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North Central Risk Management Education Center

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CORNHUSKER ECONOMICS

University of Nebraska–Lincoln Extension

May 19, 2010

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
http://www.agecon.unl.edu/Cornhuskereconomics.html

North Central Risk Management Education Center

Market Report	Yr Ago	4 Wks Ago	5/14/10
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	$84.58	$99.96	$100.00
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	127.16	128.29	131.19
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	99.70	115.78	112.92
Choice Boxed Beef, 600-750 lb. Carcass	146.14	166.77	170.52
Western Corn Belt Base Hog Price Carcass, Negotiated	63.63	80.10	83.19
Feeder Pigs, National Direct 50 lbs, FOB	61.00	*	*
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	60.66	82.82	90.90
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct	105.00	*	127.50
National Carcass Lamb Cutout, FOB	246.06	288.98	306.89
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu.	5.50	3.96	3.64
Corn, No. 2, Yellow Omaha, bu.	4.00	3.53	3.48
Soybeans, No. 1, Yellow Omaha, bu.	11.29	9.79	9.53
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	6.16	5.61	5.48
Oats, No. 2, Heavy Minneapolis, MN , bu.	2.28	2.15	1.93
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	*	135.00	135.00
Alfalfa, Large Rounds, Good Platte Valley, ton.	*	92.50	92.50
Grass Hay, Large Rounds, Premium Nebraska, ton.	*	*	67.50
Dried Distillers Grains, 10% Moisture, Nebraska Average.	145.00	103.50	112.50
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	53.25	35.50	36.00

*No Market

Today's farmers and ranchers face an unprecedented risk environment. Extreme price volatility has impacted the cost of inputs for producers, as well as the prices they receive for farm commodities. Livestock producers in the dairy, hog and poultry sectors have faced liquidations due to declining profits stemming from high feed prices and reduced consumer demand. The price of fertilizer has increased nearly 400 percent in the past three years, while the price of a bushel of corn, after extreme fluctuations, has settled at roughly the same price as three years ago. In response to the world economic conditions, agricultural lenders have increased their lending standards.

Some fortunate producers have timed sales and purchases at profitable levels, but many are experiencing losses that may threaten their existence in agriculture. Never has the need for risk management education been more important.

The University of Nebraska-Lincoln and the North Central Risk Management Education Center was recently awarded $3.5 million for three years to continue its risk management education programming, which began in 2001. Funding is provided by the United States Department of Agriculture's (USDA) National Institute for Food and Agriculture (NIFA), formerly CSREES. The Center, hosted by the UN-L Agricultural Economics Department, is one of four risk management education centers in the country. During this time, over $5 million has actually been awarded to public, private and non-profit entities to carry out producer-focused, results-based risk management education programs. The North Central Region includes Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio, North Dakota, South Dakota and Wisconsin. Other Risk Management Education (RME) Centers are located at the University of Delaware, the University of Arkansas and Washington State University. Each Center runs autonomously through their own

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institution, which enables them to support and fund agricultural programming unique to their own region.

The mission of the North Central Risk Management Education Center is to provide producers in the North Central Region with the training needed to select the risk management strategies that will assist them in achieving their business and family goals, and the tools to take action on those strategies. The goal is simple – give farmers and ranchers the tools to improve their risk management skills and capabilities.

What is Risk Management?

There are five general types of risk: financial risk, production risk, legal risk, marketing risk and human/personal risk (Baquet, Hambleton, Jose 1997).

Financial risk refers to a producer's farm credit and the obligation and ability of the farm to repay its debt. The current economic uncertainty greatly affects a producer's financial risk.

Production risk refers to the uncertainty of the management of crops and livestock. Weather, disease, pests and other factors affect the quantity and quality of the commodities produced.

Legal risk results from changing governmental policies. Tax laws, chemical regulations, price support payments and changes in the Farm Bill all affect the legal risk a producer faces.

Marketing risk is the uncertainty about prices producers receive for commodities sold and what their production costs may be.

Human/Personal risk includes factors such as farm transition/succession, labor relations, disability, inter-generational issues or divorce.

Funding Decisions

North Central RME funding decisions are made by an Advisory Council composed of eight individuals involved in agricultural lending, insurance, marketing, extension and production, all from the North Central Region. When considering a proposal for funding, the Advisory Council looks to see that in addition to meeting at least one of the five areas of risk management, each project also addresses six criteria; results, verification, participation, collaboration, creativity and applicability. Applicants are encouraged to consider projects that focus on special-emphasis programming, such as beginning or transitioning farmers, immigrant or minority farmers, women's education and sustainable or value-added agriculture.

Since 2001, over 38,000 producers have directly benefitted from risk management education programming in the 12-state North Central Region. The breakdown of awards by state is shown in the following table.

State	# of Awards 2001-2010
Illinois	17
Indiana	12
Iowa	35
Kansas	14
Michigan	8
Minnesota	21
Missouri	17
Nebraska	18
North Dakota	15
South Dakota	19
Ohio	14
Wisconsin	30
Total	220
Public Lead Institutions	178
Private/Non-Profit Institutions	42

In 2010, 93 pre-proposals were submitted through the on-line application process. Of this group, 50 were asked to submit a full-proposal. In April 2010, the Advisory Council awarded $618,000 for 22 projects. This includes four Special Emphasis Challenge Grants for $3,000 each. These project directors will use the funds to research and assess the value of a future RME program with the hope that they will apply for a competitive grant in 2011.

Center Activities

In addition to the responsibilities of the Center, the Trade Adjustment Assistance for Farmers (TAA) program was renewed after a hiatus of several years, with funding provided by the 2009 federal stimulus package. This program provides free training to producers of agricultural commodities and to fishermen who have been adversely affected by import competition. Currently, TAA staff are identifying local contacts in each area and developing curriculum for producer education. A listing of current commodities that qualify for TAA educational programming can be found on the NCRMEC website or on Facebook.

During the Request for Applications phase each fall, North Central Center staff members hold a webinar for anyone interested in submitting a pre-proposal. Participants learn what makes a good risk management project and proposal, the criteria for proposal evaluation and how to use the on-line application site. Project directors have indicated that this training has proven very valuable for them as they look at potential project topics and then put their pre-proposal together.

Together with the other Regional Centers and the Digital Center located at the University of Minnesota, the North Central RME Center recently co-hosted the National

Women in Agriculture Conference in Baltimore, Maryland, with over 150 participants attending. The 2011 National Risk Management Education Conference will be held in St. Louis, Missouri in March.

Each summer the North Central RME Center holds a workshop for new project directors to provide them with the building blocks to deliver successful projects and achieve results. Previous workshops have included topics such as Risk Management and Collaboration, Personality Types and Learning Styles, Successful Evaluations and Expanding and Compounding Your Programming Efforts. The 2010 Summer Workshop will be held in Indianapolis, Indiana in August.

2010 Funded Projects

Congratulations to those project directors who will be funded in 2010:

Competitive Grants:

Ken Bolton, University of Wisconsin-Center for Dairy Profitability
Kevin Dhuyvetter, Kansas State University
Bryan Endres, University of Illinois
Bruce Erickson, Purdue University
Russ Euken, Iowa State University Extension
Beth Fausey, The Ohio State University
Ron Haugen, North State University Extension Service
Kelly Heckaman, Purdue University Extension
Jonie James, Kansas State Research & Extension, Harvey County
Jan Joannides, Renewing the Countryside II, Minnesota
Julie Kramlich, North Dakota State University, Adams County Extension
Frayne Olson, North Dakota State University Extension Service
Kenneth Olson, South Dakota State University, West River Ag Center
Julie Pioch, Michigan State University
Teresa Steckler, University of Illinois
Matt Stockton, University of Nebraska-Lincoln Extension
Julia Woodruff, The Ohio State University Extension

Special Emphasis Challenge Grants:

Irene Graves, South Dakota State University Cooperative Extension Service
Ruth Hambleton, Annie's Project – Education for Farm Women, Illinois
Eileen Nelson, University of Wisconsin
Kathy Schmitt, Wisconsin Department of Ag, Trade and Consumer Protection

NCRME Center Staff:

Doug Jose, Director
Dave Goeller, Assistant Director & TAA Coordinator
Alissa Haines, Grants Coordinator
Cheryl Griffith, Publicity and Promotion
Karen Kuhn, TAA Project Specialist (hired May 24)

References:

Baquet, Alan, Ruth Hambleton and Doug Jose. *Introduction to Risk Management – Understanding Agricultural Risk*. Risk Management Agency, USDA, 1997.

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