



R I G H T R I S K N E W S

Managing Risk in Ag Enterprises Has Never Been More Challenging

The past several years have certainly demonstrated just how miserable uncertain events can be with a pandemic in the rear-view mirror; recent natural disasters and adverse weather events; unstable markets, prices and supply chains; challenges to human resources; and many other uncertainties that all contribute to an overall uncertain picture for production agriculture.

Many, or perhaps most, of these events are outside the control of ag managers, how we prepare and subsequently address them is something we can manage. Individuals have four choices when dealing with risk: avoid it, transfer it, control it, or accept the risk. In this sense, risk management is about creating and following strategies to increase the likelihood of positive outcomes, reduce the consequences of negative outcomes, or both.

The RightRisk Team has compiled, authored, and published resources and materials for risk management in agriculture over the last 20 years. The resources available are broad, diverse, and most are available online at no charge to the user. If you are looking for a better way to manage uncertainty in your agricultural enterprises, RightRisk.org might just be worth a stop along the information superhighway. Let's take a look at what's available.

Risk is the uncertainty of outcomes; outcomes that matter

Analytics to Manage Variability

RightRisk Analytics (RRAnalytics) is a risk management toolbox filled with useful tools for evaluating, comparing, and testing risk management strategies located in one convenient place. RRAnalytics offers seven risk analytic tools that cover a wide range of topics, including enterprise budgeting, forage leasing, and machinery cost/custom rate calculation.

Accounting for variability in one or more variables when budgeting and planning is a key aspect of many RRAnalytics tools. Many planning and budgeting variables are not known with certainty; for instance, using \$6.25/bushel for a corn price when budgeting. Best guesses are often used for budget items such as expected prices, yields, and expenses. The problem occurs when these guesses are treated like certain numbers. This can lead to flawed decisions further on in the production year due to a failure to account for variability within these best guesses.

How Much Risk is Right for You?



Several RRAnalytics tools account for these variables by generating scenarios and probabilities related to a range of estimates for key decision variables (maximum, minimum, and most likely). The Risk Scenario Planning (RSP) tool helps users take in a wide range of values when making budgeting projections or production decisions. The tool helps a producer quantify the risk associated with a particular decision or management change and provides a probability distribution for the calculated results.

The Enterprise Risk Analyzer (ERA) tool is the next step up, allowing a user to perform risk analysis at an enterprise level. The ERA tool generates net return analysis based on data entered by the user and calculates break-even price and yield estimates with associated probability projections.

The Forage Risk Analyzer (FRA) and Machine Risk Calculator (MRC) tools account for income and expense variability in specific cost areas. The FRA tool can analyze a wide variety of potential forage situations, including leases and evaluating the cost of owned-forage. The MRC tool was developed to help estimate machinery costs and consider the risk sensitivity of these costs to future variability. Users can also use the MRC to cost-out field operations to help price custom rates for common farm operations.

The Multi-Temporal Risk Analyzer (MTRA) tool reflects long-term expectations for a budgeted management change. Users incorporate the risk associated with

making long-term changes in risk management strategies via estimates for potential income and expenses up to 20 years into the future. The tool provides an estimate of the net income or loss in today's dollars to help a manager decide if the strategy is worth pursuing.

The RRAnalytics toolbox also includes tools for whole farm budgeting (*RD Financial*) and resources to help managers develop strategic risk plans (*Risk Navigator Toolbox*). The *Risk Navigator Toolbox* is a set of comprehensive risk analysis tools centered on the Strategic Risk Management process. These materials assist users to develop their own strategic risk management plans.

Materials to Build Risk Skills

Sound risk management approaches and skills are critical to achieving goals, protecting revenue, and maintaining profitability in today's uncertainty. RightRisk offers online self-study modules and recorded presentations that cover a wide range of risk management topics.

Understanding Risk in Agriculture (URIA) is an internet-based module including: 1) Self-study materials covering- What is risk, Does Risk Matter, Can Risk be Managed, What Are Challenges to Managing Risk, When is Risk Analysis Justified, How are Risky Choices Evaluated, How is Risk Included When Making a Decision, and Conclusion. 2) Recorded webinar materials including: posted presentation slides, Introduction, URIA - the first four segments, URIA - the last three segments, and Q&A session; all in video and audio-only formats; 3) eBook document for further study; and many other features.

Risk Scenario Planning Course (RSP) is an internet-based module including: Introduction to Risk, Risk Strategies, Four Case Studies: Gates Creek Land & Livestock, Big Country Farms, Bell Livestock Z-F Ranch, Risk Scenario Planning Tool Overview, Expectations About the Future, Risk Management Framework, resource links for further research, and many other features.

Evaluating Risk Strategies (ERS) is an internet-based module including: 1) Self-study materials covering- Introduction to Risk, Risk Management Strategies, Evaluating Strategies, and Conclusion. 2) Recorded webinar materials including: posted presentation slides, Introduction, ERS Risk Strategies presentation, ERS Evaluating Risk Strategies presentation, and Q&A session; all in video and audio-only formats; 3) eBook document for further study; and many other features.

Enterprise Risk Analysis (ERA) is an internet-based module including: 1) Self-study materials covering- What is an Enterprise, What is Risk, What is Risk Management, How is Risk Managed, Risk Management Process, Establishing Context, Enterprise Assessment, Risk Analysis, Risk Evaluation, Treatment Implementation, Case Study: Everett Ball Ranch, Case Study: Wilson Ranch, Resource links for further research. 2) Recorded webinar materials including: posted presentation slides, Introduction, ERA Module Overview presentation, ERA Module Application presentation, and Q&A session; all in video and audio-only formats; 3) eBook document for further study; and many other features.

Getting on Track: Better Management Through Basic Ag Records is an internet-based module including: Preserving The Tradition, Putting All Your Eggs in One Basket Get the Max From Your Tax, and 4-H Gone Hog Wild. Other topics covered include: Why Keep Records, Basic Record Keeping 5 Easy Steps, Keeping Production Records, Keeping Financial Records, Schedule F, And Where Do I Go From Here? A glossary, frequently asked questions, and resource links are provided, along with example records systems and much more.

Getting on Track: Better Management Through Basic Financial Statements is an internet-based module including: An introduction to Financial Statements, Cash Flow Statements, Balance Sheets, Income Statements, Statement of Owner Equity, and Where Do I Go From Here?. Also included are a glossary, resource links for further research, and many other features.

Getting on Track: Understanding Financial Performance is an internet-based module including: What Is Financial Analysis?, Measures of Liquidity, Measures of Solvency, Measures of Profitability, Measures of Financial Efficiency, Measures of Repayment Capacity, And Where Do I Go From Here? A glossary, frequently asked questions, and resource links are provided, along with example records systems and much more.

Feasibility of Alternative Rural Enterprises is an internet-based module including: Agricultural and Rural Enterprises, Selecting and Planning for Alternative Enterprise, and Assessing Risks. Also included are a glossary, resource links for further research, and many other features.

Taxes for Agricultural Enterprises is an internet-based module including: Definition of a Farm, The Importance of Records, Farm Income, Farm Expenses, and Tax Management. Also included are a glossary, resource links for further research, and many other features.

Estate Planning and Risk Management

An often-overlooked aspect of risk management is end-of-life and transition planning. Preparing for a smooth transition of management and ownership, as well as the successful protection of the farm or agribusiness. These courses are designed to take a comprehensive look at building a personal legacy through family interaction and planning.



A *Lasting Legacy course #1* is an internet-based module including: Intergenerational Relationships- Parent/Adult Child Relationships and Managing Intergenerational relationships, Legacy Components- Values and Life Lessons and Personal Possessions of Emotional value in two modules and four lessons. Also included are a glossary, resource links for further research, and many other features.

A *Lasting Legacy course #2* is an internet-based module including: Final Wishes and Instructions- End-of-Life Issues, Pre-Death Wishes, and Final Instructions, Financial Assets and Real Estate- Estate Planning, Financial Planning, and Transferring Real Property across two modules and six lessons. Also included are a glossary, resource links for further research, and many other features.

Management Succession: Where Are We? is an internet-based module including: An introduction to Management Succession, Interpersonal Issues, Business Issues, The Succession Planning Process, and Where Do We Go From Here? Also included are a glossary, FAQ list, resource links for further research, and many other features.

Management Succession: Where Do We Want to Go? is an internet-based module including: An introduction to Management Succession, Three (3) In-depth Family Case Studies, The Succession Planning Process, and Where Do We Go From Here? Also included are course resources, Best Succession Management Practices (BSMP) Lists, worksheets, and many other features.

Management Succession: How Do We Get There From Here? is an internet-based module including: Journey to Management Succession, Beyond Goals for Change, and Where Do We Go From Here? Also included are a 120-page Management Succession Workbook, resource links for further research, and many other features.

Recorded presentations available under the Resources tab at RightRisk.org cover a wide variety of topics, including: Risk Concepts a series providing an overview of organizational structures: Sole Proprietorships, Partnerships; Limited Liability Companies (LLC), and Corporations. Other titles include: Evaluating Risk Alternatives; RightRisk Analytics; Understanding Risk in Agriculture; Evaluating Risk Strategies; Calculating Custom Rates; Enterprise Risk Analysis; Calculating Machinery Costs; Master Marketer-II; Drought Contingency Planning; Barley Grower Alternatives; Managing Risk on Your Farm: 6 Steps to Effective Risk Management; Master Hay Grower; Master Marketer-I; Marketing Risk Management; Risk Adjusted Marketing (RAM-I); and Strategic Risk Management 101.

Bulletins Exploring Alternatives

The RightRisk Team has assembled an impressive array of written materials to help managers dig deeper on various risk concepts. Other titles offer examples of the application of insurance products, strategies for reducing risk exposure, and ways to evaluate risk impact.

Risk Management Profiles is a series of over 20 bulletins that offer insights into case study operations, the application of various risk strategies, and how those strategies helped the people involved reduce risk to a level they were comfortable with.

Risk Concepts is a series of seven bulletins and helpful comparison chart looking at forms of business ownership, including: Sole Proprietorship, C Corporation; S Corporation, General Partnership, Limited Partnership, Limited Liability Partnership, Limited Liability Company. Each bulletin and the comparison chart provide information across six areas of comparison from formation, to operation, to liability, taxes, transfer implications, and dissolution.

Applied Risk Analytics is a series of short bulletins outlining the application of RightRisk Analytics tools to evaluate common management decisions. Current titles include: Estimating Custom Rates and Machinery Costs; Evaluating Lease Arrangements; Evaluating LRP Coverage With the Multi-Temporal Risk Analyzer; Evaluating Pasture, Rangeland, Forage - Rainfall Index Coverage; Evaluating RI-PRF Strategies with the MTRA Tool; and Evaluating Windrower Options with the Machinery Risk Calculator.

Other Materials and Resources

Many additional resources and materials are also available at RightRisk.org. A list of Risk Controls available under the Resources tab offers links to information and materials helpful for managing the five sources of risk (Market, Production, Institutional, Human, and Financial risks). The Products tab offers a series of sites, developed by the authors, on: agricultural labor management (*Ag Help Wanted*); transition planning for agriculture (*Ag Legacy*); a risk simulation tool to teach risk concepts and management strategies to agricultural producers (*Ag Survivor*); risk management tools and materials for beginning farmers and ranchers (*GrowinG-WY*); a series of educational presentations and tools organized around the Strategic Risk Management Process (SRMP) and intended to help ag producers manage risk (*Risk Navigator*); and a bulletin addressing the SRMP Small Business Edition for strategic Risk Management of non-commercial and lifestyle operations designed to create and customize a personal risk management plan (*Strategic Risk Management*).

A list of current workshops, archived monthly newsletter (since 2013), and links to other resources rounds-out the list of the many resources, self-study materials, and aids for better risk management from the RightRisk Team. Take a look for more at: RightRisk.org; your next stop for risk management on the information super highway.

Risk Management Profiles



Applied Risk Analytics



Risk Concepts



~ OTHER RIGHTRISK NEWS ~

NEWS RELEASE - OCTOBER 20 | RIGHTRISK

Federal Reserve Beige Book Summary on the Agricultural Sector

Economic activity was unchanged, on balance, since early July, with five Districts reporting slight to modest growth in activity and five others reporting slight to modest softening. . . .

For more see: RightRisk.org/News



	<p>October 4 Social Media Post <i>Management Succession: Where Are We?</i></p>		<p>October 20 Social Media Post <i>Evaluating LRP Coverage via RightRisk Analytics</i></p>
	<p>October 6 Social Media Post <i>Estimating Custom Rates and Machinery Costs</i></p>		<p>October 25 Social Media Post <i>Job Descriptions Why Waste the Time?</i></p>
	<p>October 11 Social Media Post <i>¿Cuáles son los reglamentos Estado Unidenses para el trabajo de menores en agricultura?</i></p>		<p>October 27 Social Media Post <i>Recorded Presentations from RightRisk.org</i></p>
	<p>October 13 Social Media Post <i>Online Publications RightRisk</i></p>		<p>Check our newest series - a post every Wednesday covering ag labor management issues from</p>
	<p>October 18 Social Media Post <i>Lasting Legacy Course #1</i></p>	<p>AG HELP WANTED: Guidelines for Managing Agricultural Labor</p>	

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- Education
- Coaching
- Research

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How much risk is right for you and your operation?



COLORADO STATE UNIVERSITY EXTENSION



Extension