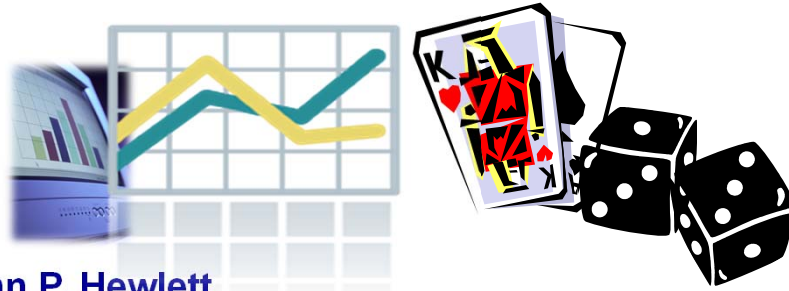


# Master Marketer Marketing Risk Management

for Wyoming Agricultural Managers



**John P. Hewlett**  
Farm/Ranch Management Specialist  
UW – Cooperative Extension Service

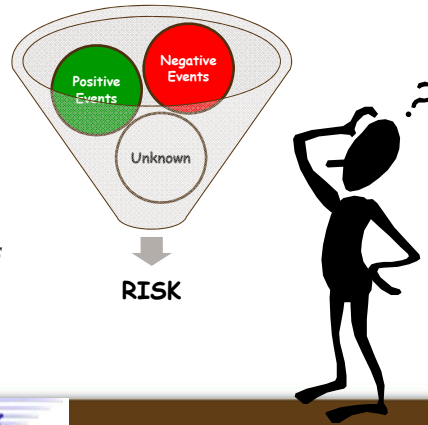
## Sources of Risk in Agriculture - *Ag Risk 5*

1. Marketing/Price Risk
2. Production Risk
3. Institutional/Legal Risk
4. Human Risk
5. Financial Risk

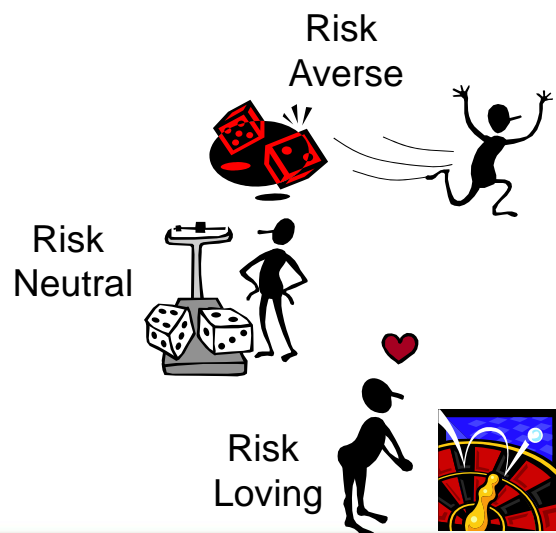


## What is RISK?

- **Cost of Loss**
  - *Income*
  - *Resources*
  - *Productive capacity, etc.*
- **Cost of Uncertainty**
  - *Worry, doubt, fear, misallocation of resources, etc.*
  - *With potential for gain or loss comes moral or ethical implications*



## Types of Risk Preference



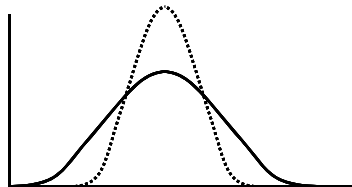
# Strategies for Managing Risk

1. Avoid it
2. Reduce it
  - a) Reduce the probability it will happen
  - b) Reduce the impact if it does happen
3. Transfer it outside the business
  - a) Insurance
  - b) Contracting
4. Increase capacity to bare
  - a) Increase reserves
  - b) Maintain flexibility
5. Accept it

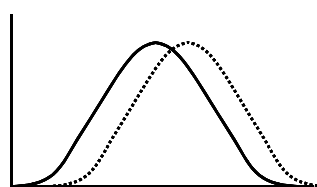


# Strategy Impacts

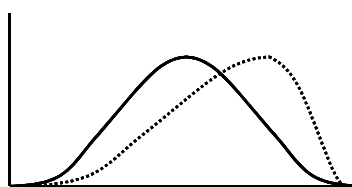
Panel 1: Same Mean, Less Dispersion



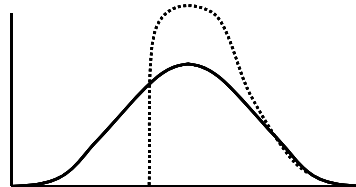
Panel 2: Same Dispersion, Higher Mean



Panel 3: Skewing the distribution



Panel 4: Truncating the Distribution



# RightRisk Master Marketer – Marketing Risk Management

- Tools for evaluating alternative risk strategies
- Handouts and worksheets
- Presentation recordings



<http://RightRisk.org/presentations>

