THE UNIVERSITY OF VERMONT
AGRICULTURE & LIFE SCIENCES

Managing Agricultural Risk

Risk is Part of Farming

No matter how well you manage your farm operation, you face risks.

Are you prepared?

There are many types of risk that can threaten your farm business.

Production risks such as extreme weather events, insects and diseases can impact the yield of the commodities you produce, both the amount that is produced and the quality. How well you manage these unpredictable perils can determine the profitability and financial stability of your farm.

Market or price risks such as unexpected price fluctuations can impact your profitability. Despite your best efforts to project the prices you will receive for your commodities, or input costs, changes in the marketplace are often out of your control.

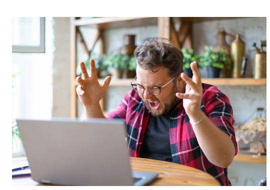
Financial risks are related to farm business debt. Money that the farm business has borrowed can be impacted by rising interest rates, the prospect of loans being called by lenders, and restricted credit availability.

Legal risk results from uncertainties concerning regulatory or Government actions, for example: tax laws, regulations for chemical use, rules about storage and disposal of animal waste, the level of price or income support payments, conservation requirements, farm liability and other types of actions that can have a major impact on the farm business.

Human or personal risk refers to factors such as problems with injuries or health, personal difficulties, hiring problems or employee relationships. Accidents, illness, death, and divorce are examples of personal crises that can threaten a farm business.

Food Safety risk exists when the agricultural commodities you produce enter the food system. You must deal with risk when adding value to any commodity you produce, Food Safety Modernization Act (FSMA) requirements, and food handling safety procedures on the farm.

Electronic risks your farm must address potential problems such as credit card transactions, hacking threats, and making sure your website is in compliance with any regulations.



Moderating Risk: What's in your toolbox?

Your challenge is to determine which tools and strategies will work best on your farm to help moderate the risks that may jeopardize your enterprise. As you consider risk management on your farm, some of the more customary methods that may fit into your farm business plan include:

- **Diversification**—Diversification can mediate risks because all commodities produced on the farm don't necessarily respond to production or marketing events in the same way; while experiencing a decline or loss in one area, another sector of the farm business may be faring well. This is the proverbial "don't put all your eggs in one basket".
- **Vertical integration**—The business controls more than one segment of production or marketing.
- **Crop insurance/Revenue insurance**—The Federal Government offers subsidized insurance programs that can provide indemnity payments when covered unexpected events cause losses to crops or market fluctuations.
- **Contracting**—Establishing contracts can provide a guarantee for the price you will receive, access to a market, or some other terms that reduce variables.
- **Off-farm income**—This refers to off-farm employment or investments that supplement farm income and/or provide needed benefits.

For more ideas on risk management strategies, go to https://www.ers.usda.gov/topics/farm-practices-management/risk-management/risk-management-strategies/

Federal risk management safety net

Administered by the USDA Risk Management Agency, Crop and Revenue Insurance is designed to protect against loss of yield or income due to unavoidable events such as extreme weather conditions, damage from pests or disease, and unpredicted market fluctuations. If your farm suffers a loss, payments received from crop insurance may be key to enabling you to continue farming. Disaster assistance programs are administered by the USDA Farm Service Agency.

For more information about agricultural risk management and crop insurance
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NORTHEAST EXTENSION RISK MANAGEMENT EDUCATION

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