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North Central Extension Risk Management Education Center

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CORNHUSKER ECONOMICS

University of Nebraska–Lincoln Extension

Nebraska Lincoln

May 18, 2011

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

North Central Extension Risk Management Education Center

Market Report	Yr Ago	4 Wks Ago	5/13/11
Livestock and Products, Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	$100.00	$119.09	$113.60
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	131.19	151.50	152.78
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	112.92	136.30	133.10
Choice Boxed Beef, 600-750 lb. Carcass	170.52	188.89	176.54
Western Corn Belt Base Hog Price Carcass, Negotiated	83.19	91.57	91.88
Feeder Pigs, National Direct 50 lbs, FOB	*	*	*
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	90.90	95.90	93.08
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct	127.50	182.50	189.00
National Carcass Lamb Cutout, FOB	306.89	396.22	406.30
Crops, Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu.	3.64	7.26	7.50
Corn, No. 2, Yellow Omaha, bu.	3.48	7.25	6.76
Soybeans, No. 1, Yellow Omaha, bu.	9.53	13.24	13.45
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	5.48	11.91	10.66
Oats, No. 2, Heavy Minneapolis, MN , bu.	1.93	3.83	3.44
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	135.00	140.00	140.00
Alfalfa, Large Rounds, Good Platte Valley, ton.	92.50	72.50	77.50
Grass Hay, Large Rounds, Premium Nebraska, ton.	67.50	*	*
Dried Distillers Grains, 10% Moisture, Nebraska Average.	112.50	215.50	208.50
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	36.00	79.00	80.50

*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 face fluctuations forcing them to re-evaluate their business and marketing plans. Some face liquidation, due to declining profits stemming from high feed prices and reduced consumer demand. With a $1 per bushel swing possible in corn prices, feeder cattle prices could continue to be very volatile in the months to come (Feuz, 2011). At this point in the planting season there is still the potential to be short of corn, which means there could once again be a very tight corn supply to meet ethanol mandates, feeding needs and export demand. Input prices for producers also continue to fluctuate, including fuel and fertilizer. According to the Federal Reserve Bank of Kansas City, (first quarter 2011), farmers are seeing farm income and farmland values increase in 2011. Shrinking crop inventories and intense competition for planted acreage lifted crop prices, while stronger protein demand boosted livestock prices. These changes show the need for risk management education has never been more important.

The University of Nebraska-Lincoln and the North Central Extension Risk Management Education Center are in the second of a three year, $3.5 million award to continue to provide funding for risk management education programming. Funding is provided by the United States Department of Agriculture's National Institute for Food and Agriculture (NIFA). The Center, hosted by the UNL Agricultural Economics Department, is one of four risk management education centers in the country. Since 2001, over $5 million has been awarded to public, private and non-profit entities to carry out producer-focused, results-based risk management education programs in the North Central Region. The region includes Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio, North Dakota, South Dakota and Wisconsin. Other

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Extension Risk Management Education (ERME) Centers are located at the University of Delaware, the University of Arkansas and Washington State University. Each center runs autonomously through their own institution, which enables them to support and fund agricultural programming unique to their own region.

The mission of the North Central ERME Center is to provide producers in the North Central Region with the education and 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 ERME 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, producer demand, collaboration, creativity and applicability. In addition, 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.

Table 1. Awards by State

State	Number of Awards 2001 - 2011
Illinois	19
Indiana	12
Iowa	38
Kansas	16
Michigan	8
Minnesota	23
Missouri	17
Nebraska	18
North Dakota	16
South Dakota	19
Ohio	15
Wisconsin	37
Total	238
Public Lead Institutions	195
Private/Non-Profit Institutions	43

Since 2001, over 38,000 producers have directly benefitted from risk management education programming in the 12-state North Central Region.

In 2011, 54 pre-proposals requesting $2,016,017 were submitted through the online application process. Of this group, 34 were asked to submit a full-proposal. In April 2011, the Advisory Council awarded $639,817 for 18 projects. The funding year begins for each one-year project on July 1, 2011.

Center Activities

The Request for Applications (RFA) is released each year in early November, with pre-proposals due online in mid-December. North Central Center staff members hold a webinar for anyone interested in submitting a pre-proposal during this open time. Participants learn what makes a good risk management project and proposal, the criteria for proposal evaluation and how to use the online application site. Project directors have indicated that this training is 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 ERME Center recently co-hosted the National Extension Risk Management Education Conference in St. Louis, Missouri, with over 175 participants attending. The centers will sponsor the 2012 National Women in Agriculture Conference in Memphis, Tennessee in March.

Each summer the North Central ERME 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, Expanding and Compounding Your Programming Efforts and Creating Better Public Value for Your Program. The 2011 Summer Workshop will be held in Grand Rapids, Michigan in June.

In addition to the responsibilities of the Center, the Trade Adjustment Assistance for Farmers (TAA) program offers free training to producers and fishermen of certified agricultural commodities, with funding provided by the 2009 Federal Stimulus Package. Certification of commodities took place during 2010, and includes those commodities which have been adversely affected by import competition. Certified commodities for the North Central Region include asparagus and catfish. TAA staff have identified local producers, developed curriculum for producer education and are assisting these producers through their education process. More information on TAA can be found on the program's website, www.taaforfarmers.org.

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2011 Funded Projects

Congratulations to the following project directors whose projects were selected for funding in 2011:

Cree Bradley, Lake Superior Sustainable Farming Association (Minnesota)
Jenny Vanderlin, University of Wisconsin Center for Dairy Profitability
Arlin Brannstrom, University of Wisconsin Center for Dairy Profitability
Kevin Dhuyvetter, Kansas State University
David Camphouse, John Wood Community College (Illinois)
Bryan Endres, University of Illinois Dept. of Agricultural and Consumer Economics
Denise Schwab, Iowa State University Extension
Mary Fredericks, Fort Berthold Community College (North Dakota)
Eileen Nelson, University of Wisconsin
Kathy Schmitt, Wisconsin Dept. of Agriculture, Trade & Consumer Protection
Bill Wright, Brown County University of Wisconsin Extension
Brian Gould, University of Wisconsin
Gary Hachfeld, University of Minnesota Extension
Peggy Hall, The Ohio State University Agriculture & Resource Law Program
Joy Kirkpatrick, University of Wisconsin Center for Dairy Profitability
Kelvin Leibold, Iowa State University
Darwin Miller, Hardin County Iowa Extension Council

NORTH CENTRAL
RISK MANAGEMENT
EDUCATION CENTER

NCERME Center Staff:

Long-time Center Director Doug Jose will be retiring effective June 30, 2011. Doug was integral in bringing the North Central ERME Center to the University of Nebraska in 2001. UNL Assistant Professor and Policy Specialist Bradley Lubben will assume the Extension Risk Management Education Center Director duties on July 1.

Other Center Staff Members Include: Dave Goeller, Assistant Director & TAA Coordinator
Christine Lockert, Grants Coordinator
Cheryl Griffith, Publicity and Promotion
Karen Kuhn, TAA Project Specialist

References:

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

Feuz, Dillon (2011). *In the Cattle Markets*. http://www.lmic.info. Retrieved 5/15/11

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