

Risk Management for the Farm/Ag Client

Course Objectives

Upon completing this course, participants will be able to:

- Distinguish between risk management and insurance management
- Define risk
- Understand the tools available to treat risk
- Adopt a risk management approach when dealing with farm and agribusiness clients
- Apply the rules of risk management
- Identify specific risk management issues and challenges for farms and agribusiness operations

I. Background on Risk Management

II. The Concept of Risk

- A. "Risk" defined
- B. Risk Management defined
- C. Degree of risk
- D. Probability theory
- E. Risk distinguished from Peril and Hazard

III. Classifications of Risk

- A. Financial and non-financial
- B. Static and dynamic
- C. Fundamental and particular
- D. Pure and speculative

IV. Types of Pure Risk

- A. Personal risks
- B. Property risks
- C. Liability risks
- D. Risks arising from failure of others (vicarious liability)

- V. Overview of the Methods of Handling Risk
 - A. Risk Control
 - B. Risk Financing
- VI. Risk Control
 - A. Avoidance
 - B. Loss Control
 - 1. Prevention (frequency)
 - 2. Reduction (severity)
- VII. Risk Financing
 - A. Risk Retention
 - B. Risk Transfer
 - 1. Non-insurance transfer
 - 2. Insurance
- VIII. The Risk Management Process
 - A. Contributions to the farm/ag client
 - 1. Achievement of financial goals
 - 2. Controlling cost of risk
 - 3. Reducing expenses
 - B. Overview of the Process
 - 1. Determine objectives
 - a. Pre-loss
 - b. Post-loss
 - 2. Identification of risks
 - 3. Evaluation of risks
 - 4. Consideration of alternatives
 - 5. Selection of technique
 - 6. Implementation of decisions
 - 7. Evaluation and review
- IX. Determining Risk Management Objectives

- A. Pre-loss
 - 1. Economy
 - 2. Reduction in anxiety
 - 3. Meeting externally imposed obligations
 - 4. Social responsibility
- B. Post-loss
 - 1. Survival
 - 2. Continuity of operations
 - 3. Earnings stability
 - 4. Continued growth
 - 5. Social responsibility
- X. Identification of Risks
 - A. Most critical component of the process
 - B. Methods used
- XI. Evaluation of Risks
 - A. Critical risks
 - B. Important risks
 - C. Unimportant risks
- XII. Consideration of Alternatives
- XIII. Implementation of Decision
- XIV. Evaluation and Review
- XV. Risk Management Audits
- XVI. Rules of Risk Management
 - A. Don't risk more than you can afford to lose
 - B. Don't risk a lot for a little
 - C. Consider the odds
 - D. A Risk Management Matrix
- XVII. Risk Management for Farms and Agribusinesses
 - A. Insurance decisions

1. Essential insurance
2. Important insurance
3. Optional insurance

XVIII. Types of Risk

- A. Production risk
- B. Price or market risk
- C. Financial risk
- D. Institutional risk
- E. Legal risk
- F. Human or personal risk