



“Managing risk drives success!”



Extension Risk Management Education projects have had more than
212,000 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 mission is – **Educating America's farmers and ranchers to manage the unique risks of producing food for the world's table.**

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 **966 local projects throughout all 50 states**





Rural Education Program for Prospective Employees in Pork Production

This pilot project in Michigan addressed the human resource needs of Michigan's pork production systems by addressing the skill needs of new employees in the pork industry and displaced workers seeking new opportunities in an alternate career field. Through a needs identification process addressing human resource concerns, which included meeting with focus groups, it was determined that pork farm employers in Michigan desperately needed a better trained pool of employees. This program addressed the human resource needs of swine farms while at the same time participants, living in a geographical area with historically high unemployment, gained marketable skills and an increased opportunity for employment.

The project, coordinated by Michigan State Extension, had collaboration from a regional education service district, local school districts and area swine farms. Called "Swine Jobs School", curriculum focused on experiential learning, classroom learning, and on-the-job work experience for post-high school students interested in pork production.

At the end of Swine Jobs School, 65% of the students were either employed or enrolled in a post-secondary educational institution. MSU Extension Project Director Jerry May said, "For 15% of those that completed the course the real value was assessed other ways." One student realized that the physical requirements of a potential job in the swine industry was more than she could handle due to a pre-existing back injury, but learned that she had the interest and desire to continue her education and enrolled in nursing school. Another student who had been out of school for more than 12 years didn't think he had the focus or confidence to continue classroom learning. He finished at the top of this school and after employment decided to enroll in a local community college to further his education. Farms that hosted Swine Jobs School students during the on-the-job work experience phase of the program reported students who had completed the experiential learning and classroom phases of the program were 2-3 months ahead in the development of pig production skills than other new employees who had not participated in the program. "This Extension RME project was invaluable experience for the students that took part," according to May.



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.



Succession and Estate Planning for Coastal California Farm and Ranch Families

In 2008, a Coastal California project, initiated by California Farmlink, provided landowners with techniques for creating succession plans, finding new business partners, and adding value to their operations. The three workshop series presented tools to help participants understand financial analysis, succession and estate planning, managing legal liability, business planning, labor management, and interpersonal, family and business relationships. A comprehensive resource notebook and other succession planning materials were provided along with guest speakers who presented information on a wide variety of succession and estate planning topics.

As a result of this project, participants reported having improved family communication and a better understanding of the need for succession and estate planning for the future success of their operations. They gained new insights regarding sweat equity, next generation financing and family trusts, along with an opportunity to discuss these topics with family members. Of the 148 producers who participated, all 148 gained renewed commitment to the process of succession planning, identified their succession goals and completed an outline of their succession plan and task list. Seventy-five producers held family meetings using the prepared agendas.

Tom O’Gorman of Trinity River Farm attended the program with the goal of learning about expanding their current business and possibly launching a new enterprise. O’Gorman shares, *“Something we learned by attending the program was that we are not alone. Many other farm families have been right where we are and have had the same questions and concerns as we have. We decided, by the end of the workshop, that we are not ready to expand quite yet and that was a very valuable lesson. We need to wait until the family is ready to take this on together and we are not quite there. We did make some changes and feel we are very safe with our succession plan and estate plan so our daughters will be able to take over the business when the time comes.”*



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."



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



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



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.



Getting Products MarketReady

Agricultural producers in Kentucky are benefitting from MarketReady, a training program to encourage local producer suppliers to adopt best selling practices designed by over 150 restaurant, grocery, wholesale, and other institutional markets. The program involves a full day training to address the best business practices, provide business development resources, and serves as a forum for state departments of agriculture and Extension to provide awareness of local resources.

The MarketReady training program, funded initially by the SRMEC, initially trained 442 growers and 103 agents/educators/county staff in Kentucky; 395 have completed the entire six-hour program. This includes 119 produce growers, 50 meat producers, 19 dairy producers, and 45 value-added producers.

MarketReady has been adapted from KY for delivery in IL, IN, OH, AR, MS, TN, SC, NC, TX, and AL – ongoing since 2011. Training programs are being developed to launch the program in WV and FL in 2013. It continues to fill an important business development need expressed by local foods buyers. Approximately 1,500 producers have completed the full MarketReady training to date. Additional training will take place in each of these states in 2013.

A 6-month post-training survey is part of the evaluation being used across all states to supplement the baseline needs assessment collected at the training. Numerous individual producer and buyer testimonials have been gathered – a few are noted here, specifically asking alumni what they have implemented since the training:

We began collaboration with Courtney Farms SCA on a la carte volume items--we met at training in Shelby County. We have added incidental farm insurance. We also created a logo and now communicate more directly to our consumer. The MarketReady training gave me the confidence to really make the commitment.
- **Jeneen Wiche, Simpsonville, KY**

We developed labels for our sorghum containers and ordered and used KY Proud stickers and bags. We also became a certified Roadside Market through KY Farm Bureau and established a Facebook account for our business, best advertisement yet!
- **Harold & Elizabeth Cayce, Princeton, KY**



Farm Transition and Estate Planning: Building Your Own Exit Strategy

This risk management education project focused on the human, financial and legal risk arising from the lack of intergenerational communication, farm/ranch business transition, and estate planning. Over 450 Minnesota, Iowa, North Dakota and Wisconsin agricultural producers took part in one of 10, five-hour workshop sessions which looked at several components that need to be considered in a successful estate plan and business transition. A 230-page workbook was developed for producers to take home and use as a reference as they began the process of evaluating their current plans.

Workshop participants reported via exit interviews that they better understand components of farm and ranch transition including intergenerational communication, goal setting, tax and financial issues, transfer strategies, business entities, and personal estate planning. At the completion of the project over 60 individual producers had begun the process of developing their first farm or ranch business transition plan and their first personal estate plan, which was a stated goal of this program. After six months many had already implemented their plans.

Even though the primary audience target for this program were farm and ranch families, a secondary audience included those professionals that work with these families such as attorneys, accountants, financial planners, insurance agents and ag lenders.

A farmer from southeast Minnesota said, *“We attended the workshop which prompted us to put together our farm business transition and succession plan. Within six months after getting the plans in place we were forced to use them due to a farm accident that killed my brother, who was the majority owner of the farm. Since we took part in this risk management education program and used the information to put a plan in place it saved our family business from potential chaos.”*



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.”

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

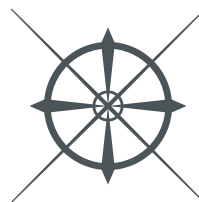
by Dr. J. Shannon Neibergs

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

"Educating America's farmers and ranchers to manage the unique risks of producing food for the world's table"

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

Southern Center

University of Arkansas
(501) 671-2165

Northeast Center

University of Delaware
(302) 831-6540

Western Center

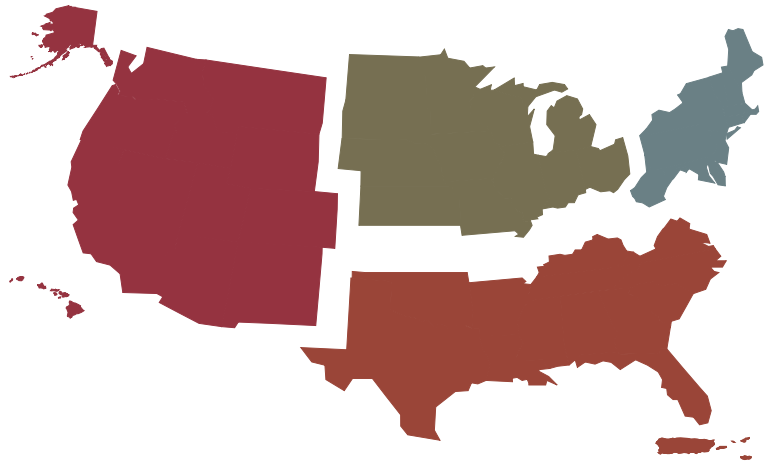
Washington State University
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