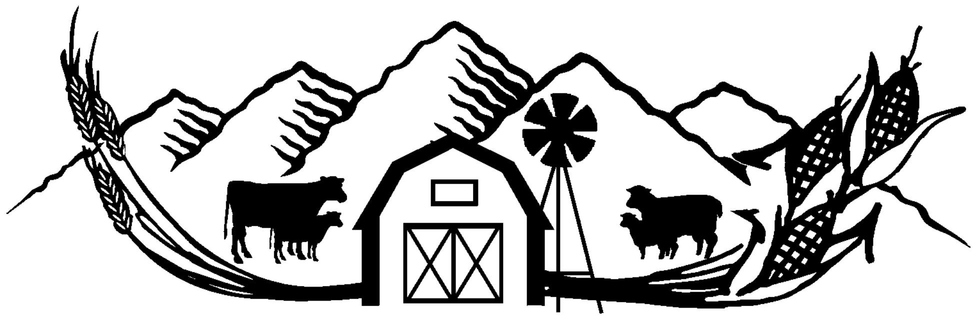


Risk and Resilience in Agriculture

From Risk to Resilience in Agriculture: The Production Resource

By: Chris Bastian
University of Wyoming

1. **Do you know your costs of production for each enterprise?**

Risk ◄ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ► Resilience

Risky – Not knowing your costs

Knowing your costs – **Resilient**

Enterprise budgets are a tool producers can use to evaluate the cost and return potential for the different enterprises of an operation. "Producing the product on paper" first will help reduce the risk of any unexpected outcomes at the end of the year.

2. **Are you a high cost or a low cost producer of your products compared to benchmark studies in your area?**

Risk ◄ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ► Resilience

Risky – Being a high cost producer means less profitability in years of downturn.

Being a low cost producer means you can still be profitable in many downturn years. – **Resilient**

3. **Have you evaluated the riskiness of your current enterprises?**

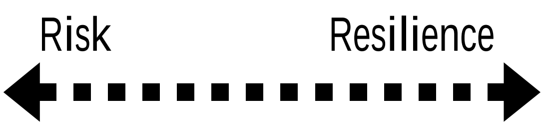
Risk ◄ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ► Resilience

Risky – Not knowing the variability of your current enterprises and your income variability doesn't allow you to decide which enterprises to keep or replace.

Knowing the variability of your current enterprises and your income variability can help you plan future enterprise diversification strategies. – **Resilient**

- An additional point to keep in mind here is the different measures we discuss to evaluate risk, lower income variability doesn't always mean less risk. Concept such as target income can sometimes lead you to a different choice than just income variability when choosing an enterprise or enterprise mix.

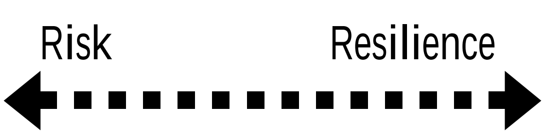
4. Have you evaluated the riskiness of your new proposed enterprises and enterprise mix?



Risky- Not knowing could increase the variability of your income if you choose the wrong enterprise or enterprise mix.

Knowing how risky an enterprise is and looking at your potential income compared to some target can allow you to choose a new enterprise or mix that reduces your risk. - **Resilient**

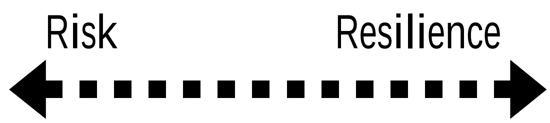
5. Do you know your cash flow requirements that you must have to meet your debt requirements?



Risky- Not knowing won't allow you to evaluate whether to use crop insurance.

Knowing will help you evaluate whether to use crop insurance and what level of coverage will help you meet your cash flow goals and help your operation survive during disastrous years. - **Resilient**

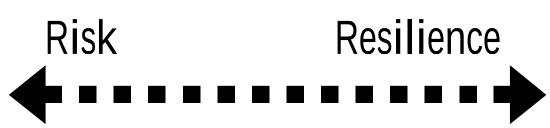
6. Planning and evaluating strategies are the keys to implementing strategies which can reduce your risk.



Risky- Not planning or evaluating risk management strategies forces you to react to disaster and accept the consequences.

Planning and evaluating risk management strategies can allow you to plan for potential disaster and help you survive it so you can take advantage of good years or upswings in prices. - **Resilient**

7. Have you identified needed resources for the new enterprises?



Risky- Not knowing your resource requirements might preclude success.

Knowing your resource needs can reduce your risk of having the new enterprise fail. – **Resilient**