



Risk Navigator online tool helps producers wrestle risk

By James Sedman and John Hewlett

Dealing effectively with risk and uncertainty in production agriculture is a crucial skill.

Producers must be able to identify, assess, and manage many different types of risk on several different levels.

The risk management professionals at RightRisk.org have developed Risk Navigator, "A comprehensive, online resource and accompanying textbook designed specifically to help agricultural producers learn how to identify and manage risks associated with their businesses," according to John Hewlett, one of the authors.

Log on to RightRisk.org, and, under the "Products" menu, click "Risk Navigator SRM." The materials are divided into three sections – strategic, tactical, and operational – and each section builds progres-

sively by outlining the 10 steps of the strategic management process. Strategic risk management involves determining financial health and risk preferences along with a broad risk assessment and goal setting. The tactical section builds on these concepts further by categorizing and prioritizing risks, in addition to developing alternatives to deal with them.

This article focuses on the operational section, which specifies an implementation strategy for the plans developed in the strategic and tactical steps, as well as methods for assessing the effectiveness of the course of action.

Steps to Implementation

Strategic risk assessment and goals coupled with tactical planning all lead to implementation. Implementing planning and the various strategies will differ greatly for each operation. The course outlines three main implementation activities: resource flow, resource acquisition, and resource coordination.

For most agricultural operations, resources include land, labor, and capital. John Hewlett, co-author of this article, points out that management of these activities must be coordinated to be effective. For instance, capital needs for inputs such as seed and fertilizer must be addressed before inputs can be acquired and long before they can be utilized in the business. This ties back into financial planning and assessment (in the strategic section) for most operations and shows the importance of this type of planning.



The circular, strategic risk management process.



Monitoring and Adjustment

Even the best plans cannot be followed to the letter. Production problems, weather, and other factors can force changes. Step nine in the course outlines the need for monitoring and flexibility in planning for success. Being able to assess whether an alternative is working or not, and then developing a corrective course of action, separates successful businesses from those one step behind.

For example, a producer might face several choices after a hailstorm: do I replant, plow down the crop, or

plant a substitute? Again, this ties into proper strategic and tactical planning, where alternative strategies have been developed should a resource not perform as planned.

The course outlines the two types of control necessary for monitoring and adjustment. Behavioral control is making sure timelines are kept; tasks are done right, by the right people, and in a manner consistent with the business. Informational control involves the managerial aspects and includes making sure day-to-day activities are completed

according to the business goals and objectives.

Re-plan if Necessary

Managers should be ready to repeat this process if strategic changes or opportunities arise. According to Hewlett, "While monitoring and adjustment is more of a day-to-day matter, revising plans may be necessary if big changes in the 'landscape' arise, such as crop failure, unexpected purchasing opportunities, or personnel retirement, for example."

The need to change direction from year to year also is included in this step. Revising plans are keys to achieving strategic goals of the operation. This is the last step of the circular, strategic risk management process (at left) and should lead to the strategic and tactical planning for the upcoming season.

The Risk Navigator site also includes links to other helpful information for producers interested in furthering their risk management education.

For more information on this and other risk management topics on the Web, visit the Western Risk Management Library online at agecon.uwyo.edu/riskmgt.

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Flexible livestock systems possible for drought or good times

By Michael Smith and John Ritten

Livestock producers in Wyoming, whether small or large, have the recurring problem of adjusting their animal feed or foraging requirements to the amount of feeds produced by the growing conditions of a year.

Fortunately, the amount of snowpack water equivalent in the mountains that affects irrigation supplies and precipitation at lower elevations are monitored. The amount of precipitation received in March-May has a predictable effect on forage production of rangelands. The relatively high predictability of forage production in the upcoming growing season enables the producer to adjust feed resources or stocking levels to accommodate the variable forage production.

Economic Analysis Ranch Model

Recent economic analyses using a Wyoming ranch model incorporating variable annual forage production found that, under very

specific conditions, buying feed to retain animals during drought may be profitable, but, generally, destocking to appropriate levels was far less risky. In addition, late spring calving, retained ownership, and early weaning were economically promising.

In general, a diversified cow-calf/yearling-type operation appears to offer a good combination of profitability, lower risk, more reliable cash flows, and subsequent sustainability.

In this type of operation, the cowherd size would be maintained at a level that could be sustained in a relatively dry year with low forage yields. In years with higher forage yields, some or all of the weanling calves would be retained so they could be grazed through the next summer season if forage production allowed. There would be opportunities for forage finishing of cattle for slaughter.

Late spring calving and using smaller cows will maximize the amount of grazing possible and the number of animals that can be maintained on a given forage resource.

A planned grazing program and monitoring helps ensure that grazing resource condition is maintained.

Decisions Are Made Late April to Mid-May

Because of the specific time period when precipitation is effective in producing forage, decisions about upcoming stocking levels or feeding must be made the end of April to mid-May. At this time, there generally is a better market than later in summer for animals not being retained. In particularly dry years, any yearlings would be sold in spring, and calves might be weaned early and/or not retained.

In a year of average to higher forage yield, yearlings on hand in April would be retained through part or all summer, and calves would be retained in fall through to the next spring when the same decision process for retention or destocking would be followed.

Pasture cattle might be sought in the event unused forage might be available because of extremely good growing conditions or because calves had not been retained.



The thrust of the program is that, through planned feeding, retention, or destocking, there is the option to sell at appropriate times and to preserve the breeding herd through even the worst expected forage yields.

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