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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	Year Ago	4 Wks Ago	5-13-16
<b>Livestock and Products,</b>			
<b>Weekly Average</b>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight. . . . .	161.00	135.51	131.27
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb. . . . .	282.98	185.48	172.20
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb. . . . .	220.88	158.83	157.44
Choice Boxed Beef, 600-750 lb. Carcass. . . . .	262.07	221.51	213.00
Western Corn Belt Base Hog Price Carcass, Negotiated. . . . .	81.59	63.18	75.38
Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean. . . . .	82.00	77.29	82.17
Slaughter Lambs, woolled and shorn, 135-165 lb. National. . . . .	140.82	132.20	134.78
National Carcass Lamb Cutout FOB. . . . .	359.69	342.10	344.27
<b>Crops,</b>			
<b>Daily Spot Prices</b>			
Wheat, No. 1, H.W. Imperial, bu. . . . .	4.89	3.73	3.64
Corn, No. 2, Yellow Nebraska City, bu. . . . .	3.52	3.53	3.59
Soybeans, No. 1, Yellow Nebraska City, bu. . . . .	9.28	8.91	9.83
Grain Sorghum, No.2, Yellow Dorchester, cwt. . . . .	6.98	5.51	5.64
Oats, No. 2, Heavy Minneapolis, Mn, bu. . . . .	2.83	2.46	2.40
<b>Feed</b>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton. . . . .	190.00	*	152.50
Alfalfa, Large Rounds, Good Platte Valley, ton. . . . .	*	80.00	*
Grass Hay, Large Rounds, Good Nebraska, ton. . . . .	120.00	85.00	85.00
Dried Distillers Grains, 10% Moisture Nebraska Average. . . . .	170.50	125.00	125.00
Wet Distillers Grains, 65-70% Moisture Nebraska Average. . . . .	54.50	48.00	46.00
* No Market			

After peaking over \$120 billion in 2013, U.S. net farm income fell to \$56 billion in 2015 with projections of \$54 billion for 2016, the lowest level since 2002 (USDA Economic Research Service). The large drop from 2013 to 2016 after nearly a decade of strong growth in agricultural income presents a substantial challenge to agricultural producers and an increased need to carefully manage risk on the farm or ranch.

The drop has been buffered in part by the underlying financial strength of the agricultural sector, with strong balance sheets and farmland values. But, the last couple years of reduced farm income, increased borrowing, and softening farmland values have stressed some producers, and will put pressure on other producers to hone their production and risk management decisions.

The varying outlook for agriculture stems in large part to the changes and continued volatility of agricultural commodity prices. Lower price and income forecasts will push changes in price, production, and financial management decisions. But, even as producers adjust to changing price expectations, they will also continue to face tremendous price volatility. 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, climbed to \$7.99 <sup>3</sup>/<sub>4</sub> in June 2011, fell to \$5.51 in May 2012, rocketed to \$8.43 <sup>3</sup>/<sub>4</sub> by August 2012, fell to \$4.06 <sup>1</sup>/<sub>4</sub> in January 2014, rebounded to \$5.19 <sup>1</sup>/<sub>2</sub> in May 2014, fell to \$3.18 <sup>1</sup>/<sub>4</sub> in September 2014, and stood near \$4.00 as of mid-May 2016 (CME Group).

Managing this price volatility and similar volatility in input costs can be challenging for producers. The greater recognition of production risk following a record drought in 2012 and the changing design of farm programs in the 2014 Farm Bill add more variables for producers to address in managing risk on their farm or ranch operation.

Beyond the price, production, and financial risks in the recent headlines, producers face numerous other risks as well. Environmental regulations, new rules that could constrain production and marketing methods, food safety regulations, agricultural labor rules, and other legal 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 2016. 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](#) 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, 2014). Four ERME Centers are located across the country at the University of Delaware (Northeast), the University of Arkansas (South), Washington State University (West) and the University of Nebraska-Lincoln (North Central).

Since 2001, the [North Central Extension 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 region includes Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin. During this time, the Center has awarded 337 projects and over \$9.5 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 106,476 farm and ranch participants receiving risk management education and more than 255,774 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 and successful outputs from recently completed projects include:

1. Four introductory workshops and six farm/facility tours provided over 150 military veterans with resources and introductions to farming practices and business planning in the central Missouri region surrounding Fort Leonard Wood (FLW).
  - 100 veterans developed networks of peers, advisors and resource providers.
  - 73 veterans learned about crop insurance and non-insurance risk management options for specialty crops and livestock.
  - 23 veterans contacted agencies and/or service providers to gather additional information or utilize resources.
  - 15 veterans applied some of the options for crop and livestock production practices learned during the farm tours.
  - An unexpected outcome of this project is the fact that the University of Missouri and Lincoln University Extension will cooperate in developing programming and staffing on site at FLW.
  - In March 2015, Missouri AgrAbility commented that they are working with 12 veteran-farmers across the state and that *all* of these clients came to AgrAbility as a result of outreach and activities of this project since July 2014. AgrAbility provides assistance for disabled farmers to be able to carry out their farm activities safely.
2. In Nebraska, a project addressing education related to the 2014 Farm Bill reached 13,328 participants through 134 programs presented across the state.
  - The post-workshop evaluation (n=3,446) represented 4,094,903 crop acres and 843,996 head of livestock with a program value of \$128,930,007.
  - Respondents to the post-workshop evaluation report substantial improvement in their knowledge of the program and increases in their ability to evaluate their 2014 Farm Bill program election options.
  - The six-month follow-up (n=1,257) demonstrates that participants were able to use the information provided to evaluate farm bill program base acre reallocation and program yield update options.
  - Respondents also report signing up for the farm bill program using a variety of options after conducting their evaluation.

3. In Iowa, 1,476 producers participated in programming to guide the decision-making process of dairy producers to assess and implement management practices and systems that optimize use and value of manure nutrients while minimizing environmental and other associated risks.
  - An unexpected high number of individual consultations were conducted (271, including 71 individual farm visits) with 199 of those resulting in changes and implementation of best management practices, strategies, and systems.
  - 271 participants utilized program manure tools to analyze current farm conditions.
  - 199 participants developed a plan to make management changes to manure nutrient practices, and compared analysis of current management practices to the analysis of results if practices are changed
  - 178 participants implemented or will implement changes to manure nutrient management practices and/or systems.
  - 5 individuals allowed the team to use their farm for an on-farm workshop and prior to the workshop, samples of their manure and nutrients were taken. Based on these analyses, all 5 farms restructured their nutrient management and manure plans to accommodate and adjust for the analyses and recommendations.

### What is Risk Management?

There are five general types of risk: financial risk, production risk, legal risk, marketing risk and human/personal risk. (Crane et al. 2013)

*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.

*Human risk* includes factors such as farm transition/succession, labor relations, disability, intergenerational 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 2001-2016
Illinois	23
Indiana	17
Iowa	50
Kansas	21
Michigan	14
Minnesota	35
Missouri	28
Nebraska	32
North Dakota	17
Ohio	22
South Dakota	29
Wisconsin	49
<b>Total</b>	<b>337</b>
Public Lead Institutions	271
Private/Non-Profit Institutions	66

The 2016 Request for Applications (RFA) was released mid-September and closed mid-November. Thirty-three proposals requesting \$1,454,711 were submitted to the North Central Center through the on-line application process during the 2016 RFA. The Advisory Council funded 16 projects for a total of \$636,390. The project period is April 1, 2016 – September 30, 2017. The Center also received 8 exploratory projects to consider, and the Advisory Council funded 4 projects for a total of \$12,000. The exploratory projects have a short, 8-month project period for the purposes of program planning and development.

## Center Activities

The RFA for the ERME Competitive Grants Program is released each fall. The open period of the RFA is now mid-September to mid-November. The application process has changed from a 2-step (pre-proposal and full proposal), to a single proposal process. North Central Center staff members hold a webinar for anyone interested in submitting proposals 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 put their 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 2016 National

Extension Risk Management Education Conference in Fort Worth, TX with approximately 200 participants. This biennial conference featured 3 keynote speakers, over 40 hours of individual concurrent session presentations, and a networking reception which includes a poster session. The 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. Centers will sponsor the 2017 Extension Risk Management Education conference next spring in Cincinnati, OH on April 27-28, 2017.

The project director training was held on April 26, 2016 in conjunction with the ERME National Conference. A general session with project directors from across the country focused on the RVS reporting system and provided an opportunity to network with other project directors with similar interests during a project sharing session. We then convened our North Central Center breakout session with our regional project directors to discuss project responsibilities and administration.

## 2016 Funded Projects

Congratulations to the following project directors whose risk management education projects were selected for funding in 2016:

Kathleen Brooks:	University of Nebraska
Forrest Buhler:	Kansas State University
Heidi Carroll:	South Dakota State University
Jack Chang:	Wisconsin Dept. of Agriculture, Trade & Consumer Protection
Cara Cummings:	The Land Connection
Jon Dockter:	Minnesota Canola Council
Bethany Johnston:	University of Nebraska
Teng Lim:	University of Missouri
Curtis Mahnken:	University of Minnesota
Jenna Nees:	Purdue University
Jim Salfer:	University of Minnesota
Madeline Schultz:	Iowa State University
Larry Tranel:	Iowa State University
Pauline Van Nurden:	University of Minnesota
Allan Vyhnalek:	University of Nebraska
Jackie Yocum:	Kickapoo Woods Cooperative

## Exploratory Projects:

Jessica Groskopf:	University of Nebraska
Sue Henderson:	Iowa State University –Wapello County
Kristine Ranger:	The Learning Connection
Mary Sobba:	University of Missouri – Audrain County

**References:**

Crane, Laurence; Gantz, Gene; Isaacs, Steve; Jose, Doug; Sharp, Rod. 2013. *Introduction to Risk Management – Understanding Agricultural Risk: Production, Marketing, Financial, Legal, Human*. Extension Risk Management Education and Risk Management Agency, USDA. Available at: <http://extensionrme.org/pubs/IntroductionToRiskManagement.pdf>.

Extension Risk Management Education. *Progress: “Managing Risk Drives Success.”* Progress Report. January 2014. Available at: <http://extensionrme.org/pubs/2014ProgressReport.pdf>.

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