

Master Marketer Marketing Risk Management

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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



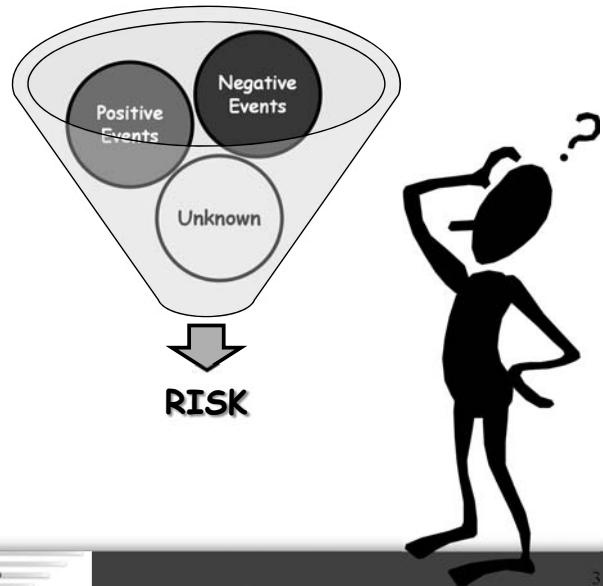
What is RISK?

- **Cost of Loss**

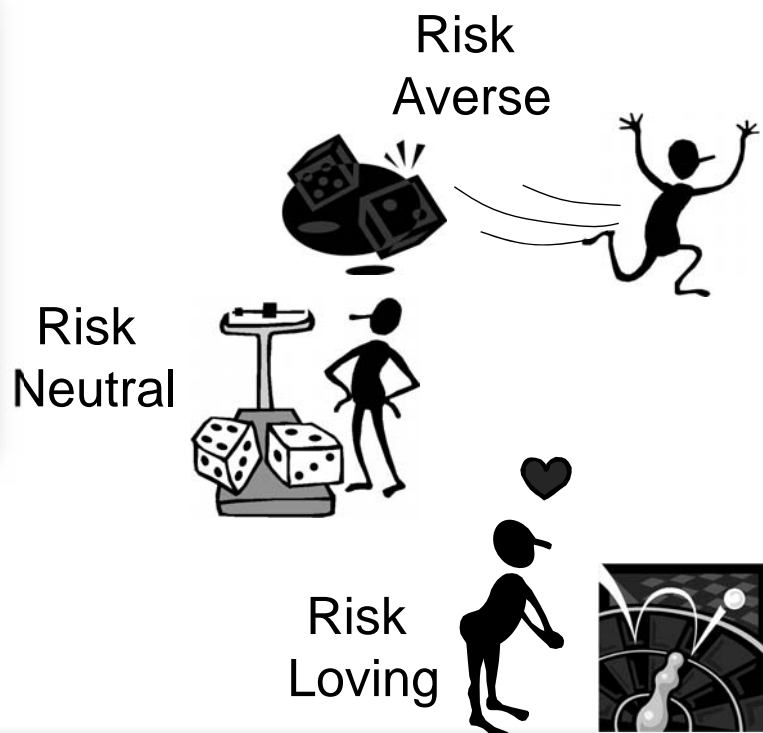
- *Income*
- *Resources*
- *Productive capacity, etc.*

- **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

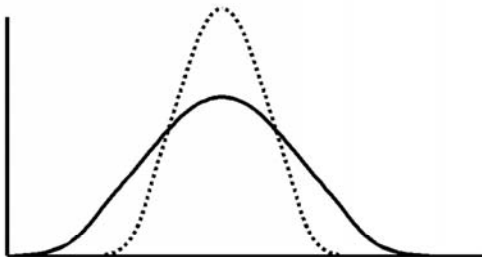
1. **Avoid it**
2. **Reduce it**
 - a) Reduce the probability it will happen
 - b) Reduce the impact if it does happen
3. **Transfer it outside the business**
 - a) Insurance
 - b) Contracting
4. **Increase capacity to bare**
 - a) Increase reserves
 - b) Maintain flexibility
5. **Accept it**



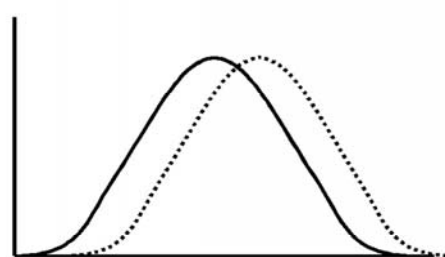
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Strategy Impacts

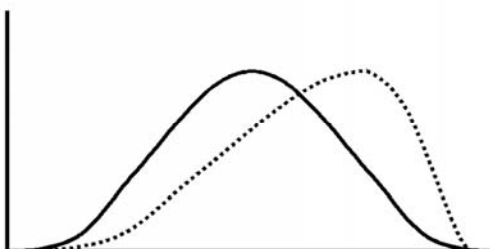
Panel 1: Same Mean, Less Dispersion



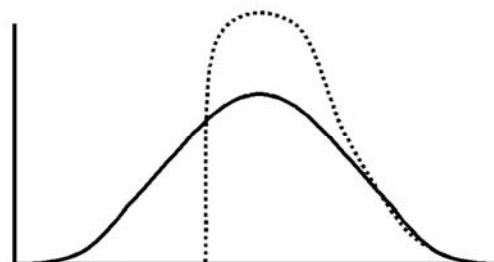
Panel 2: Same Dispersion, Higher Mean



Panel 3: Skewing the distribution



Panel 4: Truncating the Distribution



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Questions



Web Address to Download Files

<http://rightrisk.org/presentations>