

Cornhusker Economics

North Central Extension Risk Management Education Center

| Market Report | Year Ago | 4 Wks Ago | 5-11-18 |
|--|----------|-----------|---------|
| Livestock and Products, | | | |
| Weekly Average | | | |
| Nebraska Slaughter Steers, 35-65% Choice, Live Weight. | * | 122.00 | * |
| Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb. | 178.82 | 182.38 | 176.73 |
| Nebraska Feeder Steers, Med. & Large Frame 750-800 lb. | 151.90 | 146.41 | 145.75 |
| Choice Boxed Beef, 600-750 lb. Carcass. | 244.35 | 213.34 | 230.61 |
| Western Corn Belt Base Hog Price Carcass, Negotiated | 70.76 | 51.53 | 63.64 |
| Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean. | 81.50 | 65.96 | 71.74 |
| Slaughter Lambs, woolled and shorn, 135-165 lb. National. | 159.89 | 148.94 | 152.57 |
| National Carcass Lamb Cutout FOB. | 399.58 | 371.89 | 378.93 |
| Crops, | | | |
| Daily Spot Prices | | | |
| Wheat, No. 1, H.W. | | | |
| Imperial, bu. | 3.03 | 4.13 | 4.31 |
| Corn, No. 2, Yellow Columbus , bu. | 3.32 | 3.60 | 3.70 |
| Soybeans, No. 1, Yellow Columbus , bu. | 8.77 | 9.62 | 9.33 |
| Grain Sorghum, No.2, Yellow Dorchester, cwt. | 5.58 | 5.83 | 5.83 |
| Oats, No. 2, Heavy Minneapolis, Mn, bu. | 2.58 | 2.68 | 2.87 |
| Feed | | | |
| Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton. | 128.75 | * | * |
| Alfalfa, Large Rounds, Good Platte Valley, ton. | 67.50 | * | * |
| Grass Hay, Large Rounds, Good Nebraska, ton. | 65.00 | 75.00 | * |
| Dried Distillers Grains, 10% Moisture Nebraska Average. | 104.00 | 168.50 | 165.00 |
| Wet Distillers Grains, 65-70% Moisture Nebraska Average. | 40.00 | 54.00 | 51350 |
| * No Market | | | |

After several years of growing agricultural prosperity and United States net farm income that peaked at \$124 billion in 2013, the most recent forecast from USDA's Economic Research Service projects net farm income at less than \$60 billion for 2018. The drop of more than 50% since 2013 is primarily due to a decline in commodity prices, presenting significant challenges for agricultural producers. While the aggregate financial position of U.S. agriculture remains relatively strong with a debt-asset ratio of less than 13% (USDA-ERS, 2018), total debt has grown while profit margins have shrunk, putting more pressure on management decisions and putting more operations at financial risk.

Managing tighter profit margins and the underlying production, market, and financial risks will be a critical part of working through the current economic environment. Legal risks and human risks, whether from changing farm programs, trade policies, or regulatory requirements or from the continued aging of the farm population and growing transition needs, must also be addressed. Educating producers to manage these risks and position their farm or ranch for future growth and success is the fundamental purpose of the Extension Risk Management Education (ERME) program.

The 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, 2017). Four regional 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 375 projects and over \$10.9 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 119,490 farm and ranch participants receiving risk management education and more than 310,385 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) Thirteen workshops held in Iowa, Minnesota, Nebraska, North Dakota and South Dakota provided the opportunity for 276 producers to learn more about the risk of automatic milking systems (AMS) compared to parlors. Online and spreadsheet tools were developed to compare the risk of AMS to parlors. Scenarios were used to help participants understand the risk factors associated with milking center decisions.

- 185 participants came away from the workshops with an understanding of financial risk factors affecting milking center decisions, labor efficiencies of milking center decisions, and management factors associated with successful AMS.
- 49 participants compared current milking center labor with new more labor efficient options.
- 29 farms were represented at small group or one-on-one meetings with computer access to develop a plan for their farm.
- 29 farms used this tool to help make a correct milking center decision for their farm business.

2) Since its inception in 2007, AgPlan, an agricultural business planning website, has been used to create over 43,000 business plans. In response to requests by users for simple financial tools, this project developed new financial planning tools embedded in AgPlan along with detailed instructional tutorials on how to use these improved financial tools. These new tools have increased the financial risk management capabilities for many producers, helping them adapt to changing market conditions by giving them financial tools to plan for changes.

- The tool was downloaded over 2,500 times during the project period with 429 users implementing their financial statements into their business plans.

- 257 producers used their business plan to make changes to their business.
- 335 producers developed a cash flow projection for their farm business.
- 46 producers reported that their business plan and financial statements helped them obtain financing.
- 55 producers reported that their business plan and financial statements helped them reduce their production costs.

3) In Nebraska, 154 participants attended workshops, and one-on-one follow-up opportunities with trained facilitators to gain information and strategies for ranchers and their families on how to manage the transition of a family ranch from one generation to another. These workshops were an intensive effort to empower the “Sandwich Generation” (those not in control) to instigate a successful transfer plan.

- Participants had a significant increase in their ability to: communicate with the older generation; understand structures of estate plans; calculate compensation for unpaid services; understand business growth, and understand how to transfer management and retire.
- Nearly all respondents to a phone interview indicated that participating in the program increased their ability to handle family conflicts, mostly through increased communication.
- 66 families were provided “communication assistance” with a trained facilitator.
- 25 families obtained legal or financial advice.
- 10 families planned to meet, and 10 families had consulted one-on-one with attorney/financial advisors.

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, 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 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 all from the North Central Region who are involved in agricultural lending, insurance, marketing, extension, and production. 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. North Central Region States and Funded Projects.

| State | Number of Awards 2001-2018 |
|---------------------------------|----------------------------|
| Illinois | 27 |
| Indiana | 18 |
| Iowa | 55 |
| Kansas | 25 |
| Michigan | 17 |
| Minnesota | 37 |
| Missouri | 31 |
| Nebraska | 41 |
| North Dakota | 17 |
| Ohio | 23 |
| South Dakota | 32 |
| Wisconsin | 52 |
| Total | 375 |
| Public Institutions | 301 |
| Private/Non-Profit Institutions | 74 |

The 2018 Request for Applications (RFA) was released mid-September 2017 and closed mid-November. Thirty-eight proposals requesting \$1,607,428 were submitted to the North -

Central Center through the on-line application process during the 2018 RFA. The Advisory Council funded 17 educational projects with a project period of April 1, 2018 – September 30, 2019 for a total of \$735,402. The Center also funded 2 exploratory projects for a total of \$6,000. 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 with an open period of mid-September to mid-November. 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 Farm Management Extension 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 2018 National Extension Risk Management Education Conference in Milwaukee, WI with approximately 175 participants. This annual conference featured 3 keynote speakers, over 30 concurrent session presentations on educational projects and topics, and a networking reception which included a poster session featuring numerous additional projects. The Conference brought together private and public sector educators, agency and organization leaders, 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 2019 National Extension Risk Management Education conference next spring in Louisville, KY on April 3-4, 2019.

A training workshop for the newly funded North Central Center project directors was held on April 10, 2018 in conjunction with the National ERME Conference. The training focused on project administration responsibilities as well as best practices for implementing, delivering, and reporting on successful projects.

2018 Funded Projects

Congratulations to the following project directors whose risk management education projects were selected for funding in 2018:

| | |
|------------------|--|
| Amanda Bennett | The Ohio State University |
| Amanda Blair | South Dakota State University |
| Jennifer Blazek | Dane County University of Wisconsin Extension |
| John Bond | Kansas Alliance for Wetlands and Streams |
| Jessica Groskopf | Nebraska Extension, University of Nebraska-Lincoln |
| Jim Jansen | Nebraska Extension, University of Nebraska-Lincoln |
| Bethany Johnston | Nebraska Extension, University of Nebraska-Lincoln |
| Mallory Krieger | The Land Connection |
| Teng Lim | University of Missouri |
| Ray Massey | University of Missouri |
| Ryan Milhollin | University of Missouri |
| Stanley Moore | Michigan State University |
| Abby Neu | University of Minnesota Extension |
| Denise Schwab | Iowa State University |
| Michelle Soll | Legal Aid of Nebraska |
| Mykel Taylor | Kansas State University |
| Patrick Wall | Iowa State University |

Exploratory Projects

| | |
|--------------|--|
| Fred Hall | Iowa State University Extension Sioux County |
| Jason Schoch | South Dakota State University Extension |

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: 2017.” Progress Report. 2017. Available at: <http://extensionrme.org/pubs/2017ProgressReport.pdf>.

Economic Research Service. “Data Files: U.S. and State-Level Farm Income and Wealth Statistics.” Economic Research Service, USDA. Available at: <https://www.ers.usda.gov/data-products/farm-income-and-wealth-statistics/data-files-us-and-state-level-farm-income-and-wealth-statistics.aspx>



**NORTH CENTRAL
EXTENSION
RISK MANAGEMENT
EDUCATION**

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