

RIGHTRISK™

RIGHTRISK NEWS

DATES TO REMEMBER

- **March 15, 2014:**
Crop insurance sales closing and cancellation dates for spring planted crops. For more information see: <http://www.rma.usda.gov>
- **April 1, 2014:**
Noninsured Crop Disaster Assistance Program (NAP) application deadline for spring seeded forage and all other crops. For more information see: <http://www.fsa.usda.gov>

Management succession: Where are we? A new planning resource from RightRisk.org

Planning for the succession of management responsibilities is an often-neglected area of estate planning in agriculture. Agricultural producers have unique estate planning challenges; the owners most often have an active (if not the only active) role in management, are accustomed to making all of their own decisions with little or no input, and rarely contemplate how the business will operate without them.

Understandable, given that these operators may have lived a 24-7 lifestyle with their entire life's work tied up in their business. When the subject is brought up, we hear people say things like, "Dad is going to live for a long time," or "The kids can sort it all out when I'm gone." It may be easy to put it off, but proper planning is imperative for a successful transfer to the next generation.

The online course *Management Succession: Where Are We?* helps begin the process of deciding how to transfer management of agricultural businesses. The four-part course uses several real-life examples, including the introduction, which highlights many common issues that arise when a family is considering how to transfer a ranch or farm to the next generation. Developing good communication skills is a common theme throughout the course – it is key to success of the entire process.

Issues of a personal nature often arise at the outset. Generational differences can include differing visions about the direction of the business or devotion to certain aspects of the business. Differences about the performance and direction of the business can be problems to succession planning; such as one side wanting to concentrate on crops and one on livestock. This course module helps participants develop techniques and communication skills to deal with and overcome these sources of conflict.

Three main questions are the basis of the business issues module: 1) Where are you, 2) Where do you want to go, and 3) How can you best get there? Participants learn the most effective management and communication tools to deal with these issues. They also learn how well their business uses these tools along with methods to overcome issues associated with the process (such as generational trust issues or difficulty delegating).

The succession process outlined in the course is shown in the graphic below. Participants determine where they are in the process. The differences between ownership and management succession are shown and discussed. Several tools are available in the "Resources" section of the course, including an electronic tool for self-assessment. The final section serves as the launching point for beginning the succession process.

To access the Management Succession and Lasting Legacy courses, Risk Management Profiles, and other risk management information, simply logon to <http://RightRisk.org> and click the "Courses" tab at the top of the page to get started.



How Much Risk is Right for You?

RISK MANAGEMENT PROFILE

A Lasting Legacy: Bill and Jean Parnel recently graduated from college. They are a young married couple with plans to take over the Parnel Family Farm. They would be the fourth generation to own and manage the farm.

Bill's parents, John and Mary, have every intention to transfer the farm to Bill and Jean. However, they have been reluctant to make any formal plans or even to begin discussions about the transfer and other retirement and end of life planning. To read more see: <http://RightRisk.org> > Resources > Risk Mgt Profiles



HIGHLIGHTED TOOL

A written marketing plan introduces discipline into the commodity marketing process. The Marketing Plan tool was developed with this in mind. Market price risk is a major concern for most agricultural producers. This risk has been growing with increased volatility in the marketplace coupled with increases in input costs.

A marketing plan is an outline of price, date and quantity objectives that generate a reasonable return for your business given the existing market conditions. The tool is designed to create a road map outlining how much will be sold, when it will be sold, and how it will be sold. It helps you create a set of decision rules for the marketing of your commodity. This introduces discipline into the marketing process and decreases the chances you might be caught unaware and on the short end of covering your production costs.

The Marketing Plan tool comes with case farm data already entered into the worksheets. This provides an example of how to enter information into each worksheet. A tutorial presentation for the tool is also available in Module 10 of the Strategic Risk Management 101 course on the Risk Navigator SRM website.

The Marketing Plan tool is an excellent resource to help you introduce disciplined profit taking into your management plans. The Marketing Plan tool is available for download from the Risk Navigator toolbox at <http://www.risknavigatorstrm.com/toolbox/MarketingPlan>.

Expected Price		in Corn	Winter Wheat
High	\$	6.70	\$ 6.60
Medium	\$	6.37	\$ 6.80
Low	\$	5.50	\$ 5.35
Expected Production (bu)		59,500	28,700

Corn:	Target Date	Method of sale/contracting	% Priced		Trigger		Trigger Price	
			In Period	Cumulative	In Period	Cumulative	In Period	Cumulative
	Early Spring (March 15)	(e.g. forward contract)	0%	0%	0	0	\$ 5.50	\$ 5.50
	Late Spring (May 15)		33%	33%	19,635	19,635	\$ 6.25	\$122,718.75
	Mid-Summer (July 15)		33%	66%	19,635	39,270	\$ 6.90	\$258,000.25
	Harvest (December)		34%	100%	20,230	59,500	\$ 7.75	\$414,982.75



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

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

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How much risk is right for you and your operation?

