

# Developing Risk Management Plans



By Dr. Laurence Crane, NCIS

This article summarizes the activities of an RMA funded Competitive Cooperative Partnership Agreement awarded to NCIS as part of the Risk Management Education and Outreach Partnerships Program. NCIS presented educational workshops this spring and summer in cooperation with the University of Arkansas–Pine Bluff, and Alcorn State University in Mississippi. The objective of these workshops was to help African-American farmers and ranchers in Arkansas and Mississippi develop risk management plans for their farms. This training consisted of a series of three sequential workshops in each state and sixty hours of individualized instruction and homework assignments.

## Project Overview

Risk management planning continues to be a timely topic as farmers face historically high input and energy costs, fewer off-farm employment opportunities, and increased financial and marketing risks. The goal of this project was to assist limited resource and African-American produc-

ers of specialty crops and underserved commodities in Arkansas and Mississippi in responding to risk in the five special emphasis areas of production (crop and livestock insurance), marketing (strategies and farmers markets), financial (farm management strategies), legal (liabilities and estate planning), and human resource (labor) management. Individualized risk management responses were formulated using the business planning approach.

An applied education program consisting of six workshops and individualized counseling was developed and conducted via a partnership of two trainers, two state host coordinators (SHC) and twelve local educators (Extension Associates). Specific project objectives were to use business planning to: 1) review risk management principles, practices, and tools to familiarize producers with how they can be effectively applied in a holistic approach to their farm situation; 2) assist producers in conducting an effective risk assessment of their own farm business; 3) inform producers of

alternative risk management strategies, including crop and livestock insurance, and delineate financial and marketing opportunities for alternative case scenarios; 4) assist producers with formation and adoption of their own individualized risk response strategy; and, 5) review the financial implications and legal considerations of their chosen strategy.

The primary outcome of this educational effort was for participants to develop the skills and to understand their own operations well enough to develop personal risk management strategies for each of the five risk emphasis areas specified above. The extended duration and iterative nature of the program, with sequential workshops and personal follow-up, provided participants with an opportunity to both develop and revise plans with their own data and have it professionally reviewed. This concentrated and hands-on approach to education typically leads to long-term behavioral change and is consistent with the philosophy that behavior changes are more likely with sustained personal support.

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## Priority and Emphasis

This activity focused on producers of specialty crops where there is no insurance coverage, and producers of underserved commodities that are covered by crop insurance but have a participation rate lower than the national average. Many of these producers have limited historical knowledge and/or personal experience with insurance programs. It is imperative that they receive the tools necessary to benefit from the use of crop insurance where available and learn



Dr. Crane (far left) with the farmers and ranchers who attended the workshops at the University of Arkansas-Pine Bluff.

Extension Associate, **Kandi Williams**, (front row, second from right) UAPB & Silas H. Hunt Community Development Corporation Small Farm Program, Texarkana, Arkansas noted: *"From this risk management training, the producers worked on case studies that helped them understand and better manage their farm enterprises. Some of the producers are still working on goals that they agreed to complete after the training. It has been inspiring to see them take information from the workshops and actually achieve short-term goals discussed during the training."*



Dr. Crane with the farmers and ranchers who participated in the workshops in Jackson, MS, coordinated by Alcorn State University.

**Ralph Arrington**, (back row, 3rd from right) Agricultural Educator with Alcorn State Extension, was pleased with the workshops and felt the participants were *"provided a successful opportunity to set goals and decrease their risks."*

how it can be used in concert with the other risk management and cost control strategies they employ.

## Partnering

Project partners were Dr. Laurence Crane, NCIS Vice President-Education and Communication; Dr. Albert Essel, Associate Dean for Extension, Delaware State

University; Dr. Henry English, Small Farm Project Director, University of Arkansas-Pine Bluff; and Mr. Anthony Reed, Interim Assistant Extension Administrator, Alcorn State University in Mississippi. Dr. English and Mr. Reed are the Small Farm Program Coordinators in their respective states, and were selected based on their membership in and personal relationships with Small,

Limited Resource and African-American farmers, and their history of delivering exceptional educational programs to these farmers and ranchers.

Dr. Essel assisted in managing the project and teaching the workshops. Dr. Essel has co-authored several extension publications on all aspects of marketing and financial risk management. He has extensive



educational experience in the South working with African-American producers on a wide array of farm and risk management issues, including business planning, financial and economic development and marketing strategies common in the region. Dr. Essel is a gifted teacher and relates well with Limited Resource and African-American producers and ranchers due to his personal background and professional experiences at Fort Valley State University, Virginia State University, and Delaware State University. Additionally, he has been involved with outreach programs at almost all of the 1890 Land-Grant Universities.

Each participant was expected to develop a personalized risk management action plan for each special emphasis topic (production, marketing, financial, human, legal) over a period of time following the initial workshop.

## Project Delivery

The delivery of this risk management education program consisted of two major components: workshops and individualized study. Three day-long (6 hours, 18 hours total) sequential workshops were conducted in each state approximately 30 days apart. There were 52 producers (21 in Arkansas and 31 in Mississippi) who attend all three workshops. Workshop activities were designed to build upon each other with specific homework (individual study) assignments to be conducted following each workshop. The three homework assignments were designed to take approximately 20 hours each to complete. The twelve local Extension Associates were responsible to follow-up individually with the producers to ensure that homework assignments were completed.

The workshops were instructional with “hands-on,” participatory exercises. Participants worked through several case



The workshops consisted of classroom instruction, group discussion, and personal assignments. Here, participants are completing a hands-on assignment to conduct an inventory assessment of their farm. Because writing focuses thinking, participants were required to document their thoughts throughout the workshop.



Participants were grouped together by the types of commodities they produced (row crops, vegetables, livestock, etc.) and worked together to identify the common risks they face and discussed potential risk management strategies. Here, **Dr. Laurence Crane** is discussing the use of enterprise budgeting in making decisions. Dr. Crane attributed the success of the program to its focused and personal design: *“This concentrated and hands-on approach to education typically leads to long-term behavioral change and is consistent with the philosophy that behavior changes are more likely with sustained personal support.”*



A critical aspect to the success of this activity was the support and follow up by local Extension Educators. Here, **Dr. Henry English** (right) is discussing this work assignment with **Stephan Walker**, multi-county agent for Jefferson, Desha, Lincoln and Pulaski counties for the Small Farm Program at the University of Arkansas at Pine Bluff.

examples and began applying the principles learned to their own operations. Participant progress and learning was monitored with the Personal Response System (PRS) and other written assessment techniques. PRS technology was particularly well-suited for this workshop as risk assessment and response strategies can be quite personal. Individuals who may be hesitant to speak orally can simply respond to questions anonymously by pressing numbers on a device resembling a TV remote control. A computer and receiver process the responses instantly and graph the results for all to see. The PRS was used periodically throughout the workshops to engage participants and monitor the progress of their understanding.

Each participant was expected to develop a personalized risk management action plan for each special emphasis topic (production, marketing, financial, human, legal) over a period of time following the initial workshop. This required participants to evaluate the risk situation of their operations, set goals for managing

risk, interact with professionals (e.g. loan officer, crop insurance agent, estate planning advisor, etc.), and develop specific strategies to measure and manage risk. All workshop materials and supporting documents were provided in hard copy and electronically for review and downloading. The State Coordinators, working with the local educators, made contact with the participants at regular intervals to offer assistance and encourage them in their efforts. Involving local educators and other local resource people (crop insurance agents, lenders, etc.) strengthened the network of advisers that participants could tap into and obtain additional information. These resources provided a support network that enabled adoption of program materials and increased the probability of long-term success.

## Results

The primary outcome of this educational effort was for participants to possess the skills and to understand their own operations well enough to develop personalized risk management strategies

for each of the five emphasis areas (production, financial, marketing, legal, human). Participants were expected to spend at least 20 hours completing homework assignments after each workshop for a total of 60 hours expected. On the written evaluation form they reported spending an average of 22.4 hours per session for a total of 67.4 hours of personal homework. Moreover, each of the 52 participants established a goal in each of the five risk emphasis areas and delineated three specific actions they would take during the next year to reach each goal.

A secondary outcome of this project was to develop and foster a long-term working relationship between the farmer participants and local educators. Moreover, this educational approach also improves the skills of these educators. The personal interaction of these farmers with the local Extension Associates as designed in this project has the potential of creating long-lasting relationships that will be mutually beneficial.

The most important indicator of success was the strong participation by the



participants who returned each time and actively participated in each of the three workshops. At the conclusion of the last workshop several farmers commented orally and on the written evaluation that they were grateful for the opportunity to participate, had learned more than expected, and wished the series could continue on a regular basis.

See testimonials from program participants on page 14.



This program integrated the use of existing educational materials at the local level. Here, **Mr. Anthony Reed**, Alcorn State University discusses the publication, *“Legal Risks Facing Family Farms: What Every Small Farmer Should Know.”* Mr. Reed, who was the State Host Coordinator in Mississippi commented, *“I believe the participants in the RMA/NCIS class received a holistic approach to risk management that I feel will help to sustain, enhance and minimize their risks on their farming enterprise.”*

Participants were expected to set a goal in each of five risk management areas (production, marketing, financial, human resource, legal), and identify three specific actions they will take to accomplish each goal. Here, **Dr. Henry English** is helping vegetable growers establish their goals. Dr. English, who was the State Host Coordinator for Arkansas commented, *“I was quite pleased by the interest that the participants showed in the material that was presented. Several farmers indicated that this was their first time being exposed to this quality of education on these topics, and they really appreciated the effort to help them learn the material.”*



Developing the skills to prepare financial statements was one of the workshop activities. Here, **Dr. Albert Essel** is helping a group of row crop farmers prepare a balance sheet and income statement for their farms. Dr. Essel commented about the program success, stating, *“Over the years, I have been involved with many educational interventions in agricultural risk management for socially disadvantaged producers and educators who conduct programs for underserved audiences. The response that we received from these producers in Mississippi and Arkansas during this series gives me hope that for once we have hit the target. The energy, enthusiasm and desire to learn tools for managing farm risk among the participating producers was exhilarating and infectious.”*



Each Participant who completed the program was presented with a certificate in recognition of successfully completing the “Developing Personal Risk Management Plans” short course of instruction, including eighteen hours of classroom instruction and sixty hours of supervised individual study. Here, **Roddric Bell**, RMA Senior Risk Management Specialist/Outreach Coordinator, Jackson Regional Office (left), and **Dr. Laurence Crane**, NCIS (right), present **Audrey German**, Edwards, Mississippi, with her Certificate of Completion.



# Risk Management Education & Outreach Partnerships Program

## Farmer and Rancher Testimonials



*"The first exercise was one of the best I had, because it helped me realize I really didn't know what I had for assets. The lesson for that week was to go home and look at everything and do an inventory and see what assets you have. What I learned really surprised me. This was a really great class to do. I learned about risk management, and about asset and liability management. I would tell everybody-if you are into farming, you need to take this class."*

**-Keith January, Sr., Fayette  
Jefferson County, Mississippi**



*"This workshop has been most helpful to me because I have learned the different aspects of risk management on a farm. There are great aspects of record keeping, and financial record keeping is one of the most important things in taking care of the business on the farm."*

**-Sandra Bennett  
Madison County, Mississippi**



*"I enjoyed participating in the workshops. I learned a lot about business planning as well as risk and goal setting and asset management; basically what is being looked at by bankers and other people these days in agriculture. I'm glad I participated in the program and thankful that Alcorn State University invited me to participate and it should be very beneficial to me."*

**-Louis Sanders, Mound Bayou  
Bolivar County, Mississippi**

See the complete, *Developing Risk Management Plans* article starting on page 4.

Personalized Risk Management Strategies