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North Central Extension Risk Management Education Center

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Cornhusker Economics

North Central Extension Risk Management Education Center

| Market Report | Year Ago | 4 Wks Ago | 5-10-19 |
|--|----------|-----------|---------|
| Livestock and Products, | | | |
| Weekly Average | | | |
| Nebraska Slaughter Steers, 35-65% Choice, Live Weight | * | * | * |
| Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb. | 176.73 | 183.34 | NA |
| Nebraska Feeder Steers, Med. & Large Frame 750-800 lb. | 145.75 | 155.53 | NA |
| Choice Boxed Beef, 600-750 lb. Carcass. | 230.61 | 228.72 | 223.49 |
| Western Corn Belt Base Hog Price Carcass, Negotiated | 63.64 | 77.57 | 77.83 |
| Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean. | 71.74 | 83.44 | 84.72 |
| Slaughter Lambs, woolled and shorn, 135-165 lb. National. | 152.57 | 151.43 | 154.10 |
| National Carcass Lamb Cutout FOB. | 378.93 | 378.38 | 386397 |
| Crops, | | | |
| Daily Spot Prices | | | |
| Wheat, No. 1, H.W. Imperial, bu. | 4.31 | 4.02 | 3.65 |
| Corn, No. 2, Yellow Columbus, bu. | 3.70 | 3.51 | 3.42 |
| Soybeans, No. 1, Yellow Columbus, bu. | 9.33 | 7.97 | 7.01 |
| Grain Sorghum, No.2, Yellow Dorchester, cwt. | 5.83 | 5.50 | 5.30 |
| Oats, No. 2, Heavy Minneapolis, Mn, bu. | 2.87 | 3.21 | 3.20 |
| Feed | | | |
| Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton. | * | 170.00 | * |
| Alfalfa, Large Rounds, Good Platte Valley, ton. | * | 112.50 | 115.00 |
| Grass Hay, Large Rounds, Good Nebraska, ton. | * | 90.00 | 90.00 |
| Dried Distillers Grains, 10% Moisture Nebraska Average. | 165.00 | 14800 | 114.50 |
| Wet Distillers Grains, 65-70% Moisture Nebraska Average. | 51.50 | 47.50 | 42.50 |
| * No Market | | | |

After several years of growing agricultural prosperity and U.S. net farm income that peaked at almost \$124 billion in 2013, the most recent forecast from USDA’s Economic Research Service projects net farm income at less than \$70 billion for 2019. The six-year cumulative decline since 2013 is primarily due to a drop in commodity prices, a result of growing supplies, and more recently, trade conflicts and declining exports for key commodities. While the aggregate financial position of U.S. agriculture remains relatively strong with an aggregate debt-asset ratio of less than 14% (USDA-ERS, 2019), 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](https://nifa.usda.gov/)¹ 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 focusing on tangible results (ERME, 2019). Four regional ERME Centers are located across the country at the University

¹ <https://nifa.usda.gov/>

of Delaware (Northeast), the University of Arkansas (Southern), Washington State University (Western) and the University of Nebraska-Lincoln (North Central).

Since 2001, the [North Central Extension Risk Management Education Center](https://ncerme.org/)², hosted by the [University of Nebraska-Lincoln](https://www.unl.edu/)³ 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 393 projects and over \$11.6 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 121,787 farm and ranch participants receiving risk management education and more than 361,431 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. Sixteen workshops held across the state of Minnesota provided the opportunity for 282 participants to learn more about the fundamentals of farm financial management. The workshops equipped producers with tools to create and put financial statements to use in their operation; be better prepared to evaluate their own financial position; manage their operation for greater financial gain; and have a better relationship with their farm partners, including their lenders. Based on the 6-month follow-up survey that had 54 respondents:
 - 94% have created and are confident in their ability to analyze their own balance sheet and cash flow statement;
 - 92% have created their own income statement and are confident to analyze it;
 - 98% have implemented a farm record-keeping system; and
 - 92% have initiated discussions with external partners (i.e. lenders) about their farm management.
2. In Wisconsin, farm succession planning education was delivered through 9 workshops, along with 42

individual farm meetings representing 21 unique farms. Overall, 406 participants were reached through this education effort.

- 300 participants better understand farm succession strategies and tools and the importance of family communication;
- 83 participants analyzed their financial needs and potential income sources as they transition from or into the business;
- 45 participants developed a draft of their farm succession plans and have implemented at least one aspect of that plan; and
- A workbook designed to be used by succession professionals as they work with farm families on planning was developed by the project team as a product of this project.

The ERME program initiated the Outstanding Project Award this year recognizing the successful efforts of one project from each region. The North Central Center recently recognized The Land Connection for their 2016 funded project “Risk Management for Illinois Farmers Transitioning to Organic and Identity-Preserved Crop Production” as our inaugural 2019 Outstanding Project Award winner. This project provided an opportunity for traditional growers interested in transitioning to organic grain production to expand their knowledge of the production, marketing, and financial risks they face. One hundred twenty seven unique participants learned the benefits of a multi-level transition to organic production, crop insurance, marketing alternatives for business financial risks and they developed familiarity with ATTRA resources. Participants completed multiple ATTRA checklists and worksheets, as well as worked to develop solutions to financial risk examples the presenters posed to participants. These actions were intended to influence producers to take the next steps in the organic transition certification process. Participating in this project had a big impact on two of the participants:

- New organic producers Jaci and Will were looking for the information and tools to transition to an organic, no-till operation. They knew it would be very risky for them because neither had any prior experience in organic production.
- The most valuable take-away they received from this project was the ability to network with other producers. The relationships they developed were vital to the success they’ve had on their operation. Specifically, Will had originally planned to plant transitional corn but

²<https://ncerme.org/>

³<https://www.unl.edu/>

after discussing this with other organic farmers and agronomists they met at a workshop, they encouraged him to plant beans, wheat and rye, which proved to be much more economically successful.

- As a result of this project, Will has started and continued a partnership with specialists at the University of Illinois creating the IDEA Farm Network. This network provides a place for producers to share ideas with their peers.

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 involved in agricultural lending, insurance, marketing, extension, and production all from the North Central Region. 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 |
|---------------------------------|------------------|
| Illinois | 27 |
| Indiana | 20 |
| Iowa | 56 |
| Kansas | 26 |
| Michigan | 18 |
| Minnesota | 41 |
| Missouri | 33 |
| Nebraska | 44 |
| North Dakota | 17 |
| Ohio | 25 |
| South Dakota | 33 |
| Wisconsin | 53 |
| Total | 393 |
| Public Led Institutions | 319 |
| Private/Non-Profit Institutions | 74 |

The 2019 Request for Applications (RFA) was released mid-September 2018 and closed mid-November. Thirty-six proposals requesting \$1,425,093 were submitted to the North Central Center through the on-line application process during the 2019 RFA. The Advisory Council funded 13 educational projects with a project period of April 1, 2019 – September 30, 2020 for a total of \$597,623. The Center also funded 5 exploratory projects for a total of \$13,344. 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 2019 National Extension Risk Management Education Conference in Louisville, KY with approximately 190 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 2020 National Extension Risk Management Education conference next spring in Denver, Colorado on April 1-2, 2020.

A training workshop for the newly funded North Central Center project directors was held on April 2, 2019 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.

2019 Funded Projects

Congratulations to the following project directors whose risk management education projects were selected for funding in 2019:

| | |
|------------------|---|
| Jessica Groskopf | University of Nebraska-Lincoln |
| Jim Jansen | University of Nebraska-Lincoln |
| John Kruse | University of Missouri |
| Laura Lindsey | The Ohio State University |
| Kota Minegishi | University of Minnesota |
| Helene Murray | University of Minnesota |
| Jenna Nees | Purdue University, Purdue Extension – Putnam County |
| Ken Olson | South Dakota State University |
| Megan Roberts | University of Minnesota |
| Mykel Taylor | Kansas State University |
| Nathan Thompson | Purdue University |
| Edward Usset | University of Minnesota |
| Chris Zoller | The Ohio State University |

Exploratory Projects

| | |
|--------------------|---|
| Jennifer Bentley | Iowa State University Extension & Outreach |
| Ray Massey | University of Missouri |
| Glennis McClure | University of Nebraska-Lincoln |
| Kristine Ranger | The Learning Connection |
| Heather Schlessner | University of Wisconsin Extension – Marathon County |



**NORTH CENTRAL
EXTENSION
RISK
MANAGEMENT
EDUCATION**



**United States
Department of
Agriculture**

**National Institute
of Food and
Agriculture**

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