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Managing Risk in Farming: Concepts, Research, and Analysis



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Managing Risk in Farming: Concepts, Research, and Analysis.

Agricultural Economic Report 774.

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Abstract

The risks confronted by grain and cotton farmers are of particular interest, given the changing role of the Government after passage of the 1996 Farm Act. With the shift toward less government intervention in the post-1996 Farm Act environment, a more sophisticated understanding of risk and risk management is important to help producers make better decisions in risky situations and to assist policymakers in assessing the effectiveness of different types of risk protection tools. In response, this report provides a rigorous, yet accessible, description of risk and risk management tools and strategies at the farm level. It also provides never-before-published data on farmers' assessments of the risks they face, their use of alternative risk management strategies, and the changes they would make if faced with financial difficulty. It also compares price risk across crops and time periods, and provides detailed information on yield variability.

Keywords: Crop insurance, risk, diversification, futures contracts, leasing, leveraging, liquidity, livestock insurance, marketing contracts, options contracts, production contracts, revenue insurance, vertical integration.

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