

Risk Management Educa

Production: Wheat/Small Grains

James W. Miller

National Association of Wheat Growers

PLANTING FOR OPPORTUNITIES IN A NEW ENVIRONMENT -AN OVERVIEW

INTRODUCTION

- RISK MANAGEMENT - A DECISION MAKING PROCESS
- PRODUCTION RISK - THE BASIS OF ALL OTHER FARMING RISK
- GOAL - IDENTIFY AND MANAGE RISK TO CREATE OPPORTUNITY
- DISCUSSION TOPICS -
 - INTERRELATIONSHIP TO OTHER RISK FACTORS
 - SOURCES OF PRODUCTION RISK
 - MANAGEMENT CONSIDERATIONS AND RESPONSES TO RISK
 - RISK ASSESSMENT AND ANALYSIS
 - WHERE TO GET ANSWERS

INTERRELATIONSHIP TO OTHER RISK FACTORS

- FINANCIAL - CASH FLOW & EQUITY
 - OPERATING LOANS
 - CAPITAL PURCHASES
 - LONG TERM FINANCIAL PLANNING
- MARKETING
 - COST OF PRODUCTION
 - MARKETING PLANS
- HUMAN CAPACITY
 - LABOR REQUIREMENTS
 - LANDLORD/TENANT RELATIONSHIPS
 - LONG TERM PERSONAL GOALS
- PUBLIC POLICY
 - DOMESTIC POLICIES
 - INTERNATIONAL POLICIES
 - REGULATIONS

SOURCES OF PRODUCTION RISK

- **EXTERNAL RISK**
 - ENVIRONMENTALLY DETERMINED
 - PHYSICAL LIMITATIONS
 - PUBLIC POLICY
- **DIRECT RISK**
 - PRODUCTION INPUTS
 - Inputs: fixed and variable
 - Timing: when to invest
 - Goals: yield, profit, other
 - LABOR INPUTS
 - Hired/Family
 - Quantity: full-time, part-time
 - Quality: level of responsibility

Obligations: conditions of employment, benefits
- **PUBLIC POLICY IMPACTS**
 - Domestic Programs: farm program, crop insurance, conservation programs
 - Regulations: environmental, financial, labor
 - Trade Agreements: comparative/competitive advantage
- **CAPITAL INPUTS - LAND, EQUIPMENT AND TECHNOLOGY**
 - Arrangements: own or lease
 - Quantity: efficiency, timeliness or other goals
 - Quality: productivity improvements
 - Location: convenience v. dispersion

MANAGEMENT CONSIDERATIONS AND RESPONSES TO RISK

- **PRODUCTION PRACTICES**
 - Crop Rotations
 - Tillage Practices
 - Input Selection
- **LABOR**
 - Custom Work
 - Job Descriptions
 - Responsibilities
 - Advancement
 - Benefits: direct and indirect (wages/housing)
 - Off-season Employment
- **LAND**
 - Diversification: add or modify enterprises (integration)
 - Geographic Dispersion: spread operation over larger area
 - Applied Technology: modification of resource
 - Landlord/Tenant Relationship
- **EQUIPMENT AND TECHNOLOGY**

- Value of Productivity Increases
- Value of Timeliness
- Quality Improvement
- Modification of External Risks

RISK ASSESSMENT AND ANALYSIS

- **DECISION MAKING PROCESS**
 - Neglect
 - Reactive
 - Proactive
- **OBJECTIVE** - Measure the rewards for accepting risk
- **FINANCIAL ANALYSIS** - What can I afford?
 - Financial Statements: cash basis and accrual projections
 - Cash flow
 - Farm and enterprise budgets
 - Balance sheets
 - Cost of production
 - Lease/buy analysis
 - Purpose: provide objectivity to analysis
 - Comparisons: relate current expectations to past performance
 - Updating: reflects time as the future becomes history
 - Variable assumptions: yields, prices (commodity, inputs, etc.)
 - Marginal impacts: effect of small changes
 - Sunk costs: relationship of variable costs to fixed costs
- **SOCIAL ANALYSIS** - What am I willing to accept?
 - Personal goals
 - Image
 - Psychological impact: stress

WHERE TO GET ANSWERS

- **PUBLIC INFORMATION**
- **PROFESSIONALS** - PUBLIC/PRIVATE CONSULTANTS, LENDERS, ETC.
- **FRIENDS, NEIGHBORS, FAMILY**
- **SELF**

 **GO TO - LIST** 

| **RISK MANAGEMENT EDUCATION HOME PAGE** |
