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North Central Extension Risk Management Education Center

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CORNHUSKER ECONOMICS

North Central Extension Risk Management Education Center

Market Report	Yr Ago	4 Wks Ago	5/17/13
<u>Livestock and Products,</u>			
<u>Weekly Average</u>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	\$124.17	\$126.11	\$125.96
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb. . . .	175.28	162.72	163.68
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	*	136.66	137.96
Choice Boxed Beef, 600-750 lb. Carcass.	191.45	190.51	207.49
Western Corn Belt Base Hog Price Carcass, Negotiated.	84.63	78.11	89.13
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean.	82.06	83.26	91.27
Slaughter Lambs, Ch. & Pr., Heavy, Woolled, South Dakota, Direct.	*	115.00	115.00
National Carcass Lamb Cutout, FOB.	357.08	288.29	282.65
<u>Crops,</u>			
<u>Daily Spot Prices</u>			
Wheat, No. 1, H.W. Imperial, bu.	6.25	6.99	6.90
Corn, No. 2, Yellow Nebraska City, bu.	6.56	6.66	6.98
Soybeans, No. 1, Yellow Nebraska City, bu.	13.79	14.33	15.14
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	10.64	11.21	12.11
Oats, No. 2, Heavy Minneapolis, MN, bu.	3.63	4.25	3.95
<u>Feed</u>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	200.00	245.00	*
Alfalfa, Large Rounds, Good Platte Valley, ton.	145.00	227.50	227.50
Grass Hay, Large Rounds, Good Nebraska, ton.	97.50	222.50	*
Dried Distillers Grains, 10% Moisture, Nebraska Average.	220.00	239.50	226.00
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	79.00	91.50	92.50
*No Market			

Average United States net farm income from 2004 to 2011 was more than \$77 billion, the most profitable period in real dollar terms since 1972-1975 (United States Department of Agriculture (USDA) Economic Research Service (ERS)). Farm balance sheets are at the strongest levels since the USDA started tracking data in 1960 (USDA-ERS), and farmland values have grown exponentially, with U.S. average farmland values rising more than eight percent per year in the 2004-2011 period (USDA National Agricultural Statistics Service).

Though the economic situation looks great for U.S. agriculture, producers are also facing some of the most volatile and uncertain times in history. From a low of \$1.87 per bushel in December 2005, the nearby corn futures contract on the Chicago Board of Trade climbed to \$7.65 in June 2008, fell to \$2.90 in December 2008 and climbed to \$7.99 ¼ in June 2011. It has since fallen to settle at \$5.86 as of early June 2012 (Chicago Mercantile Exchange (CME Group)). Energy prices that drive fuel and fertilizer costs for producers have exhibited similar volatility.

As illustrated, managing both input and output price risk can be a major challenge for producers. But even managing price risk has itself become a risk, as business failures at Verasun Ethanol, Eastern Livestock and MF Global have exposed farmers and ranchers to counter-party risk. Coupling price risk management with production and financial risk management may help address income or revenue risk on the farm or ranch. But, federal farm programs are also shifting away from traditional price and income supports and toward risk management, putting more responsibility on the shoulders of producers for managing risk.

Producers face numerous other legal and human risks as well. Environmental regulations, new rules that could constrain production and marketing methods, food safety regulations, proposed rules for agricultural labor and other

issues including tax and trade policy all affect producers. Human risks such as labor and personnel management or transition and estate planning also have a substantial impact.

Clearly, risk management continues to be a critical need for agriculture in 2013, even with the current economic strength of the sector. The challenge for producers is to develop and implement effective risk management strategies to manage risk and position the farm or ranch for future growth and success.

The [Extension Risk Management Education](#) (ERME) program, funded by USDA's [National Institute of Food and Agriculture](#) provides training to help producers learn new strategies to manage complex and growing agricultural risks. The goal of the program is simple -- help farmers and ranchers manage risk. ERME strives to achieve this goal by encouraging and funding innovative programs across the country and helping programs focus on tangible results (ERME, 2012). Four ERME Centers are located across the country at the University of Delaware (Northeast), the University of Arkansas (Southern), Washington State University (Western) and the University of Nebraska-Lincoln (North Central).

Since 2001, the [North Central Risk Management Education Center](#), hosted by the [University of Nebraska-Lincoln](#) Agricultural Economics Department, has addressed the volatility and uncertainty that producers in our 12-state region face in agriculture, the evolving farm policy environment that increasingly emphasizes risk management and the legislative mandate to provide risk management education to agricultural producers. The North Central region includes Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin. During this time, the Center has awarded 273 projects and \$8.9 million in funding to public, private and non-profit entities to carry out producer-focused, results-based risk management education programs. Our educational programs have resulted in 60,967 farm and ranch participants receiving risk management education, and more than 122,118 measurable producer actions to better manage risk on their operations. Examples of risk management improvements (or results) that were learned, achieved or applied by producers from recently completed projects are:

- In Kansas, 291 landlords and producers participated in a series of workshops to improve their land leasing skills.
 - Based on on-line survey results, the total acreage controlled or managed by participants could be more than 900,000 acres, indicating a very large impact of these workshops.
 - Knowledge and skill levels were affected for each of the skills included in the workshop. Based on the surveys returned:

- 93 percent reported that they had evaluated one or more of their farm leases and/or had negotiated a change in lease terms.
- 78 percent reported that they use Excel more than they did prior to the workshops.
- 67 percent have used [KSU-Lease](#) to determine and negotiate an appropriate and equitable lease for their operation.

→ In Iowa, 395 producers participated in workshops addressing estate planning and farm succession challenges.

- 98 percent of survey respondents have a better understanding of the people who should be part of their estate planning team.
- 293 participants will review their current estate plan with their estate planning team and make changes as necessary.
- The [Ag Decision Maker](#) website has become a recognized source of unbiased estate planning information, as evidenced by the 2,229 planning questionnaires that have been downloaded and reviewed.

→ 123 farm women and men participated in risk management education for Indiana farm women in order to be better business partners.

- Six months after completing the Annie's Project, ladies successfully implemented new risk management tools into their farm operations, such as making changes in insurance policies, having better organized financial and production records for decision making, improved communication skills and completing farm financial statements.
- 60 percent were planning to set 2012 farm production goals.
- 62 percent are more involved in the decision making processes for the farm since the workshops.
- The tools provided in the workshops have helped farm operations save from \$1,000 up to \$8,000.

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 nine 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: proposed risk management results, results verification, producer demand, collaboration, creativity and applicability. Successful projects will identify targeted results that will help producers manage risk, and then describe how the project will measure those results. 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 - 2013
Illinois	20
Indiana	14
Iowa	43
Kansas	17
Michigan	10
Minnesota	28
Missouri	22
Nebraska	21
North Dakota	16
South Dakota	22
Ohio	19
Wisconsin	41
Total	273
Public Lead Institutions	224
Private/Non-Profit Institutions	49

In 2013, 52 pre-proposals requesting \$1,964,177 were submitted through the on-line application process. Of this group, 31 were asked to submit a full-proposal. In April

2013, the Advisory Council awarded \$652,124 for 16 projects. The project period is July 1, 2013 – June 30, 2014.

Center Activities

The Request for Applications (RFA) is released in early November each year, with pre-proposals due on-line 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 on-line 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.

The Center met with stakeholder listening groups, the North Central Extension Farm Management Committee and our Council several times last year to identify and assess educational needs and emerging issues. The Center builds on the needs assessment results to implement and deliver the competitive grants program and related programming, as appropriate.

Together with the other regional centers and the Digital Center located at the University of Minnesota, the North Central Center recently co-hosted the 7th Extension Risk Management Education National Conference in Denver, Colorado, with nearly 200 participants. This biennial conference featured three keynote speakers, over 40 hours of individual concurrent session presentations, a networking reception, poster session and a pre-conference seminar. The ERME Conference brings together private and public sector educators, crop insurance agents, lenders and other agricultural professionals, providing an opportunity to share ongoing and emerging successful risk management education efforts which target agricultural producers and their families. The Centers will sponsor the 2014 National Women in Agriculture Conference next spring in Indianapolis, Indiana.

Each summer the North Central 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 education, effective communication, social media and evaluation and follow-up. The 2013 Summer Workshop will be held July 9-10 in Minneapolis, Minnesota.

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, and the Center has also helped with shrimp. TAA staff have identified local producers, developed curriculum for producer education and are assisting these producers through their education process. All of the participants have now received orientation and training. Ninety percent of the eligible producers working through the North Central Center have completed their Long-Term Business Plan and their participation in the program. Remaining eligible producers have a few weeks to submit their plans. More information on TAA can be found on the program's website, www.taafarmers.org.

2013 Funded Projects

Congratulations to the following project directors whose projects were selected for funding in 2013:

Marin Bozic, University of Minnesota
Arlin Brannstrom, University of Wisconsin Center for Dairy Profitability
Erin Cortus, South Dakota State University Extension
Laura Edwards, South Dakota State University Extension
Tim Eggers, Iowa State University Extension
Julie Fox, The Ohio State University
Joe Horner, University of Missouri
Steve Huntzicker, University of Wisconsin Extension
Lee Kilmer, Iowa State University
Tim Lemmons, University of Nebraska-Lincoln
Ryan Milhollin, University of Missouri
Dale Nordquist, University of Minnesota Center for Farm Financial Management
Tamara Ogle, Purdue Extension Cass County
Gary Schnitkey, University of Illinois
Mercedes Taylor-Puckett, Kansas Farmers Union
Edward Usset, University of Minnesota Center for Farm Financial Management

NCRME Center Staff

Brad Lubben, Director and Extension Assistant Professor and Policy Specialist
Dave Goeller, Assistant Director & TAA Coordinator
Christine Lockert, Grants Coordinator
Cheryl Griffith, Publicity and Promotion
Karen Kuhn, TAA Project Specialist
www.ncrme.org

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

Extension Risk Management Education. "Helping America's Farmers and Ranchers Manage Risk." Progress Report, January 2012.

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