

RightRisk™ helps producers explore risk-

*By Robert Waggener, Editor
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Single agricultural producer Dan Ellis says he usually doesn't come out on top when it comes to money matters. But he did just that when playing the RightRisk™ cow-calf computer simulation during a beef symposium in Torrington.

Ellis and a symposium classmate, Eastern Wyoming College agriculture instructor Tim Walters, took an aggressive approach when making management decisions on their mock cattle ranch during the class taught by the University of Wyoming's Cooperative Extension Service.

"We bought the maximum number of cows we could and leased the most amount of grass we could to take care of the animals. We produced some of our own hay, but we had to buy some additional hay. As it turns out, we were lucky. Our approach worked," Ellis says.

"Calf prices stayed up, and we didn't have any major disasters. We ended up with the most money at the end of the class. We won the coffee mugs," he says, and then laughs.

When their RightRisk™ cow-calf scenario was plotted out over several years, taking into account such things as drought, hard winters, favorable springs, and varying cattle markets – the good and the bad – they still won the most "money."

"Luck would have it," he says, and laughs again.

Ellis knows this was only a simulation, but he stresses that what he learned is being applied to his family's corn, dry bean, pinto bean, alfalfa, and feeder calf operations.

"RightRisk™ is an interesting program set into a game format. It lets you play with a number of different scenarios. What you do today doesn't only affect what you do today; it affects you down the line. What's nice is you can play without risking for real," Ellis emphasizes.

This particular class was taught by Assistant Professor Chris Bastian and Farm and Ranch Management Specialist John Hewlett with the Department of Agricultural and Applied Economics. Hewlett is a member of the regional RightRisk™ team, which teaches classes in Arizona, Colorado, Idaho, Nevada, Montana, Utah, Washington, and Wyoming.

Hundreds of agricultural producers in Wyoming have taken RightRisk™ classes on running a cow-calf operation, and future classes will be offered on



Farm and Ranch Management Specialist John Hewlett teaches a RightRisk™ class in Worland.

making a difference

management strategies, plan for future

wheat farming, ranches that rely on public lands for part of their grazing operations, and other scenarios under development, including one on sheep. Several programs on livestock and crops will be offered around the state next year. The schedule will be released in the coming weeks.

Hewlett says RightRisk™ doesn't make decisions for agricultural producers, but instead it helps them explore risk-management strategies, build decision-making skills, and learn about their own personal beliefs when it comes to the management of their operations.

"Ranchers and farmers, even those in the same family, quickly discover they have different tolerance levels for risk when they play this game," Hewlett says.

Tom Page, who runs a cow-calf ranch and raises hay 20 miles northwest of Laramie, learned just that about his family when he took a RightRisk™ class last fall in Laramie. "My mom (Margaret) and wife (Barb) are conservative enough that Abe Lincoln's head is turned halfway around before they turn loose of a penny. I learned that I'm willing to take a little more risk."

Potentially conflicting philosophies are actually good in this case because they can provide checks and balances, Page says.

"Different real-life scenarios can be played out on paper to determine what amount of risk can be taken to hopefully turn the greatest profit. Mom is really good at the pencil, and we often mull things over. Occasionally, we argue things over," notes Page, who adds he now spends about 10 to 20 hours a month in his office going over different options.

Page wishes he would have played the RightRisk™ game before he sold cattle last summer through a video auction. "I think I could have gotten

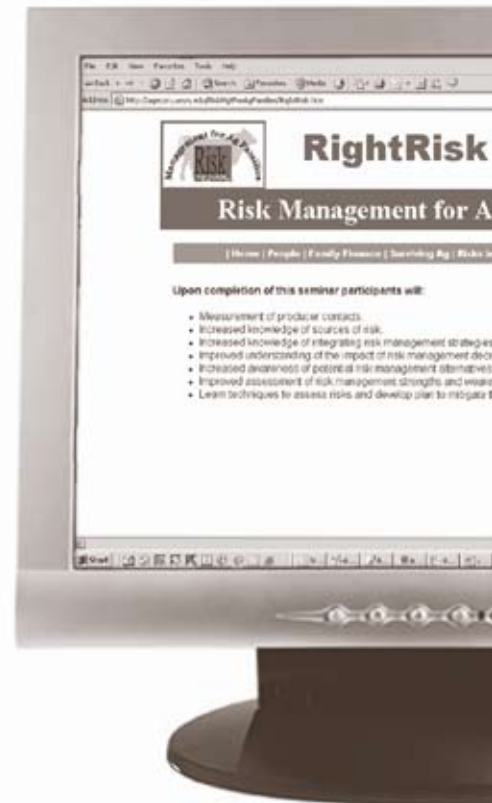
more money if we would have had a full truckload of steers. Instead, we sold a split load of steers and heifers to fill the truck. I learned that if I sold a full truck of steers then I could keep more replacement heifers and get into the bred heifer market. That is what I'm looking at right now."

He believes it will work for his ranch because of the amount of hay it typically produces in a year (1,200 to 1,500 tons on 340 acres).

"We could run 500 head on our ranch with the hay we grow, but that would mean summering the cattle elsewhere during the growing season. Would this be profitable? That's where the pencil and the scenarios come in. If you have to pay \$15 to \$18 per month summer pasture for each pair, would it pencil back to where you are making the profit?" Page asks. "If you put the cattle out there on the hay grounds, it really cuts down on the productivity of those grounds. We did that this year, and it worked."

Page now raises 150 head of Black Angus, but under the computer simulation he could take on additional cattle during the fall and winter months and charge for the hay and labor.

Asked if he believes what he learned with RightRisk™ will help sustain the ranch, he replies, "I





sure hope so. When you go at ranching these days, you have to go at it with a pencil.”

Ellis says he attended last spring’s beef symposium and took the RightRisk™ class held in conjunction with the event in part to satisfy educational requirements of his real estate, cattle, and farm equipment loans through the U.S. Department of Agriculture’s Farm Service Agency.

“The FSA wants to make sure we know how to keep track of our affairs,” says Ellis, who is glad he played RightRisk™. “In real life, it’s basic enterprise projections. When you sit down in the spring and plan your row crops, you try to project costs and income. You can project your costs pretty close, but income is a shot in the dark. That is out of your control.”

He continues, “I took some cows in on shares shortly after I played the game, which I used to help figure if I had enough summer grass and winter range to take on these shares. I figured it would work, and so far it has. But just like in the program, there are always lingering questions like ‘what if it goes dry?’

“I worked out the feed requirements for the cows and how much hay I would either have to buy or produce. Even under drought conditions, I thought I would be OK. We stocked a little light last spring just because it was dry, then it started raining in early May. The cattle look real good right now,” Ellis says. “There is no pressure to move them this fall other than to capture the market.”

Ellis says he will use what he learned from RightRisk™ to determine in part which row crops to plant on the four farms his family owns or rents and whether they should continue with all four operations.

“I need to do some enterprise analysis on which farms to keep. The profit margins on production agriculture, especially on the irrigated row crops, are very, very tight. Expenses are going up, but commodity prices are under pressure daily. Fuel has gone way up, and that in turn drives up many costs including fertilizer. Everything we buy is trucked in, and the shipping is being affected by the gas prices.”

Ellis adds, “Making decisions concerning our farming operations is going to be a continuous process. In general, farmers in this valley need to be doing a lot of hard figuring. Trying to figure out what the products will sell for in comparison to what it costs to produce them is tough, and that can be stressful on families.”

Hopefully, educational materials such as RightRisk™ will take some of that stress out of long-term decisions. “I would take another class if it is offered here. There is something to learn from anybody, and we in ag don’t do enough learning,” Ellis says.

The RightRisk™ Web site contains computer simulations that agricultural producers can play. The site is located at <http://www.rightrisk.org/>

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