

RIGHT RISK™

Risk management workshop: with King Family Ranch



The USDA's Risk Management Agency, California State University- Chico, Custom Ag Solutions and the RightRisk Team invite you to learn about risk management strategies and discover the right level of risk for you in this interactive hands-on workshop offered at California State University in Chico.



Friday, April 24th 2015

12:00 noon - 1:50PM

**Chico State University - 321 Plumas Hall
400 W. First St. | Chico, CA**

How Much Risk Is Right For You?

	<p>Introduction to Risk & Risk Management Strategies <u>John Hewlett</u>, Ranch/Farm Management Specialist, University of Wyoming</p>	
	<p>Ag Survivor Simulation: Making Decisions for King Family Ranch <u>Jay Parsons</u>, Risk Management Specialist, University of Nebraska-Lincoln</p>	
	<p>Risk-Return Frontier: A RightRisk Lesson with King Family Ranch <u>Jay Parsons</u>, Risk Management Specialist, University of Nebraska-Lincoln <u>John Hewlett</u>, Farm/Ranch Management Specialist, University of Wyoming</p>	



Contact information: - No fee required -

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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 Wild 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](#)



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 32bit version of the Enterprise Risk Analyzer tool.](#)
- [Click here for a 64bit version of the Enterprise Risk Analyzer tool.](#)
+ [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. [Machine Risk Calculator](#)

- Use this tool to estimate the cost of individual machinery services, the cost of a field operation (power unit + implement), or to estimate the cost of performing a custom operation.

5. [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 RFinancial tool.](#)

6. [Risk Navigator Toolbox](#)

- Access the extensive risk management library (20+ tools) designed to implement a strategic risk management strategy

7. [Price Dick Analysis: Futures, Options, LDD Comparisons](#)

- [Click here for a guide to use the RFinancial tool.](#)

Risk Management Profiles



RISK MANAGEMENT PROFILES

VI-PRF pilot insurance minimizes feed risk for Z-F

Early fall 2010 on the Z-F Ranch found owners Bob and Betsy Zomer assessing risk management strategies for their cow-calf and yearling operation. The Zomers are situated on 12,000 acres of pasture and 200 acres of native hay in Fremont County. Both husband and wife were concerned about the coming production year. This year's late summer and early fall had been dry, and they were worried it would carry over into next year.

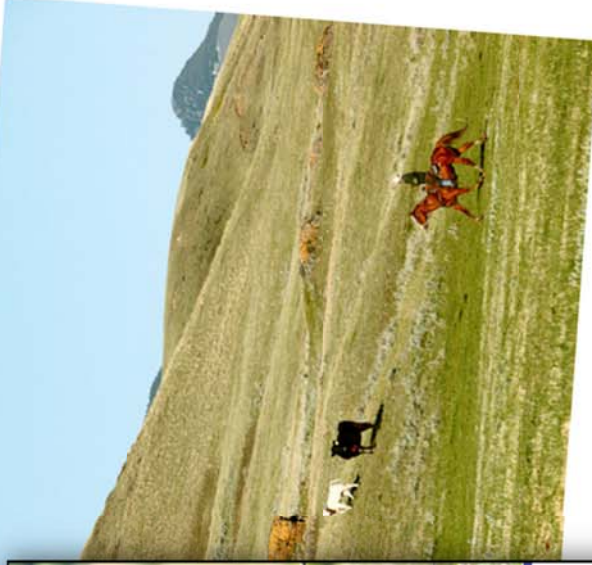
The Zomers looked at several options for addressing their production risks. They could:

1. Buy alfalfa hay to supplement native hay production. They knew this option might become expensive, though, with hay prices high and up-front cost tying up operating capital.
2. Rent additional pasture. Unfortunately, this option would be difficult to achieve (and expensive) due to the lack of locally available pasture. Plus, the Zomers would

prefer not to travel long distances to their cattle.

3. Send the yearlings to a custom feed yard or sell them early. With high feed prices, this may or may not be economically viable.
4. Use the new Vegetative Index Pasture, Rangeland, Forage (VI-PRF) insurance Bob recently became aware of at a local extension meeting.
5. Insure against drought using Non-Insured Crop Disaster Assistance Program (NAP) coverage.

Like many producers, the Zomers decided on a combination of available options. They chose to utilize VI-PRF insurance for 3,500 acres from April 1 to June 30; 5,500 acres from July 1 to September 30; and 200 acres of hay land from June 1 to August 30. They also chose to budget \$20,000 to purchase 200



Premium/acre	Indemnity/acre	Total indemnity	Total cost/acre
\$0.28	\$0.00	\$0	\$980
\$0.58	\$6.51	\$35,805	\$3,190
\$9.15	\$57.27	\$11,454	\$1,830
	Total	\$47,259	\$6,000

head) multiplied by 60 percent equals \$10,954.94. With the second method, calculate the carrying capacity of 19.48 acres per AU (or a normal carrying capacity of 462 AUs) multiplied by 30 days (\$13,860) multiplied by the daily feed cost (\$40.04/30 = \$1.334) multiplied by 60 percent to find a total payment of \$11,093.54. Therefore, the first calculation provides the smaller amount. If the Zomers had utilized NAP coverage in 2010, they would have received two added benefits.

<http://RightRisk.org> > RM Profiles



RIGHT RISK™



<http://RightRisk.org> > Courses

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RIGHTRISK NEWS

DATES TO REMEMBER

- November 15, 2013: Pasture, Rangeland, Forage insurance (PRF)
- November 15, 2013: Apiculture
- November 15, 2013: Noninsured Crop Disaster Assistance Program (NAP) acreage reporting deadline for forage crops including grazing
- December 1, 2013: NAP application deadline for fall seeded crops and forage

Risk Management Strategies for Livestock Producers

Livestock and bee producers have several risk management options to manage forage production risk. Given recent periods of extreme drought and price variability, managers might consider addressing forage risks using one or more insurance tools. Programs are available and can help protect against serious production losses, while helping to guarantee revenue levels.

Pasture, rangeland, forage (PRF) and Apiculture insurance protect against a decline in an index. The index is designed to serve as a proxy for pasture, range, and hay production in a specific area of land or grid.

The Noninsured Crop Disaster Program (NAP), administered by the Farm Service Agency (FSA) is designed to provide low cost catastrophic loss coverage to producers when federal crop insurance is not available.

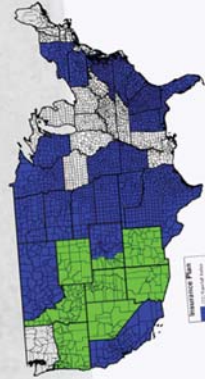
NAP coverage may be used separately but not in conjunction with PRF and Apiculture insurance to provide protection against low yields, loss of inventory or prevented planting that occur due to natural disasters for a typical ranch such as: grains planted for hay (and not insured as grain), native (grass) hay and certain mixed forages, and grazingland.

Coverage begins 30 days following sign-up. NAP covers losses of 50 percent or greater of expected production, at 55 percent of the market price (set by the state committee).

The 2008 Farm Bill required that livestock and apiculture producers enroll under either NAP coverage or crop insurance for all pasture, rangeland and native hay forage crops to qualify for certain disaster assistance programs, including the Livestock Forage Disaster Program (LFP) and Emergency Assistance for Livestock, Honey Bees, and Farm-raised Fish Program (ELAP). These requirements are expected under the new Farm Bill (or extension of the 2008 Bill) but are uncertain until new legislation is passed by Congress.

Recent bulletins that outline how these programs may work for operators include: "Production Risk Management Options for Wyoming Ranches: Crop Insurance and Federal Disaster Programs" and "Risk Management Programs for Honey Bee Producers in Wyoming" and may be found in the Western Risk Management Library located at <http://riskmgmt.wyagrec.org>.

More information is available for the programs mentioned in this article on the Internet at: www.rightrisk.org; www.fsa.usda.gov; or www.fsa.usda.gov.



How Much Risk is Right for You?

RISK MANAGEMENT PROFILE

V1-PRF pilot insurance minimizes feed risk for Z-F Early fall 2010 on the Z-F Ranch found owners Bob and Betsy Zomer assessing risk management strategies for their cow-calf and yearling operation. The Zomers are situated on 12,000 acres of pasture and 200 acres of native hay in Fremont County, Wyoming. Both husband and wife were concerned about the coming production year. This year's late summer and early fall had been dry, and they were worried it would carry over into next year.



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

HIGHLIGHTED COURSE

The Pasture, Rangeland, Forage (PRF) Pilot Insurance Program course available at RightRisk.org offers a step-by-step approach to learn more about PRF insurance and how PRF can be applied. The course includes audio and interactive features, while example farm profiles demonstrate application to real-world examples.



Course materials provide maps to assist in first deciding the type of PRF insurance available in the area. Links to appropriate Web pages help determine the grid identification numbers for individual grids. The next two sections in the course go into greater depth on Vegetative and Rainfall Index policies.

A section of the PRF course explains how to go online to the RMA website and make the most of the cost estimator. Finally, users are encouraged to compare their own yield/historical experience for their grids with that presented in the online decision tool/cost estimator Web pages.



- Education
- Coaching
- Research

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RightRisk News is brought to you by the RightRisk Team

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