



Getting Started in Ag: Risk Controls Available at RightRisk.org

It does not take long when starting out in production agriculture to discover just how much risk is involved in the industry, especially with today's volatility. Risk and uncertainty plays a part in so many aspects of both crop and livestock production; there are numerous variables outside of the manager's direct control, while in other cases risk management options exist. Manager must weigh the benefits and costs of alternatives when options exist to evaluate which risks are worth mitigating.

Weather events, unstable markets, human resources and other uncertainties all contribute to the overall risky nature of the business. Managers have three basic choices when dealing with risk: ignore it and accept the consequences, avoid it where possible, or manage it.

Risk management is about exploring and implementing strategies to increase the chances of positive outcomes, and/or reducing the consequences of negative outcomes. In other words, risk and the associated variability it introduces is almost always present, so the more the manager can plan for uncertainty the better the chances for a positive outcome.

Gathering as much information as possible is one of the best ways to account for uncertainty. Think of information as the foundation for building a sound risk management plan. Basing planning and decision-making on solid, up to date information is crucial to long term profitability. The professionals at RightRisk.org have developed a resource to help agricultural managers access important information for their risk management planning. The list of Risk Controls, available under the Resources tab, provides links to a wide range of important risk information and reports generated by the USDA's Agricultural Marketing Service and others. These controls are categorized under the headings: Market, Production, Legal (or Institutional), Human and Financial Risk.



MARKET RISK

Accurate, up to date market information is key to making profitable marketing decisions. It is not an effective marketing or pricing strategy to rely on word-of-mouth or local coffee-shop-talk for commodity pricing. The Market Risk section of the Risk Controls page outlines numerous reports from USDA Agricultural Marketing Service (AMS), Ag Statistics, Risk Management Agency (RMA), and others that offer detailed information by state, including Wyoming.

These reports include prices for grains, livestock and hay. Links to information for leasing rates, cash rents and grazing fees are included as well.

Federally-backed crop insurance has become a widely used and necessary part of production risk management for most operations nationwide. In these times of high input costs and volatile commodity markets, crop insurance programs are a proven, cost-effective way to limit marketing and production risk and provide some level of guaranteed income. Links are provided for information on crop and livestock insurance. One notably useful feature on the Risk Controls page is the Cost Estimator, available at RMA's website. This tool allows users to select an insurance plan and estimate premium costs across various levels of coverage.

EXAMPLE USDA ESM GRAZING FEE REPORT COW/CALF PAIRS

	2021	2020
Western Wyoming	18.00–40.00 Mostly 25.00–35.00 Instances 40.00	18.00–35.00 Mostly 25.00–35.00 Instances 40.00
Eastern and Central Wyoming	22.00–45.00, Mostly 30.00–35.00	18.00–45.00 Mostly 25.00– 35.00
Western Nebraska	40.00–70.00 Mostly 45.00–55.00 Instances 65.00–70.00	35.00–60.00 Mostly 40.00–50.00 Instances 65.00

PRODUCTION RISK

The Risk Controls page has links to resources dealing with weather, irrigation and drought risk. These resources can provide invaluable information in planning for inevitable weather-related challenges, especially where the climate can be such a wildcard. Producers can access links to National Oceanographic and Atmospheric Administration (NOAA) weather data and forecasts; these can help make production management decisions such as cropping plans or stocking rates. National Resource Conservation Service (NRCS) reports for water supplies, snowpack, runoff/flooding forecasts and reservoir status are available under this section as well. Links to several drought and climate center monitors can be useful in setting production planning for the short and long term. Disaster and other insurance programs such as Forage Insurance and Rainfall Index-Pasture, Rangeland, Forage Insurance (RI-PRF) through RMA are addressed as well.



LEGAL AND INSTITUTIONAL RISK

Legal (or Institutional) risk deals with the uncertainty linked to the farm business structure: areas such as contracts, liability, statutory compliance and taxes. While at times it may be an uncomfortable subject to address, especially when just starting out in production agriculture, it is an important aspect of today's farms and ranches. The page provides links to many important national government agency websites, the American Agricultural Law Association and National Agricultural Law Center.

HUMAN AND FINANCIAL RISK

If your business has employees, it is important to stay apprised of labor markets, regulations, and requirements. The RightRisk.org Risk Controls page includes links to the U.S. Department of Labor, as well as the USDA National Agricultural Statistics Service (NASS) data for farm labor. Chances are your business uses some form of credit, whether for operating or for larger purchases. Financial Risk links are provided for lending resources including farm loans through USDA, the Farm Credit System, and the Small Business Administration. Current Federal Reserve reports, as well as price reports from

USDA-NASS are listed and can provide insight into the direction credit markets

are taking, allowing you to adjust your management strategies accordingly.

RIGHTRISK ANALYTICS FROM RIGHTRISK.ORG

The RightRisk Analytics Toolbox contains several risk analytics tools to help with budgeting, forage leasing, machinery costs and whole farm budgeting.

To view or download the toolbox:

- Browse to RightRisk.org
- Select Risk Management Tools under the Resources Tab.

