonefruit (Includes Plums)	56,543	126,698	45%
Strawberries	136	38,000	1%
Sugar Beets	3,894	24,500	15%
Tomatoes (Fresh)	13,139	30,000	47%
Tomatoes (Processing)	252,574	259,000	98%
Walnuts	140,363	289,809	48%
Wheat	344,519	568,155	61%

Dollar Liability Program	Total Dollar Liability
Adjusted Gross Revenue	$39,927,037
Apiculture (Rainfall Index)	$10,414,535
Forage Seeding	$2,265,422
Livestock Gross Margin (LGM) Dairy	$86,047,453
Livestock Risk Protection (LRP) Lamb	$8,971,682
Nursery	$190,545,014
Pasture, Rangeland, Forage (Rainfall Index)	$19,606,133
Raisins	$214,106,813

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

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E-Mail: susan.choy@rma.usda.gov

Data as of January 2014

http://www.rma.usda.gov/pubs/2014/stateprofiles/california13.pdf

California
Fifteen Year Crop Insurance History

Year	Policies Earning Premium	Net Acres Insured	Liability	Gross Premium	Losses	Loss Ratio
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	25,462	4,600,044	5,394,444,735	260,903,031	112,207,209	0.43
2013*	25,470	5,233,794	6,097,497,679	286,604,558	82,422,389	0.29

* 2013 numbers are incomplete

Current Federal Insurance Options - *Crops*

Federal Crop Insurance Corporation
Crop Year Statistics for 2013
As of: 5/19/2014
Nationwide Summary - By State/Crop

Crop	Ins Plan	Pol Sold	Pol Earn Prem	Pol Indem	Units Earn Prem	Units Indem	Net Acres	Liabilities	Total Premium	Subsidy	Cost Share	State Sbsdy	Prem Dscnt	Indemnity	Loss Ratio
CALIFORNIA															
ADJUSTED GROSS REVENUE	AGR	58	47	0	47	0	0	34,840,057	1,416,522	761,304	0	0	0	0	.00
ALFALFA SEED	APH	62	32	1	84	1	10,581	14,105,093	573,098	339,328	0	0	0	3,856	.01
ALMONDS	APH	3,894	3744	177	5,901	196	695,616	1,517,069,955	55,343,395	36,083,880	0	0	0	4,292,712	.08
APICULTURE	RAINF	190	189	186	736	687	0	10,414,535	2,969,479	1,563,974	0	0	0	5,545,093	1.87
APPLES	APH	123	110	27	230	35	5,658	21,910,284	3,215,918	2,052,786	0	0	0	1,151,774	.36
AVOCADOS	APH	1,081	1037	78	1,138	78	35,805	72,259,384	8,665,290	7,415,855	0	0	0	732,933	.08
BARLEY	RP	77	18	14	41	21	8,504	1,662,243	436,823	252,605	0	0	0	677,428	1.55
	RPHPE	6	2	1	3	2	514	38,544	17,908	12,722	0	0	0	7,093	.40
	YP	567	86	38	134	61	38,756	4,936,645	1,098,082	741,056	0	0	0	2,227,841	2.03
BARLEY Total		650	106	53	178	84	47,774	6,637,432	1,552,813	1,006,383	0	0	0	2,912,362	1.88
BLUEBERRIES	APH	34	32	2	34	2	2,216	17,418,099	683,202	550,677	0	0	0	110,487	.16
CHERRIES	ARH	689	624	233	967	291	28,941	173,184,061	20,181,203	11,382,447	0	0	0	15,462,013	.77
CORN	RP	89	14	4	35	8	12,413	9,683,103	681,759	415,271	0	0	0	173,539	.25
	RPHPE	16	5	0	10	0	2,803	2,109,385	95,983	73,822	0	0	0	0	.00
	YP	997	551	3	838	3	216,868	73,788,030	1,546,117	1,452,950	0	0	0	79,870	.05
CORN Total		1,102	570	7	883	11	232,084	85,580,518	2,323,859	1,942,043	0	0	0	253,409	.11
COTTON	RP	73	4	2	9	3	682	684,914	49,876	30,395	0	0	0	160,323	3.21
	RPHPE	12	2	0	4	0	355	318,533	14,921	8,804	0	0	0	0	.00
	YP	989	253	22	396	34	73,904	32,784,397	1,027,619	737,313	0	0	0	2,010,537	1.96
COTTON Total		1,074	259	24	409	37	74,941	33,787,844	1,092,416	776,512	0	0	0	2,170,860	1.99
COTTON EX LONG STAPLE	APH	851	366	116	587	156	188,717	131,721,119	10,216,709	6,075,657	0	0	0	19,467,997	1.91
CULTIVATED WILD RICE	APH	54	37	7	72	12	13,329	8,677,112	528,279	311,041	0	0	0	392,847	.74
DRY BEANS	APH	450	106	9	223	12	17,639	7,890,027	683,426	463,253	0	0	0	313,040	.46
FIGS	APH	21	21	0	41	0	4,216	4,134,330	178,261	121,624	0	0	0	0	.00
FORAGE PRODUCTION	APH	874	449	1	619	1	135,188	59,569,751	2,107,370	2,065,018	0	0	0	15,888	.01
FORAGE SEEDING	DOL	184	60	5	114	7	9,978	2,265,422	167,609	111,278	0	0	0	155,090	.93
FRESH APRICOTS	APH	77	60	8	81	10	2,284	7,277,808	1,052,840	673,773	0	0	0	673,274	.64
FRESH FREESTONE PEACHES	APH	264	241	12	599	29	16,170	23,005,604	577,120	431,085	0	0	0	171,000	.30
FRESH MARKET TOMATOES	APH	178	46	1	79	4	13,127	26,335,438	2,300,290	2,117,516	0	0	0	97,137	.04
FRESH NECTARINES	APH	271	239	18	672	30	14,746	25,839,284	1,902,243	1,318,942	0	0	0	295,518	.16
GRAIN SORGHUM	RP	17	0	0	0	0	0	0	0	0	0	0	0	0	.00
	YP	64	4	0	4	0	693	171,467	18,111	10,433	0	0	0	0	.00
GRAIN SORGHUM Total		81	4	0	4	0	693	171,467	18,111	10,433	0	0	0	0	.00
GRAPEFRUIT	APH	234	217	17	259	21	7,575	11,682,072	426,404	280,177	0	0	0	635,446	1.49
GRAPES	APH	4,454	4238	175	11,400	271	489,683	1,099,434,455	34,930,907	22,890,027	0	0	0	4,162,106	.12
LEMONS	APH	722	678	24	768	24	36,832	94,082,802	4,935,953	3,277,948	0	0	0	789,161	.16
MANDARINS	APH	420	369	38	468	41	26,666	116,421,656	11,699,153	8,090,419	0	0	0	2,812,289	.24
MINNEOLA TANGELOS	APH	205	193	9	238	10	6,074	14,013,072	1,258,226	782,087	0	0	0	175,576	.14
MINT	APH	15	10	3	25	4	1,849	2,746,527	159,900	91,732	0	0	0	225,354	1.41
NAVEL ORANGES	APH	1,677	1616	161	2,644	186	109,574	204,869,963	13,486,298	8,442,986	0	0	0	2,706,735	.20
	ARH	180	179	18	316	22	9,330	21,139,926	2,009,160	1,251,095	0	0	0	371,493	.18
NAVEL ORANGES Total		1,857	1,795	179	2,960	208	118,904	226,009,889	15,495,458	9,694,081	0	0	0	3,078,228	.20
NURSERY (FG&C)	DOL	95	73	0	148	0	0	190,545,014	1,579,836	1,563,483	0	0	0	0	.00
OATS	APH	332	21	4	42	5	3,290	201,423	31,069	23,667	0	0	0	3,546	.11
ONIONS	APH	39	25	4	65	6	4,457	10,860,391	793,777	443,415	0	0	0	419,935	.53
ORLANDO TANGELOS	APH	2	1	0	1	0	3	5,239	291	291	0	0	0	0	.00
Olives	APH	519	478	71	498	72	25,654	26,902,391	2,591,907	1,668,400	0	0	0	1,283,830	.50
PASTURE,RANGELAND,FORAGE	RAINF	238	192	191	555	503	1,413,481	19,864,099	5,485,063	2,996,027	0	0	0	11,510,473	2.10
PEARS	APH	98	97	9	226	12	8,699	23,326,755	544,034	324,500	0	0	0	261,178	.48
PECANS	PRV	4	4	0	4	0	300	888,827	67,220	37,081	0	0	0	0	.00

Current Federal Insurance Options – *Crops* cont.

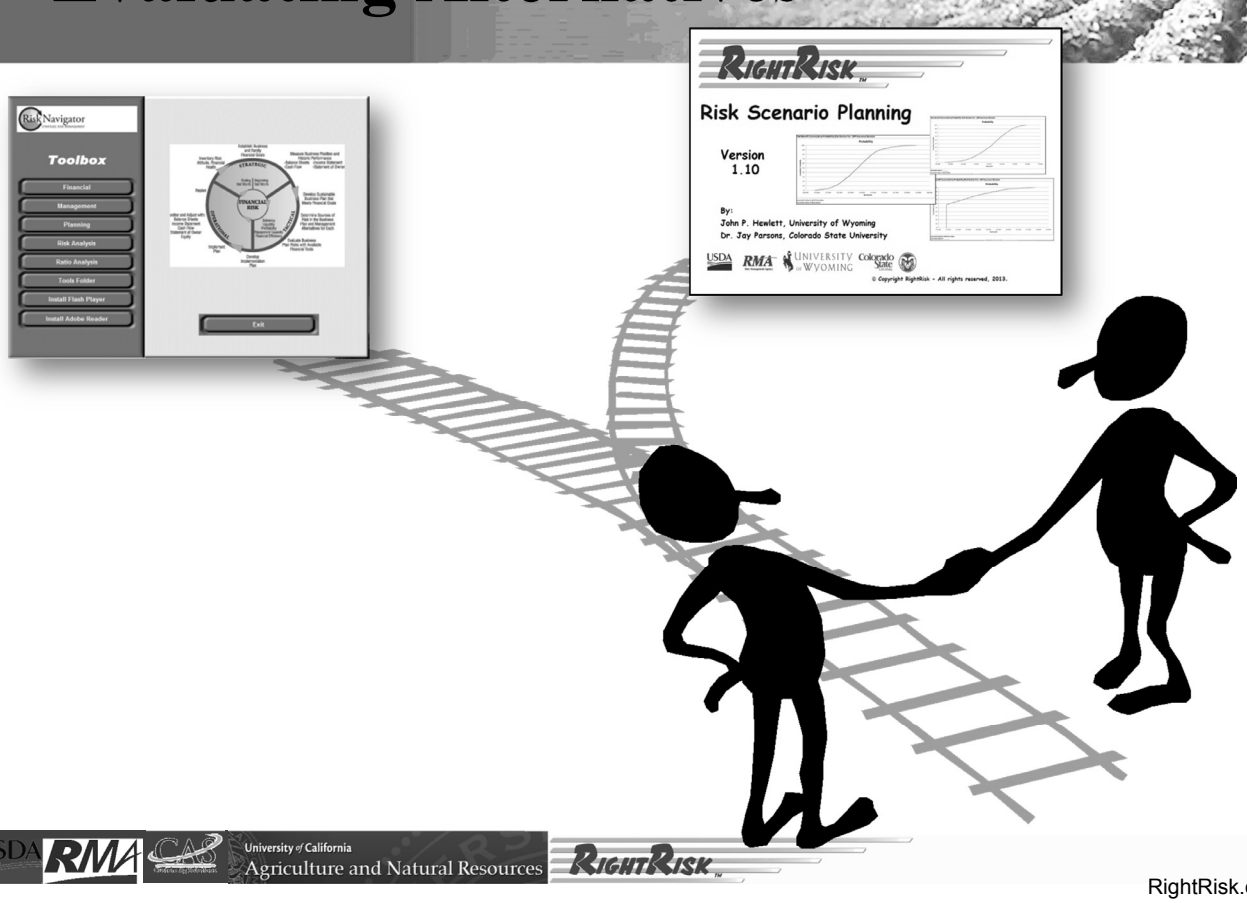
Federal Crop Insurance Corporation
Crop Year Statistics for 2013
As of: 5/19/2014
Nationwide Summary - By State/Crop

Crop	Ins Plan	Pol Sold	Pol Earn Prem	Pol Indem	Units Earn Prem	Units Indem	Net Acres	Liabilities	Total Premium	Subsidy	Cost Share	State Sbsdy	Prem Dscnt	Indemnity	Loss Ratio
CALIFORNIA															
PLUMS	APH	354	311	44	797	82	14,151	26,493,269	3,059,102	2,068,851	0	0	0	757,691	.25
POTATOES	APH	104	56	4	182	13	18,926	36,912,644	2,387,820	1,640,507	0	0	0	981,960	.41
PROCESSING APRICOTS	APH	49	41	3	64	5	2,907	3,599,285	527,951	308,356	0	0	0	183,485	.35
PROCESSING CLING PEACHES	APH	358	345	30	960	47	16,134	42,845,401	1,764,388	1,049,095	0	0	0	410,949	.23
PROCESSING FREESTONE	APH	78	63	1	98	2	2,860	5,987,822	216,357	129,674	0	0	0	95,319	.44
PRUNES	APH	641	615	340	862	446	48,496	55,203,797	10,870,139	6,570,306	0	0	0	12,657,198	1.16
Pistachios	APH	437	396	98	516	117	87,919	200,652,566	7,476,615	5,817,145	0	0	0	4,580,889	.61
RAISINS	DOL	1,646	1373	14	2,396	15	0	249,926,786	13,725,643	8,512,133	0	0	0	123,043	.01
RICE	RP	79	24	1	53	1	6,675	5,147,936	214,573	131,364	0	0	0	3,234	.02
	RPHPE	116	104	2	278	3	44,806	43,681,679	1,534,102	1,106,258	0	0	0	83,970	.05
	YP	1,612	1262	71	2,304	106	411,577	248,300,787	6,693,088	4,314,052	0	0	0	3,236,674	.48
RICE Total		1,807	1,390	74	2,635	110	463,058	297,130,402	8,441,763	5,551,674	0	0	0	3,323,878	.39
SAFFLOWER	APH	511	68	5	101	5	34,588	5,321,832	719,597	679,231	0	0	0	65,582	.09
SUGAR BEETS	APH	7	6	0	7	0	3,694	2,722,653	37,314	35,724	0	0	0	0	.00
SWEET ORANGES	APH	75	65	3	67	3	436	842,230	65,669	38,120	0	0	0	10,517	.16
Strawberries	ARH	7	2	0	3	0	136	2,519,606	74,728	47,872	0	0	0	0	.00
TABLE GRAPES	APH	431	356	35	1,153	52	84,874	251,103,013	9,670,149	7,885,504	0	0	0	2,068,816	.21
TOMATOES	APH	1,019	525	87	2,537	144	253,174	450,704,562	7,952,985	4,686,427	0	0	0	7,759,496	.98
VALENCIA ORANGES	APH	978	930	68	1,225	75	31,259	48,405,038	4,412,327	2,822,814	0	0	0	1,850,801	.42
WALNUTS	APH	1,323	1263	63	1,709	75	140,004	257,626,508	7,722,341	5,807,744	0	0	0	1,104,107	.14
WHEAT	RP	299	121	62	334	139	91,056	24,089,621	5,777,140	3,751,401	0	0	0	7,380,630	1.28
	RPHPE	50	23	7	56	15	10,246	4,095,888	616,408	428,834	0	0	0	308,820	.50
	YP	1,655	689	51	1,118	85	243,446	52,558,873	5,470,135	4,922,381	0	0	0	1,741,652	.32
WHEAT Total		2,004	833	120	1,508	239	344,748	80,744,382	11,863,683	9,102,616	0	0	0	9,431,102	.79
CALIFORNIA Total		33,325	25,408	2,678	48,175	4,290	5,240,534	6,139,821,032	288,737,222	192,491,937	0	0	0	124,979,245	.43
Grand Total		33,325	25,408	2,678	48,175	4,290	5,240,534	6,139,821,032	288,737,222	192,491,937	0	0	0	124,979,245	.43

Current Federal Insurance Options – *Crops* cause of loss: GRAPEFRUIT

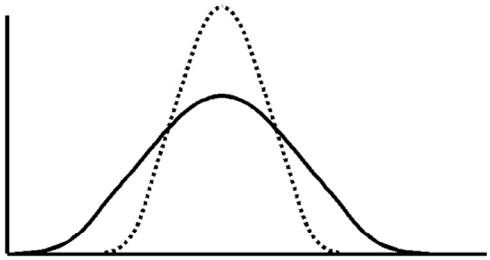
	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W
1					County		Crop						Cause of Loss Description					Net Acres	Liability	Prem.	Subsidy	Indem.	Loss Ratio
2	2013	6	CA	19	Fresno	201	GRAPEFRUIT	90	APH	A	H	31	Excess Moisture/Precip/Rain	4	APR	1	1	4.2	9,077	772	455	4,495	5.82
3	2013	6	CA	19	Fresno	201	GRAPEFRUIT	90	APH	A	H	42	Freeze	1	JAN	1	1	2.8	6,052	515	304	2,996	5.82
4	2013	6	CA	25	Imperial	201	GRAPEFRUIT	90	APH	A	H	12	Heat	8	AUG	1	1	16	13,680	712	392	8,940	12.56
5	2013	6	CA	25	Imperial	201	GRAPEFRUIT	90	APH	A	H	42	Freeze	12	DEC	1	1	34.01	41,922	2,182	1,200	13,045	5.98
6	2013	6	CA	25	Imperial	201	GRAPEFRUIT	90	APH	A	H	61	Wind/Excess Wind	5	MAY	1	1	646.19	796,510	41,452	22,798	247,848	5.98
7	2013	6	CA	65	Riverside	201	GRAPEFRUIT	90	APH	A		12	Heat	4	APR	2	2	66.6	195,749	3,020	1,986	41,246	13.66
8	2013	6	CA	65	Riverside	201	GRAPEFRUIT	90	APH	A	UH	12	Heat	10	OCT	1	1	1	1,587	72	42	632	8.78
9	2013	6	CA	65	Riverside	201	GRAPEFRUIT	90	APH	A	H	12	Heat	9	SEP	3	3	39.9	70,694	956	613	19,930	20.85
10	2013	6	CA	65	Riverside	201	GRAPEFRUIT	90	APH	A	H	41	Frost	12	DEC	1	1	0.9	2,059	115	63	379	3.31
11	2013	6	CA	65	Riverside	201	GRAPEFRUIT	90	APH	A	H	42	Freeze	1	JAN	3	3	8.34	17,602	523	302	7,430	14.21
12	2013	6	CA	65	Riverside	201	GRAPEFRUIT	90	APH	A	H	42	Freeze	12	DEC	1	1	1.28	2,800	146	80	1,318	9.03
13	2013	6	CA	65	Riverside	201	GRAPEFRUIT	90	APH	A	H	51	Flood	9	SEP	1	1	3.06	8,513	173	102	4,496	26.01
14	2013	6	CA	65	Riverside	201	GRAPEFRUIT	90	APH	A	H	61	Wind/Excess Wind	2	FEB	1	1	131.02	275,470	15,705	8,638	206,675	13.16
15	2013	6	CA	65	Riverside	201	GRAPEFRUIT	90	APH	A		61	Wind/Excess Wind	1	JAN	2	2	44.4	130,500	2,013	1,324	27,497	13.66
16	2013	6	CA	71	San Bernardino	201	GRAPEFRUIT	90	APH	A	UH	42	Freeze	1	JAN	1	1	10.9	13,594	603	355	3,570	5.92
17	2013	6	CA	73	San Diego	201	GRAPEFRUIT	90	APH	A	UH	12	Heat	10	OCT	1	1	10	20,734	308	206	11,709	38.02
18	2013	6	CA	73	San Diego	201	GRAPEFRUIT	90	APH	C		41	Frost	1	JAN	1	1	36.8	23,575	350	350	20,955	59.87
19	2013	6	CA	107	Tulare	201	GRAPEFRUIT	90	APH	A	H	12	Heat	10	OCT	1	1	4.95	7,934	565	333	(860)	-1.52
20	2013	6	CA	107	Tulare	201	GRAPEFRUIT	90	APH	A	UH	12	Heat	6	JUN	1	1	3.6	5,770	411	242	4,680	11.39
21	2013	6	CA	107	Tulare	201	GRAPEFRUIT	90	APH	A	UH	12	Heat	10	OCT	1	1	4.95	7,934	565	333	6,434	11.39
22	2013	6	CA	107	Tulare	201	GRAPEFRUIT	90	APH	A	H	12	Heat	6	JUN	1	1	3.6	5,770	411	242	(625)	-1.52
23	2013	6	CA	107	Tulare	201	GRAPEFRUIT	90	APH	A	H	42	Freeze	6	JUN	1	1	0.45	721	51	30	(78)	-1.52
24	2013	6	CA	107	Tulare	201	GRAPEFRUIT	90	APH	A	UH	42	Freeze	6	JUN	1	1	0.45	721	51	30	585	11.39
25	2013	6	CA	111	Ventura	201	GRAPEFRUIT	90	APH	A	H	42	Freeze	1	JAN	1	1	3.5	7,434	407	224	2,149	5.28
26																		1,079	1,666,402	72,078	40,644	635,446	298

Evaluating Alternatives

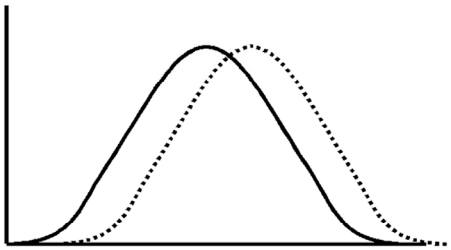


Strategy Impacts

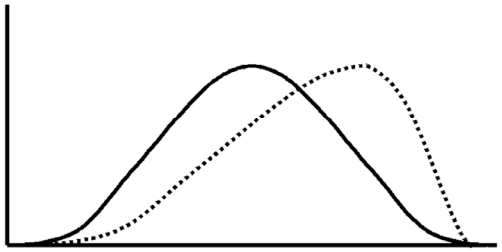
Panel 1: Same Mean, Less Dispersion



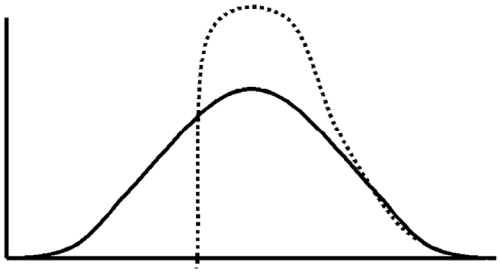
Panel 2: Same Dispersion, Higher Mean



Panel 3: Skewing the distribution



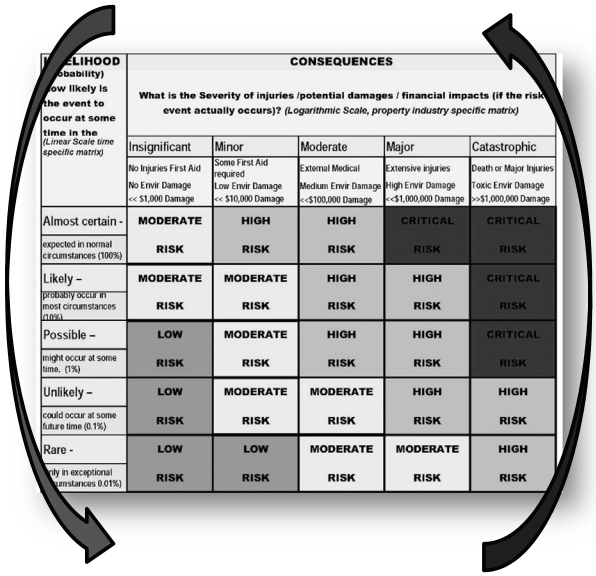
Panel 4: Truncating the Distribution



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

Risk Treatment

- Selecting one or more ***options for modifying risks*** and implementing those options
- Involves a ***cyclical process*** of assessing a risk treatment and deciding whether residual risk levels are acceptable
- If not, then selecting a ***new risk treatment*** and assessing the effect of that treatment until the residual risk matches the risk goal(s)



LIKELIHOOD (Probability) How likely is the event to occur at some time in the (Linear Scale time specific matrix)	CONSEQUENCES: What is the Severity of injuries /potential damages / financial impacts (if the risk event actually occurs)? (Logarithmic Scale, property industry specific matrix)				
	Insignificant	Minor	Moderate	Major	Catastrophic
	No Injuries First Aid No Envir Damage << $1,000 Damage	Some First Aid required Low Envir Damage << $10,000 Damage	External Medical Medium Envir Damage <<$100,000 Damage	Extensive injuries High Envir Damage <<$1,000,000 Damage	Death or Major Injuries Toxic Envir Damage >>$1,000,000 Damage
Almost certain - expected in normal circumstances (100%)	MODERATE RISK	HIGH RISK	HIGH RISK	CRITICAL RISK	CRITICAL RISK
Likely – probably occur in most circumstances (10%)	MODERATE RISK	MODERATE RISK	HIGH RISK	HIGH RISK	CRITICAL RISK
Possible – might occur at some time. (1%)	LOW RISK	MODERATE RISK	HIGH RISK	HIGH RISK	CRITICAL RISK
Unlikely – could occur at some future time (0.1%)	LOW RISK	MODERATE RISK	MODERATE RISK	HIGH RISK	HIGH RISK
Rare - only in exceptional circumstances 0.01%)	LOW RISK	LOW RISK	MODERATE RISK	MODERATE RISK	HIGH RISK

Risk Treatment Options

- Avoiding the risk
- Deciding to start or continue an activity likely to create or enhance the risk
- Removing the source of the risk
- Changing the nature and magnitude of the likelihood
- Changing the consequences
- Sharing the risk with another
- Retaining the risk

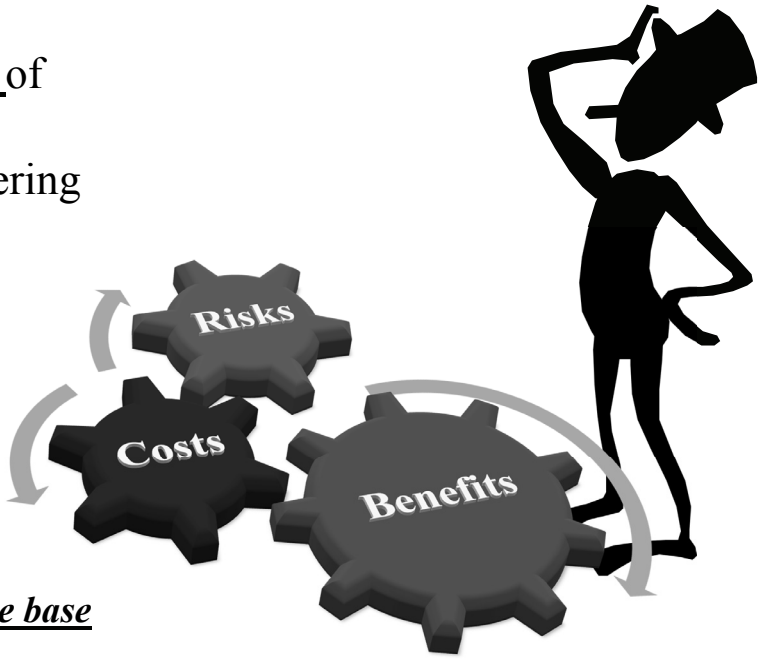
Not all options are mutually exclusive

Not all options are appropriate in every circumstance

Risk Treatment Selection Criteria

- Balance **cost and effort** of implementation with the **benefit derived**, considering the impacts on:
  - *Market risk*
  - *Production risk*
  - *Institutional/Legal risk*
  - *Human risk*
  - *Financial risk*

  and
  - *Protection of the **resource base***




Questions?
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2013 California Crop Insurance Profile

Insurance Plans Available in CALIFORNIA

Insurable Crops	Insured Acres	Total Acres	Percent Insured
Alfalfa Seed	10,416	29,023	36%
Almonds	692,001	876,195	79%
Apples	5,684	13,026	32%
Avocados	36,147	53,559	68%
Barley	48,962	100,000	49%
Blueberries	2,216	3,900	57%
Cherries	28,852	39,173	74%
Citrus – 8 types of fruit	227,963	257,382	84%
Corn	232,551	560,000	42%
Cotton & ELS Cotton	263,497	280,000	94%
Beans (Dry)	17,911	49,000	37%
Figs	4,216	8,045	52%
Forage Production	135,188	921,910	15%
Grapes (Table)	84,951	92,197	92%
Grapes (Wine)	484,439	587,600	83%
Grain Sorghum	693	6,249	10%
Mint	1,849	3,200	58%
Oats	3,290	6,829	48%
Olives	25,131	44,000	57%
Onions	4,239	55,145	8%
Pears	8,699	14,000	62%
Pecans	300	3,600	9%
Pistachios	87,887	178,000	49%
Potatoes	18,404	33,000	56%
Prunes	48,682	61,988	79%
Rice	463,402	553,110	84%
Rice (Cultivated Wild)	13,329	15,000	89%
Safflower	34,558	57,000	61%
Stonefruit (Includes Plums)	56,543	126,698	49%
Strawberries	136	38,000	1%
Sugar Beets	3,694	24,500	15%
Tomatoes (Fresh)	13,139	30,000	47%
Tomatoes (Processing)	252,574	259,000	98%
Walnuts	140,363	289,809	48%
Wheat	344,519	568,155	61%

Dollar Liability Program	Total Dollar Liability
Adjusted Gross Revenue	$39,927,037
Apiculture (Rainfall Index)	$10,414,535
Forage Seeding	$2,265,422
Livestock Gross Margin (LGM) Dairy	$86,047,453
Livestock Risk Protection (LRP) Lamb	$8,971,882
Nursery	$190,545,014
Pasture, Rangeland, Forage (Rainfall Index)	$19,806,133
Raisins	$214,106,813

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

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E-Mail: susan.choy@rma.usda.gov

Data as of January 2014

California
Fifteen Year Crop Insurance History

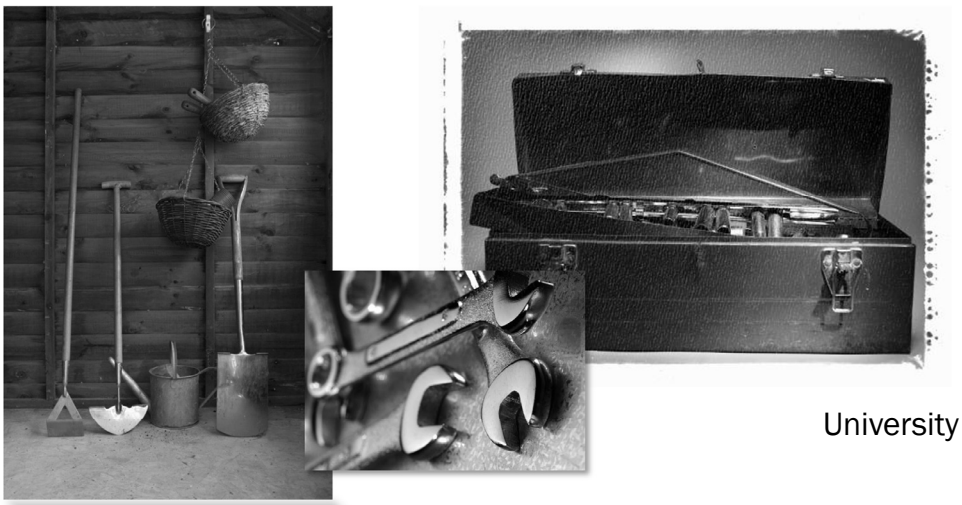
Year	Policies Earning Premium	Net Acres Insured	Liability	Gross Premium	Losses	Loss Ratio
1999	28,590	4,023,277	2,494,656,258	130,826,215	133,134,448	1.02
2000	29,191	4,278,811	2,796,253,781	143,343,081	92,359,660	0.64
2001	27,958	4,010,128	2,690,254,801	142,519,840	117,359,756	0.82
2002	27,200	3,920,007	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	25,462	4,600,044	5,394,444,735	260,903,031	112,207,209	0.43
2013*	25,470	5,233,794	6,097,497,679	286,604,558	82,422,389	0.29

* 2013 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: 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.

Risk Tools

evaluating risk management strategies



Jay Parsons
University of Nebraska-Lincoln

John P. Hewlett
University of Wyoming

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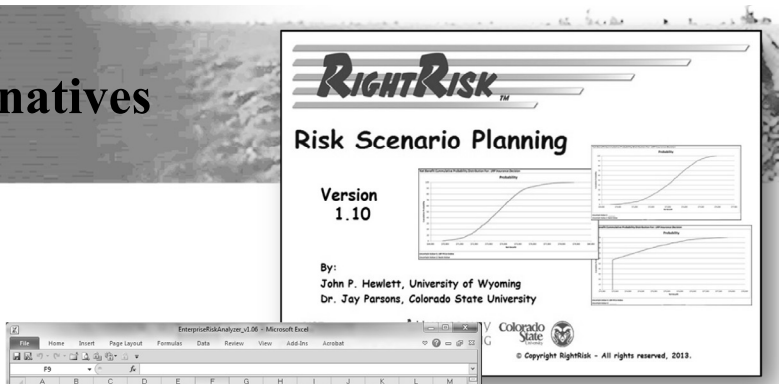
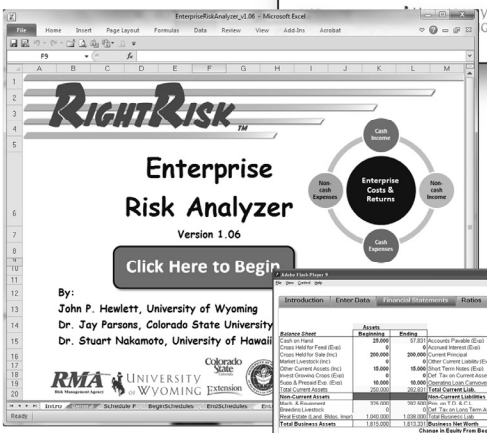
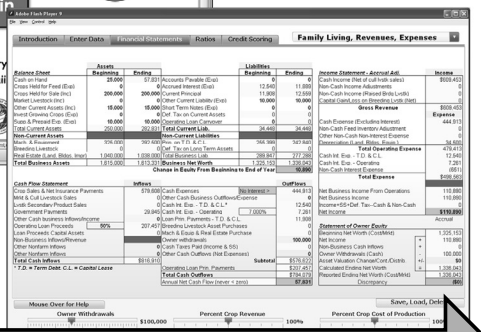
Tools to Evaluate Alternatives



- Risk Scenario Planner
  relatively minor changes



- Enterprise Budget
  larger changes



- Whole Farm Budget
  substantial changes

http://RightRisk.org/tools

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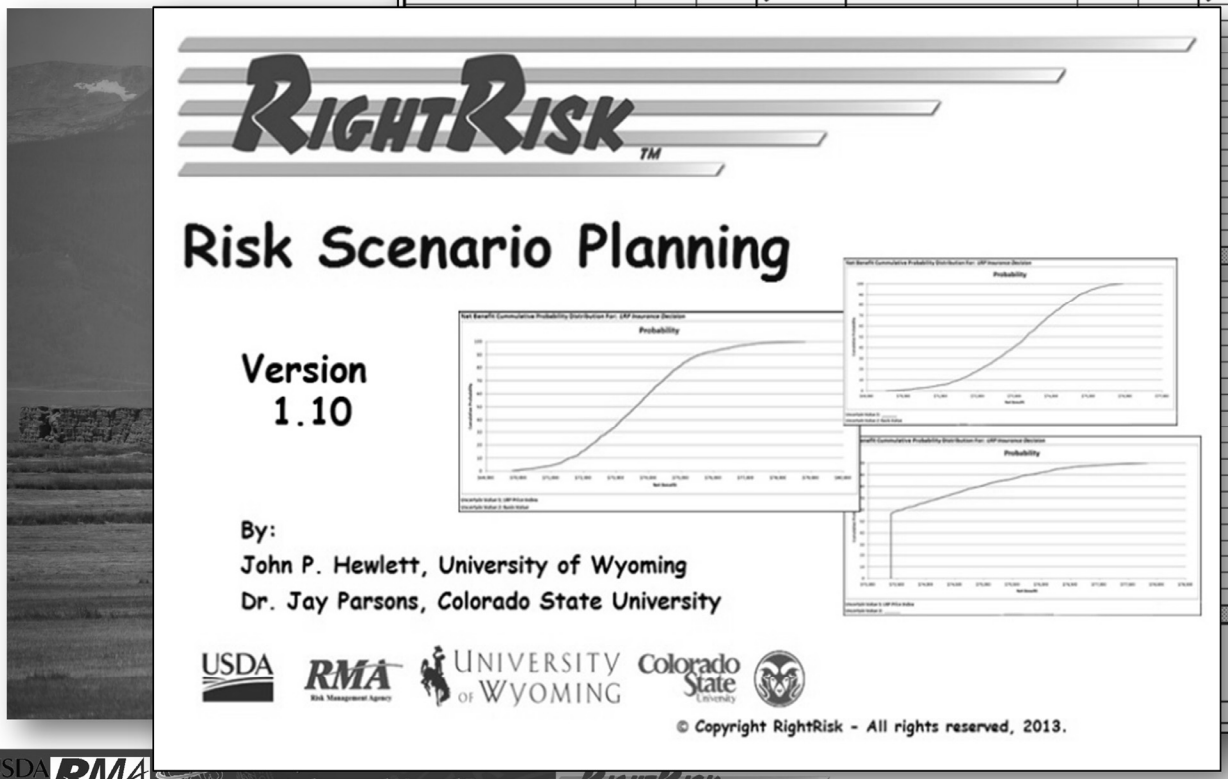
Risk Scenario Planner

RightRisk™ — Partial Budget For: Drought Management Strategy - VI-PRF

Positive Effects				Negative Effects			
Added Returns	Quantity	Value	Total	Added Costs	Quantity	Value	
VI-PRF expected index	100		$ -	VI-PRF premium (unsubsidized)		$ 1.12	$ -
VI-PRF actual index	100		$ -	VI-PRF subsidy	0.51		$ -
VI-PRF dollar amount protection/acre @ 90%		$ 7.85	$ -	VI-PRF premium (subsidized)	640	$ 0.55	$ 351.23
VI-PRF indemnity payment	640	$ -	$ -				$ -
			$ -				$ -



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Enterprise Risk Analysis

	Cow-Calf	Native Hay	Oat Hay	Alfalfa Establishment	Alfa
FARM REVENUE					
TOTAL FARM INCOME - CASH	121,759.00	12,380.00	2,802.00	2,306.00	25,040.00
TOTAL NON-CASH INCOME ADJUSTMENTS					
GROSS FARM REVENUE	121,759.00	12,380.00	2,802.00	2,306.00	25,040.00
FARM EXPENSES					
FARM EXPENSES - CASH	86,843.00	6,557.00	1,756.00	2,297.00	12,072.00
FARM EXPENSES - NON-CASH EXPENSE ADJUSTMENTS	98,550.00	11,245.00	2,709.00	2,536.00	15,331.00
GROSS FARM EXPENSES	185,393.00	17,802.00	4,465.00	4,833.00	27,403.00
NET FARM INCOME FROM OPERATIONS	(63,634.00)	(5,422.00)	(1,663.00)	(2,527.00)	(2,363.00)

Break-Even PRICE Analysis

YIELD PER ENTERPRISE UNIT	Cow-Calf	Native Hay	Oat Hay	Alfalfa Establishment	Alfalfa - Baled
Maximum	400	1.75	4	4	4
Most Likely	**373.97**	**1.5**	**3**	**2.54**	**3**
Minimum	350	1	1.5	1.5	1.5
BREAK-EVEN PRICE - CASH EXPENSES					
Minimum	0.59	32.30	33.77	44.17	29.02
Most Likely	**0.64**	**37.68**	**45.03**	**69.56**	**38.69**
Maximum	0.68	56.53	90.05	117.79	77.38
BREAK-EVEN PRICE - GROSS EXPENSES					
Minimum	1.27	87.69	85.87	92.94	65.87
Most Likely	**1.36**	**102.31**	**114.49**	**146.37**	**87.83**
Maximum	1.45	153.47	228.97	247.85	175.66
Probability Analysis (*click button at right*)	Graph	Graph	Graph	Graph	Graph

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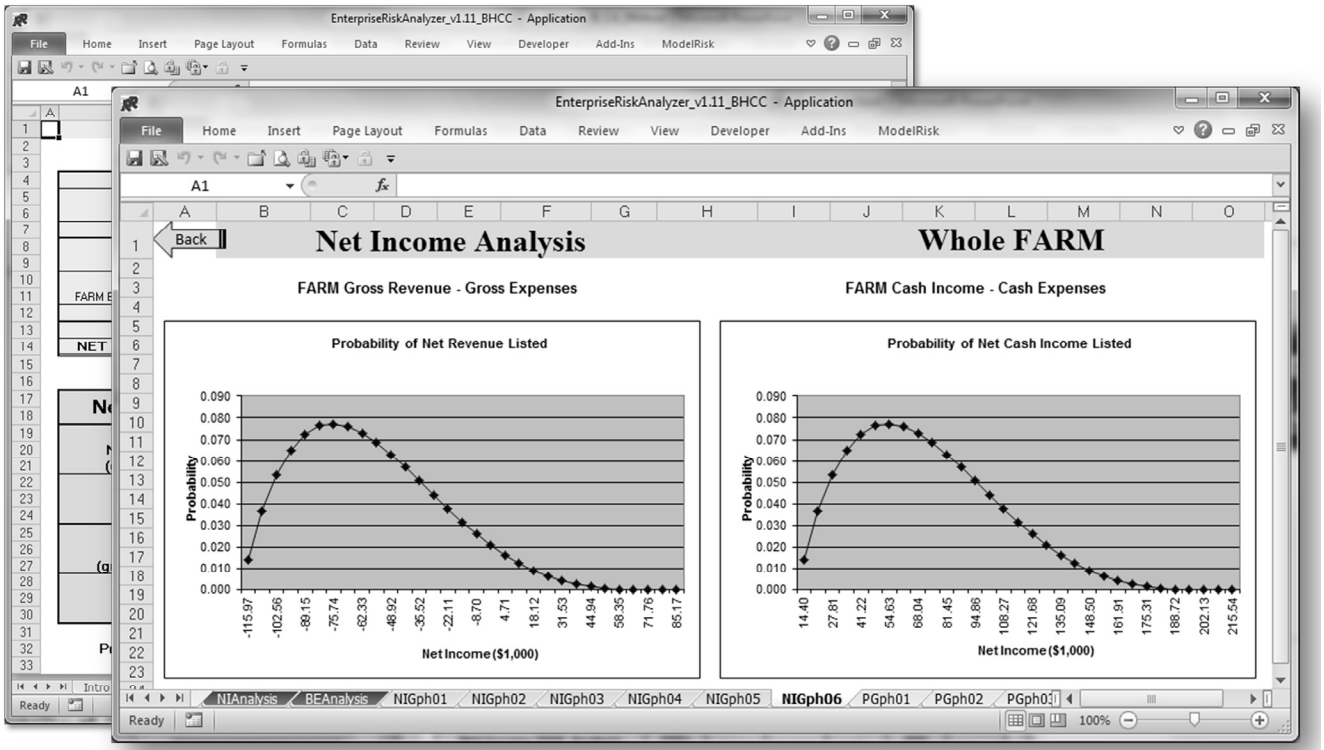
Enterprise Risk Analyzer

Net Return Analysis



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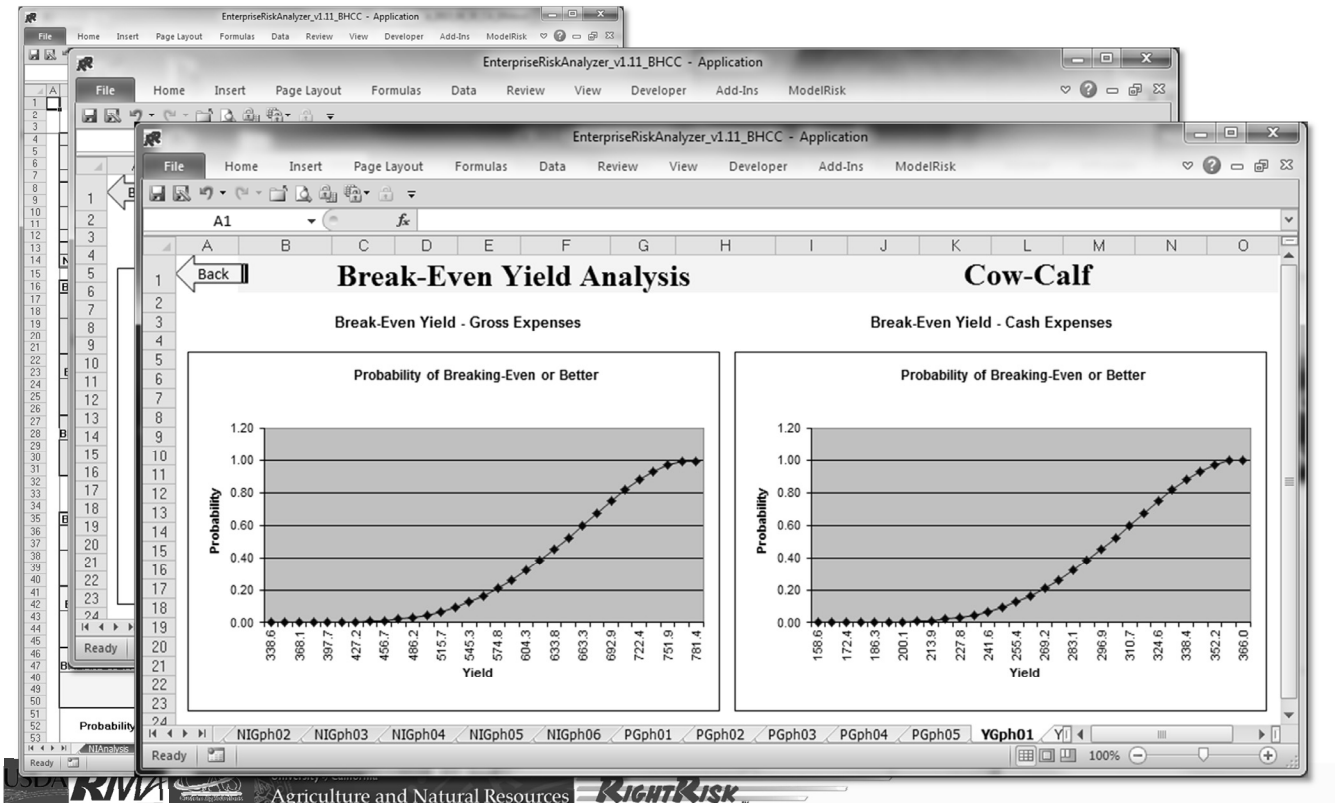
Enterprise Risk Analyzer

Breakeven Analysis



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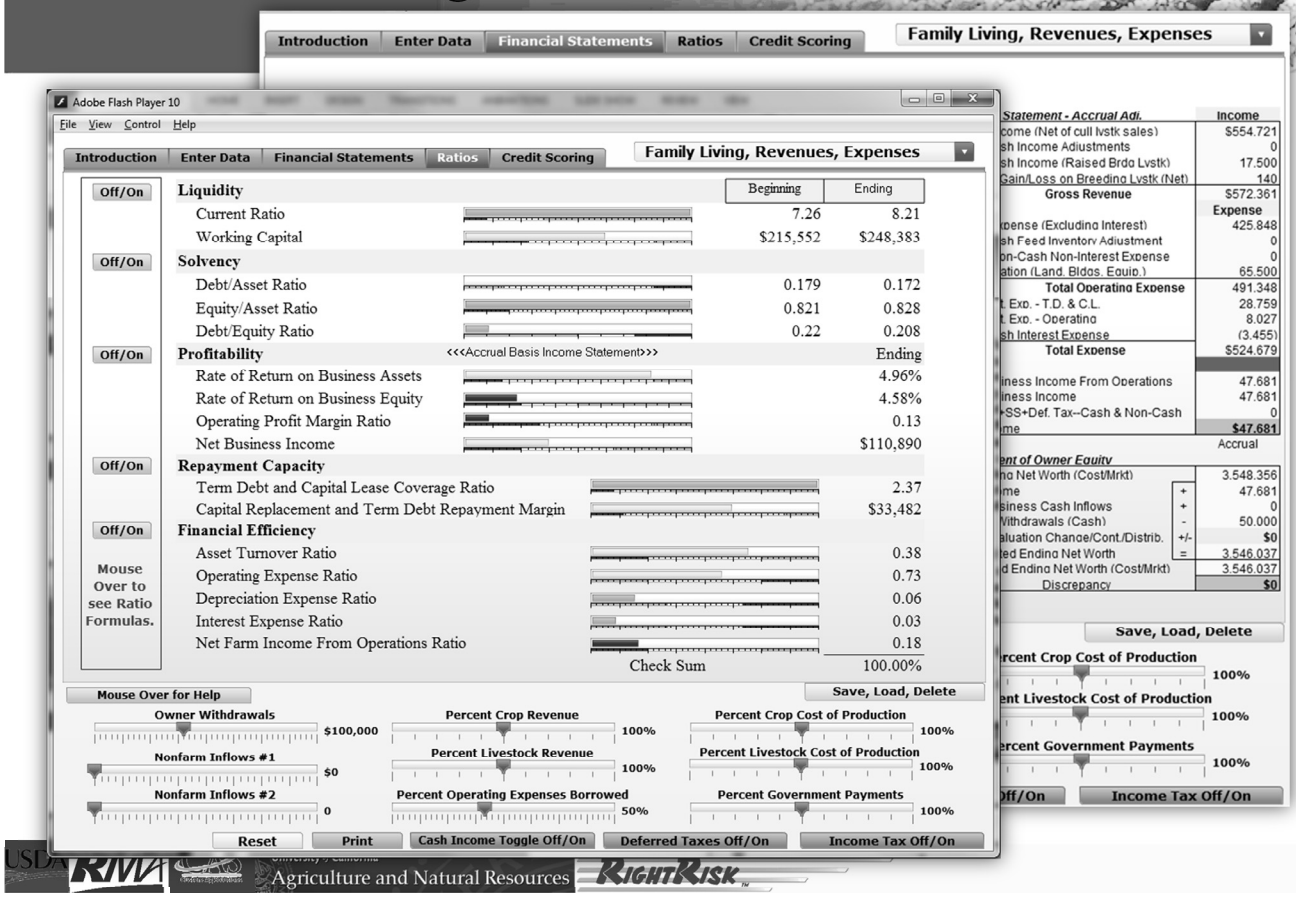
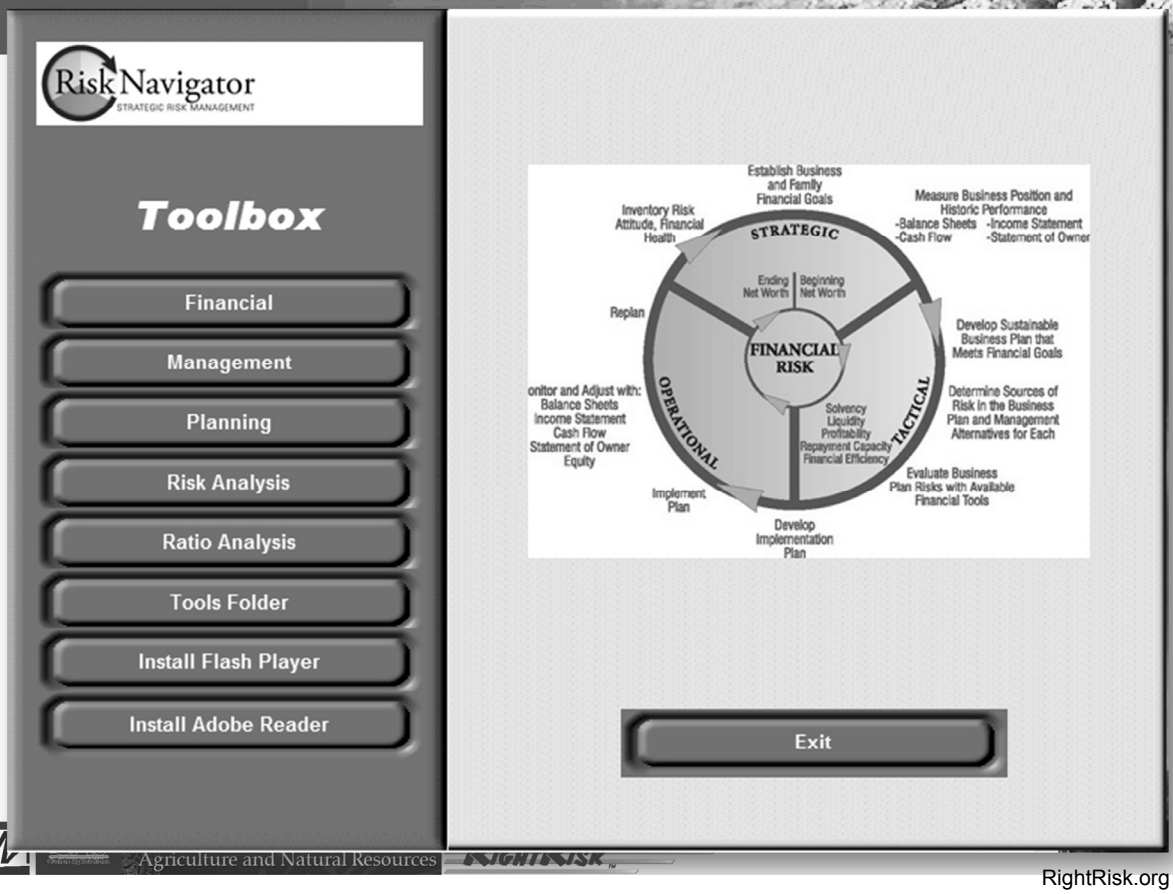
Whole Farm Budget



Risk Navigator Tool Box

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Risk Controls

Market Risk - Production Risk - Institutional/Legal Risk - Human Risk - Financial Risk

Market Risk

- risk associated with the uncertainty around markets and prices for inputs and outputs

1. Livestock Prices

- USDA Agricultural Marketing Service: **Colorado** Weekly Summary
- USDA Agricultural Marketing Service: **Montana** Weekly Summary
- USDA Agricultural Marketing Service: **New Mexico** Combined Wtd Avg - Cattle (weekly)
- USDA Agricultural Marketing Service: **Washington** Weekly Livestock Auction Summary
- USDA Agricultural Marketing Service: **Wyoming** Weekly Summary
- USDA Agricultural Marketing Service **Livestock and Seed**
- USDA Agricultural Marketing Service **ALL**
- **Beef Basis**- provides cattle producers with information and analytics to improve marketing decisions influenced by cattle basis risk.

2. Grain Prices

- USDA Agricultural Marketing Service: **California** Weekly Grain Report
- USDA Agricultural Marketing Service: **Montana** Cash Grain Prices
- USDA Agricultural Marketing Service: **Utah** Daily Grain Report
- USDA Agricultural Marketing Service: **Eastern New Mexico** Grain Report
- USDA Agricultural Marketing Service: **Wyoming/Western Nebraska** Elevator Grain Bids

3. Hay Prices

- USDA Agricultural Marketing Service: **California** Weekly Hay Report
- USDA Agricultural Marketing Service: **Colorado** Weekly Hay Report
- USDA Agricultural Marketing Service: **Idaho** Weekly Hay Report
- USDA Agricultural Marketing Service: **Montana** Weekly Hay Report
- USDA Agricultural Marketing Service: **New Mexico** Weekly Hay Report
- USDA Agricultural Marketing Service: **Oregon** Weekly Hay Report
- USDA Agricultural Marketing Service: **Utah** Weekly Hay Market Report
- USDA AMS: **Washington-Oregon** (Columbia Basin) Weekly Hay
- USDA AMS: **Wyoming, West Nebraska, and SW South Dakota** Hay Report (weekly)
- USDA Agricultural Marketing Service: **Wyoming** Weekly Summary

4. Lease Rates/Grazing Fees

- USDA AMS: **Wyoming, West Nebraska and SW Dakota** Grazing Fee Report
- USDA National Agricultural Statistics Service: **Cash Rents by County**

5. Price Protection (Insurance)

- USDA Risk Management Agency: **Livestock Insurance**, background information

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Risk Management Tools

1. Partial Budget Analyzer
- *Use this tool to evaluate smaller changes in the operation.*
- *Click here for a guide on using a partial budget.*

2. Risk Scenario Planning
- *Use this tool to evaluate the risk or uncertainty in your partial budget projections.*
- *Click here for a guide on using the Risk Scenario Planning tool and examples of its application.*
- *Click here for a version of the Risk Scenario Planning tool depicting the Cow/Calf "Raise Bred Heifers to Sell" example outlined in the guide linked above.*
- *Click here for a version of the Risk Scenario Planning tool depicting the crop farm "Replace Corn with more Dry Beans acres" example outlined in the guide linked above.*
- *Click here for a version of the Risk Scenario Planning tool depicting the Cow/Calf "LRP Insurance Decision" example outlined in the guide linked above.*

3. Enterprise Risk Analyzer
- *Use this tool to evaluate larger changes or changes in enterprise mix for the operation.*
- *Click here for a guide to use the Enterprise Risk Analyzer tool.*
- *Click here for a version of the ERA populated with Wyoming Big Horn Basin Cow/Calf Ranch data.*
- *Click here for a version of the ERA populated with Wyoming Big Horn Basin Farm data.*

4. Whole Farm Budget
- *Use this tool to evaluate more substantial changes, adding ranches/farms, whole enterprises, etc. to the operation.*
- *Click here for a guide to use the RDFinancial tool.*

5. Risk Navigator Toolbox
- *Access the extensive risk management library (20+ tools) designed to implement a strategic risk management strategy*

6. Price Risk Analysis: Futures, Options, LRP Comparison
- *Use this tool to evaluate market risk management alternatives for livestock enterprises. [From the Farm Management Wiki]*

7. Financial Analysis Tool (FAT)
- *Use this tool to project start-up costs, annual operating expenses, and annual revenues for any type of enterprise. [From Agriculture & Business Management (ABM)]*

8. Should I Buy Hay or Sell Cows?
- *Use this tool to the evaluate cow retention decision.*
[From the Farm Management Wiki]

9. Livestock Marketing and Risk Management
- *Use this bulletin and linked tools to better manage marketing risk for livestock enterprises.*

10. Machinery and Operations Cost
- *Use these tools to estimate the cost of individual machinery services or the cost of an entire field operation.*

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http://RightRisk.org/tools

Risk Management Profiles

http://RightRisk.org/RiskManagementProfiles

http://RightRisk.org > Courses

Volume 2, Issue 5 May 2014

RightRisk™

How Much Risk is Right for You?

RightRisk News

Dates to Remember

- **July 15, 2014**: Spring crop acreage reporting deadline.
- **August 15, 2014**: Spring premium billing deadline date.
- **November 15, 2014**: Pasture, Rangeland, Forage (PRF) sales closing date.

For more information see: http://www.rma.usda.gov.

2014 Farm Bill

The 2014 Farm Bill, formally titled The Agricultural Act of 2014, was signed into law on February 7, 2014. This bill, authorized and funded through 2018, will bring about many changes to U.S. agricultural programs. This article provides a broad overview of the Bill with an emphasis on the risk management decision aspects that some of the new programs and modifications to existing programs create.

Direct Payment and Counter-Cyclical Programs End

The Direct Payment program, the Counter-Cyclical Program, and the Average Crop Revenue Election (ACRE) program are all repealed with the 2014 Farm Bill. These programs are replaced with two new programs: the Price Loss Coverage (PLC) program and the Agricultural Risk Coverage (ARC) program.

These Farm Service Agency (FSA) programs are designed to help mitigate risk for producers of commodity program crops in times of low yields and/or prices. The big change from a risk management standpoint is that the known payment that came with the Direct Payment program has gone away.

In theory, this creates more risk for producers moving forward in that FSA payments become more variable. The PLC program is a price guarantee program while the ARC program is a revenue guarantee program. Both programs use national prices, while the ARC program uses a 5-year Olympic average yield to determine average revenue.

Probably the biggest consideration at this point in time is that producers must make an election between ARC and PLC in 2014 for each farm and this election remains in effect for the 2014–2018 crop years. The 2014 Farm Bill also provides owners and operators a one-time opportunity to update their base acres across commodity program crops.

Supplemental Coverage Option

Starting in 2015, producers who enroll in PLC and participate in the federal crop insurance program have an additional option available to them. On an annual basis, these producers can decide whether to purchase the Supplemental Coverage Option (SCO) for individually insured commodity program crops.

continued on pg. 2

Risk Management Profile

Rich and Sally Samedi have been farming for close to 20 years. During that time they have encountered a variety of different risks. Sometimes things have worked out well; sometimes not so well.

Rich and Sally are at a point in their life that they feel a need to take a deeper look at their farming operation and the risk/reward potential that it holds for their family as a whole.

To read more see: http://RightRisk.org > Resources > Risk Mgt Profiles

2014 Farm Bill continued from pg. 1

This coverage provides the producer with the option of protecting a portion their insurance deductible up to a total of 86 percent coverage for yields and/or revenue, based on county averages. Crops for which the producer has elected to participate in ARC are not eligible for the SCO.

NAP and Disaster Programs

The Noninsured Crop Disaster Assistance Program (NAP) has been expanded to include buy-up coverage in 5-percent increments from 50 percent up to 65 percent yield coverage at 100 percent of market price.

The four disaster assistance programs authorized in the 2008 Farm Bill are reauthorized retroactively to October 1, 2011 and are extended indefinitely. The programs include the Livestock Forage Disaster Program (LFP), the Livestock Indemnity Program (LIP), the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP), and the Tree Assistance Program (TAP). Beginning April 15, 2014, producers can begin enrolling in these programs for qualified 2012-2014 losses.

Dairy Programs

The 2014 Farm Bill created the Dairy Margin Protection Program to replace the Milk Income Loss Contract Program (MILC). The Dairy Margin Protection Program provides catastrophic margin coverage for producers at no cost other than a $100 administrative fee. The catastrophic margin is defined to be a $4 per hundredweight margin between the all-milk price and average feed costs. Buy-up coverage is available for margins between $4 and $8 per hundredweight.

In coming months, we will have more details on these programs and other considerations for upcoming risk management decisions and strategies.

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

- *Education*
- *Coaching*
- *Research*

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RightRisk News is brought to you by the RightRisk Team

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How much risk is right for you and your operation?

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