

**progress**  
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EXTENSION  
RISK MANAGEMENT  
EDUCATION

*"Helping America's farmers and ranchers manage risk."*



Extension Risk Management Education projects have had more than  
**170,000 participants since 2003**





## EXTENSION RISK MANAGEMENT EDUCATION

The Extension Risk Management Education program provides training to help producers learn new strategies to manage complex and growing agricultural risks. The program's goal is simple—***Help America's farmers and ranchers manage risk.***

Extension Risk Management Education accomplishes this goal by encouraging and funding innovative programs across the country, and helping programs focus on accomplishing tangible results. Nearly 900 projects have been funded, and projects have been delivered in all 50 states. The following pages describe why risk management education is important and how it is helping producers survive in a high risk environment.



Since 2003, Extension Risk Management Education has funded  
**892 local projects throughout all 50 states**





## Management Conferences for Oklahoma Women in Agriculture

This project further developed and expanded the offerings of risk management education programs targeted to women in agriculture. One statewide conference along with eleven regional conferences were held. The conferences featured keynote speakers and concurrent sessions on topics ranging from contracts and leases, to agritourism, to insurance products, to communications, and record keeping. Concurrent sessions allowed participants to select topics to meet their business and personal needs. A new website was developed on which events are listed, registration materials are posted and speaker materials are made available. This website enables women statewide and in nearby states to plan to take advantage of upcoming nearby events. In addition, participants plus others can access materials from past conferences. Ongoing networking among participants through FaceBook was also initiated.

Two of the follow-up survey respondents reported a more than \$6000 economic benefit from changes made in their farming operation as a result of the conference. Similarly, another conference evaluation summary showed eight participants marked the estimated economic benefit to their operation from the changes made as a result of the conference were \$1000 or more. While it is not unexpected to anticipate participants to report economic gain to their farming operation, project facilitators were pleasantly surprised at the nearly 10% report of \$1000 or more in economic benefits so soon after the conferences.

For example, a participant listed 'The value of networking and promoting the good of agriculture' was the aspect of the conference s/he enjoyed the most. When asked the question 'I am more aware of the issues that must be addressed for truthful promotion of our industry', 100% of respondents agreed.

Multiple participants said they plan to use the record keeping information 'to get their files in better order and papers in better shape.' Specifically, a participant commented she planned to use the information received from the conference to use more detailed QuickBooks. Due to a positive response from the managing records breakout session at the Fairview conference, a QuickBooks workshop was held in a follow-up meeting and a Quicken workshop is planned. A participant commented she plans to 'Use the information gained to help make financial decisions'.

More at [www.okwomeninagandsmallbusiness.com](http://www.okwomeninagandsmallbusiness.com)



## Success a Result for Small, Beginning Dairy Farmers

Over 200 small, beginning dairy farmers in Wisconsin benefitted from a risk management education project helping them use decision-making strategies regarding financial risks. The Wisconsin Dairy Ratio Benchmarking Tool and the Decision Support System for Dairy Farm Expansion was developed for use by participants. An estimated 500 monthly on-line visitors are exploring and using both tools to discuss, learn, and implement on their farms.

Surveys indicate that the tools are beneficial, helpful, and practical for farm risk management decision-making. At least 40 farmers have adopted these tools, specifically designed for risk management situations unique to Wisconsin dairy farmers.

One producer initially had a solid understanding of her farm's financial standing but wanted to use the program to discuss her financial status with her accountant and ag lender. Project directors have received many calls from bankers/lenders regarding lending investment capital to dairy farmers. Introducing them to the Wisconsin Dairy Ratio Benchmarking Tool proved to be very critical in helping them "benchmark" an applicant's information to other farms around the state, allowing them to use the information to prioritize their customers lending portfolios while making more informed lending decisions themselves.

In addition to individuals using the tool, instructors in the Wisconsin Technical College System (WTCS) have incorporated the use of the benchmarking tool into their Farm Business and Production Management curriculum. University of Wisconsin-Extension County Agents have also incorporated this tool in many of their producer training workshops on financial management and farm succession.



## Preserving Family Farms

Many young farmers in the Northeast dream of eventually owning their family's farm. But then a harsh dose of reality hits as the younger generation encounters the challenges of dealing with tax issues, massive amounts of paper work, sky-rocketing property values, and often difficult family communication. To address these challenges, the University of Vermont Cooperative Extension recently offered a two-part program entitled "New England Farm Transfer Education", geared toward younger producers trying to hold on to their family farms. The project was funded by a grant from the Northeast Center for Risk Management Education.

Thanks to the educational programming they participated in, many New England farmers have been able to keep the farm in the family. One producer indicated that this Extension program was an invaluable resource to her and her family, and helped make her dream come true. She said that it was in large part because the project team helped her father and her understand each other, and helped them devise ways to make the finances and taxes work, such as explaining the benefits of a life-estate. She indicated that, "In some ways, they gave us the courage to go ahead and do it because at one point, I had really just kind of given up...They helped my dad and me communicate, and they came up with ideas to make the whole thing work. It just seems so daunting, and it really is daunting. We have other friends that have either tried to go through it or are trying to go through it, and it's just a tough process."

The project has actually received multiple grants from the Northeast Center, and has conducted over 40 workshops for more than 1,200 participants since 2004. During that time, more than \$230 million in farm assets have been protected by a farm business/transfer plan. According to one survey, of the 38% of participants responding, 90% have discussed farm transfer issues, 73% have updated their will, 69% have seen an attorney, 59% have identified a successor, 49% have a farm business transition plan in place and 56% have a land transfer plan in place.



## Colorado Building Farmers Program –Creating New Capacity and Opportunities

New emerging markets for small and beginning farm producers in Colorado present both benefits and challenges for producers. While new markets provide new income streams, changes in production, price, policy and financial risks are also experienced, making it difficult to enter markets and be competitive. Colorado State University Extension, Boulder County, initiated this innovative program, preparing small and beginning farm producers to build capacity and opportunities through methods of business development and management training. Participants learned risk mitigation strategies through business planning, identifying direct marketing outlets, agricultural service providers, and business development partners.

One of the keys to success for this program was the use of homework assignments for creating business plans. These assignments included reading, networking with other participants, engaging with resources in the community, and having a draft business plan reviewed by the project team. Among the greatest gains in knowledge, reported by all participants, were developing the business plans and accessing local resources.

Of the 75 participants who completed the program, 47 developed business plans with 31 successfully implementing them after the program, and five worked with a producer-mentor to implement and advance their business goals during the 2010 season.

Successful outcome from 2010 evaluations: A winter market in Fort Collins, Colorado, benefits greatly from the program as many of their off-season vendors are graduates of the Boulder program. This winter market sees thousands of visitors and has become a key driver of traffic to their Old Town region. Moreover, it allows local-minded customers to get access to more year-round produce, meats and value-added products.



## Back to Basics with Grain Marketing Tools

This project addressed the need of producers to have a firm understanding of how grain marketing tools effectively manage price risk. Workshops were conducted in Kansas during 2010 for 125 farmers. Programming focused on the basics of grain marketing aimed at producers with little marketing background to those that wanted a review of the basics. Participants are now able to determine the most appropriate marketing tool to use for their own marketing situation.

Six months after completion 75 producers are using the grain marketing tools and information from the workshops and have implemented many basic changes in their own marketing plans.

A young, beginning, small grain farmer, who had been given the task of handling all grain marketing for his family's farming operation, indicated that he didn't understand how grain markets operated and the factors that need to be considered to make a good marketing decision. Today he discusses and seeks out information he needs from others face-to-face or on-line making informed educated decisions and continues to improve his marketing skills, decreasing his potential marketing risk. Without this risk management education program this young producer would still be using the "guess" method when making grain marketing decisions.

Another producer said, "If long term sustainability is to happen for an operation, risk management education must be a very high priority. Currently grain prices are very profitable so many don't see these marketing tools as a necessity, but it is exactly why we need to use risk management marketing tools, because these prices won't last forever."



## Managing Risk in the Green Industry

This project, conducted at Texas A&M University, utilized a series of webinars to cover risk management strategies and tactics for nursery and greenhouse growers, landscape service providers, and retail firms. Webinars focused on developing practical knowledge surrounding financial and marketing risks in the Green Industry and developing strategies to address these risks. Techniques such as benchmarking in the management practice were stressed. In addition, information regarding various state and national policies such as health care legislation, environmental risks associated with the green Industry and implementation of energy-saving alternatives in the Green Industry were made available in the webinar series. An industry website was developed for continual online access to the educational curriculum. Developed during the project. This website contains recordings of all webinars and associated materials for access by participants and

other interested parties. Over the project's duration, there were a total of 3,392 'attendees' of webinars and website recordings, as verified by either audience response systems or online evaluations.

A particular illustration of the usefulness of the project outcomes can be seen by looking at results of the webinar entitled "Current Practices and Economic Impacts of Growers in the U.S. Green Industry". Evaluations were received from 126 of the 216 participants (who attended live and viewed the recorded webinar). The dollar value they placed on the webinar information averaged \$2,500 which totals to \$222,500 for those returning the evaluation. They rated the webinar 4.85 on a scale of 1 to 5 with 5 being "fully met expectations" and 97.5% indicated they would use the information presented in some form attending the webinar. Their self-rated knowledge before the webinar was 2.5 on a 1 to 5 scale and increased to 4.50 after participating in the webinar (an increase in knowledge of 80%). After the webinar, producers made statements such as: "we will re-think present procedures".

Value of the project is apparent even after the project's conclusion. A total of 67 posts have been made on the green industry blog entitled "Making Cents of Green Industry Economics" since the inception of this project. These blog posts have been tweeted, reposted, or referenced a total of 346 times in twitter feeds and e-newsletters distributed by green industry trade organizations. In addition, the Southwest Growers Conference is actively engaged in on-going review of webinar topics for future activities.



## Managing Food Production Risk with GAP

With more companies requiring Good Agricultural Practices (GAP) compliance, staying up to date on all the regulations can be a challenge for farmers. Potato producers from Presque Isle, Maine, looked to the University of Maine (UMaine) Cooperative Extension for help when their wholesaler started requiring GAP compliance for all the 118 farming operations in the area.

Fortunately, UMaine Extension had received a grant from the Northeast Center for Risk Management Education to fund a project titled, “Managing Food Production Risk with GAP,” to help keep farmers up to date on staying GAP compliant.

Through materials developed by the UMaine Cooperative Extension Potato Program and supplied via their web page, 100% of the potato growers producing for their local wholesaler are now GAP compliant. This represents a dollar value of \$48,000,000 paid directly to potato growers. The potato processing plant, by using documentation developed by UMaine Extension, is also GAP compliant, representing a dollar value of \$13,400,000 paid directly as wages.

One producer who participated in the project estimated that for a group of farmers to hire outside help to get them GAP compliant would have cost anywhere from \$50-100 thousand dollars just to get the documentation together, and that doesn’t even take into account the personal hours of work he and the other farmers would have had to put into the project. “They look at the federal regulations and update the paper work, and we can download it from the computer and have a fully updated workbook for the coming year. So it’s invaluable that way. I’d have to look through a range of regulations and it’d be costly for my own time. I’d probably spend 10 hours a year, and times that by 100 other growers, and there’s a value right there. That’s a thousand hours...just to put the paper work together.”



## High Plains Ranch Practicum

The High Plains Ranch Practicum School introduced in-depth ranch management strategies to 22 producer participants in Nebraska and Wyoming in 2008-2009. The program, consisting of eight full days of instruction delivered over a period of six months, included sessions on writing business and livestock marketing plans, range and livestock price insurance and detailed individual consulting on calculating unit cost of production. Site visits for each individual producer were conducted both during and after the program to assist them in gathering, interpreting, and applying the information.

As a result of this innovative practicum school, twenty-one producers met all the requirements for the class and completed both the unit cost of production exercise and the business planning exercise. Results showed an overall impact that

influenced over 117 people, which included the management and decision-making for 7,800 beef cattle, and 170,000 acres of native range, planted pasture and hay land. Results of a survey given one year after the project revealed that participants gained knowledge that would account for, on average, an increase net return of \$25 per head of cattle managed. The total net estimated impact for producer participants was \$195,000.

Participants reported that some of the most beneficial aspects of the course were the caliber of instructors used, the focus on system-wide implications of management decisions, using unit cost of production as a financial analysis method, and the hand-on approach to learning.

One participant who manages a ranch for a board of directors reported that because of his involvement in the practicum he was able to convince his board to allow him to move his calving season from winter to spring – a change he is convinced will reduce the need for purchasing outside hay and increase the profitability of the ranch.

Another participant reported that because of the range and forage management lessons in the school they have increased their herd size by 50 pairs improving the profitability of the ranch.

More at [www.HPRanchPracticum.com](http://www.HPRanchPracticum.com)



## Beginning Apple Growers go to School

The Midwest School for Beginning Apple Growers, designed and taught by orchard growers and University of Wisconsin fruit production specialists, targeted beginning apple growers or those considering becoming a grower in Wisconsin.

After an intense three-day grower's school, participants now better understand the production, price, financial, legal and human risks of starting an orchard business. Most indicated they were comfortable with the tools and strategies used to minimize their risk. All have made an educated, informed decision to either start or continue with their business, or decided not to go into the apple orchard business.

After a session, one individual ran to call his tree supplier to cancel his tree order because he had recognized that he had made a potential poor choice in root stocks and varieties, avoiding a beginner mistake! One grower said, "As an organic grower, I have a lot of pest and disease issues. This program has helped me understand how to predict and defend against pests and disease." Another producer commented that they expanded their knowledge of the business and adopted their original plan for their orchard to plant a high density orchard.

This grant allowed project organizers to develop, organize and conduct an education program for beginning apple growers that has continued into a second year. Program directors report "Because of initial funding for this program, we are better prepared for capacity building and program development for future years. The positive response from participants speaks to the success of our program and the success of the funding program at the North Central Risk Management Education Center."



## Young Fruit Farmers Learn to Mitigate Risk

As many new and younger people enter the fruit business in New York state, coming back to the family farm or starting second careers, they face significant financial risks. In order to mitigate those risks, an educational series entitled, “Future New York Fruit Growers,” was developed and conducted by Cornell Cooperative Extension, with grant funding from the Northeast Center for Risk Management Education.

The series was designed to assist future growers as they assume more management responsibility, transition to new production systems, and adopt new technologies. It covered a wide array of topics, such as strategic planning, business financial statements, cost of production models, developing job descriptions, family business planning, hiring the right person, and insecticide 101. Cornell researchers also discussed current fruit practices, and the technology and research behind them. In all, 176 individuals attended more than 30 labor, business and production meetings. Knowledge gained through the series is enabling growers to make decisions that will improve their profitability and avoid costly mistakes.

One participant in the educational programming said, “I decided to get involved in this series to gain more knowledge of the industry I’m in. As a college-educated farmer, I gained the knowledge of the concepts and theories from college, and the practical application and further education from participating in this programming. I saw the series as a way to know more and network with others at the same stage in work and life as me.”

He indicated that learning from the experiences and research of his fellow farmers was extremely valuable, and explained that some of the participants have started their own group where they continue the lectures and tours of farms that the Cornell Cooperative Extension project began.

## Addressing Risk Management Needs For Increasingly Diverse Farmers

by Dr. Ron Rainey

The challenging economic environment of 2012 highlights the increasing need to understand and evaluate business risks. Understanding risk is further escalated in the agriculture sector because the landscape of agriculture is changing. The 2007 Census of Agriculture highlights a continued trend toward more diversity among agricultural producers. Managing risk is particularly important for beginning farmers, small farmers and diverse farmers. They generally have fewer financial resources and thus are far more susceptible to the negative impacts of production, price, financial, human, or legal risk. This changing agricultural population heightens the need for risk management tools and resources to support farmer and rancher business decisions.

Many of these mid- to small- sized operations engage in specialty crop production and/or rely on off-farm income, agri-tourism and recreational services. Regardless of the type of enterprise in which producers are engaged, in today's risk environment they need guidance on how to mitigate those risks. The Extension Risk Management Education program delivers tools and resources in a coordinated effort across the country that address the full array of agriculture risks facing increasingly diverse agricultural producers.

*Dr. Ron Rainey is the Co-Director of the Southern Risk Management Education Center with University of Arkansas Division of Agriculture.*



**14,000+** participants understand more about transitioning their farm business to the next generation and **more than 3,000** have made progress developing a written transition plan



## How to develop an integrated risk management strategy

by Dr. Brad Lubben

Today's producers must operate in an increasingly volatile risk environment, but there are tools and strategies available to producers to help manage risk. Using individual tools will help manage risk, but learning how to use the available tools to develop an integrated risk management strategy can greatly enhance a producer's ability to manage the current risk environment.

To manage risk effectively, producers need to understand how different risk management tools work and how they fit together in an integrated risk management portfolio. Optimal crop insurance decisions depend on production practice choices and marketing strategies build on insurance, production, and financial decisions as well as farm program choices. To manage in an increasingly volatile environment, producers must effectively integrate all of the available risk management tools into a combined risk management strategy to build the foundation for success and increase the economic viability of their farm or ranch.

Many producers, such as value-added and specialty crop producers, must consider the legal and human risks associated with marketing to consumers, having employees work on their farms and managing regulatory and environmental issues. Their marketing approach, production and labor practices, financing methods and insurance decisions are all interrelated. Thus, all of the tools in the risk management portfolio must be considered in a complex, integrated risk management decision to build an effective strategy that increases the economic viability of the farm or ranch. Risk management education programs help producers evaluate available risk management tools and develop effective strategies to help producers implement integrated, comprehensive plans for managing risk.

*Dr. Brad Lubben is the Director of the North Central Risk Management Education Center with University of Nebraska-Lincoln Extension*





## The Changing Risk in Agriculture from Globalization and Volatility

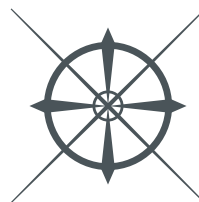
by Dr. J. Shannon Neibergs

Through globalization, the world economy is becoming increasingly interdependent and economic risks are increasing in unexpected areas. A recent example is the devastating financial collapse of MF Global, which was a leading agricultural commodities broker serving as a clearing house for agricultural commodity futures market transactions until it declared bankruptcy in October 2011. MF Global used client funds to purchase high risk European bonds that defaulted which in-turn caused a liquidity crisis for MF Global. Estimated client losses are up to 1.2 billion dollars. The counter party default of MF Global was unexpected and is an example of the increasingly complex risks from globalization that agricultural producers need to be made aware of through risk management education.

As agricultural commodity markets become increasingly intertwined through globalization, market and financial risks are magnified in terms of price volatility. Volatility is defined as the variation in price over time. Increasing volatility in prices and input costs is evident across agriculture. Several grain, livestock and fruit and vegetable commodities reached record high prices in 2011. Fertilizer costs have become highly volatile due to globalization in production as well as demand. Volatility greatly increases financial risk because producers have to commit financial resources to produce their crops before knowing their crop yield and in many cases price. Producers can easily be caught in a profitability squeeze if volatility increases production costs but decreases sale prices. Producers need risk management education to understand and manage the changing risks due to increased volatility.

Evidence of increased volatility from the corn market shows that from January to July 2011, 68 corn futures contract months settled at the regulated price limit move, compared to 36 corn futures contract limit moves in all of 2010. In response to increased market volatility, the CME Group received regulatory approval to increase the daily price limit move on its corn futures market contracts in August, 2011. Some market participants are concerned that increased price limits will increase price volatility and in-turn margin call requirements. Some agricultural producers may have difficulty in meeting increased margin call requirements while country elevators are concerned about their ability to finance margin requirements. This could adversely affect their ability to offer forward contracts to farmers. Hedging market risk using forward and futures market contracts have been widely recommended as risk management tools. Risk management education provides producers tools and knowledge to implement risk reducing strategies that work to increase their long-term profitability.

*Dr. J. Shannon Neibergs is the Director of the Western Center for Risk Management Education with Washington State University Extension.*





## EXTENSION RISK MANAGEMENT EDUCATION

*"Helping America's farmers and ranchers manage risk."*

**Extension Risk Management Education** is delivered through four regional centers that provide grant funding and leadership within their regions.

Projects are producer-focused, results-based and encourage public-private partnerships. Funded projects must identify targeted results that will help producers manage risk and then describe how the project will measure those results.

Extension Risk Management Education has funded innovative programs that have generated tangible results for producers in every state. Commitment to funding results, providing transparent accountability, and encouraging collaboration allow you to view the accomplishments of all funded projects on our website.

### Extension Risk Management Education Regional Centers

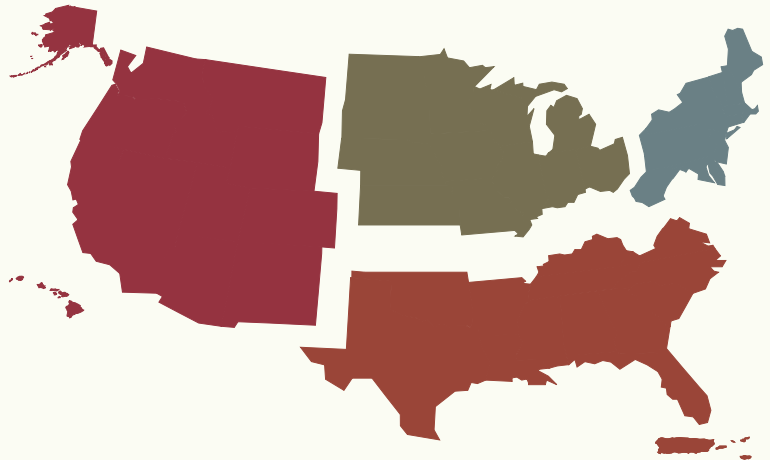
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