



# Cornhusker Economics

## North Central Extension Risk Management Education Center Helps Producers Manage Risks

Farmers and ranchers face many risks and challenges in production agriculture every day. Changing market fundamentals, farm policy reforms, and crop insurance program developments defined the risk environment that led to the authorization of agricultural risk management education as part of the Agricultural Risk Protection Act of 2000. The educational efforts that have followed have been designed to help producers manage the full range of production, marketing, financial, legal, and human risks that are all part of agriculture.

In the more than two decades since, the risks facing producers have continued to grow. Producers managed through both the opportunities of the bioenergy and agricultural commodity boom cycle and the economic challenges of the Great Recession in the late 2000s. They then coped with drought losses in 2012, storms and flooding extremes in 2019, and more storm, drought, and wildfire losses since. To top it off, everyone has had to manage through the challenges and market shocks of trade conflicts since 2018, COVID disruptions since 2020, and now the global supply shocks and security concerns of the ongoing Russia-Ukraine conflict. Add in other market shocks and volatility, policy changes, and supply chain disruptions and producers have had to manage a wide range of risks.

A substantial market rally for many commodities since 2020 has provided for a strong farm economic outlook at present, but risks and uncertainty remain high, and managing those risks will continue to be a major challenge for farmers and ranchers. Educating producers to manage risk 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](#), provides training to help producers learn new strategies to manage complex and growing agricultural risks. ERME strives to achieve this goal by encouraging and funding innovative programs across the country and helping programs focus on tangible results. Four regional grant-making ERME Centers are located across the country at the University of Delaware (Northeast), the University of Arkansas (South), Washington State University (West) and the University of Nebraska-Lincoln (North Central) along with a Digital Center at the University of Minnesota to help administer the online application, management, and reporting elements of the program.

Since 2001, the [North Central Extension Risk Management Education Center](#), hosted by the [University of Nebraska-Lincoln](#) 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 468 projects and over \$15.4 million in funding to public, private and non-profit entities to carry out producer-focused, results-based risk management education programs through its annual request for applications (RFA) released each September. The completed educational programs have resulted in more than 145,000 farm and ranch participants receiving risk management education and more than 450,000 measurable producer actions to better manage risk on their operations to date.

## What is Risk Management?

There are five general types of risk: production risk, marketing risk, financial risk, legal risk, and human risk (Crane et al. 2013).

*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.

*Marketing risk* is the uncertainty about prices producers receive for commodities sold and what their production costs may be.

*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.

*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.

*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 individuals involved in agricultural lending, insurance, marketing, extension, production, and ag organizations 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; regional priorities; results verification; producer demand/underserved audience; team/organizational capacity and collaboration; and 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                            | # of Awards 2001-2022 |
|----------------------------------|-----------------------|
| Illinois                         | 30                    |
| Indiana                          | 24                    |
| Iowa                             | 67                    |
| Kansas                           | 30                    |
| Michigan                         | 24                    |
| Minnesota                        | 52                    |
| Missouri                         | 36                    |
| Nebraska                         | 66                    |
| North Dakota                     | 18                    |
| Ohio                             | 27                    |
| South Dakota                     | 35                    |
| Wisconsin                        | 58                    |
| All Other States*                | 1                     |
| <b>Total</b>                     | <b>468</b>            |
| Public Institutions              | 373                   |
| Private/Non-Profit Institutions  | 95                    |
| *Serving North Central Producers |                       |

The Center announced the 2022 Request for Application (RFA) last September with a mid-November closing date. The RFA included the following two separate program areas to apply to:

1) Standard Education Grants focused on a broad range of risk management education topics and activities. This area includes the Exploratory Projects as well.

2) Producers Underserved by Crop Insurance Grants specifically designated to deliver risk management education for producers underserved by Federal crop insurance.

Thirty-six applications requesting more than \$1.9 million in funding were submitted to the North Central Center through the online application process. The Advisory Council recommended funding 16 education proposals, 3 exploratory projects, and 5 proposals serving producers underserved by crop insurance. The 24 total funded projects represent more than \$1.2 million in total awards.

### **Project Impacts**

Highlighted below are examples of risk management improvements (or results) that were learned, achieved, or applied by producers and successful efforts from recently completed projects.

A project conducted by the Center for Rural Affairs connected 151 organic farmers with the educational resources and support they needed to better understand and access crop insurance. Originally targeting producers in Iowa and Nebraska, this project ultimately reached producers in more than 10 states in the Midwest and Great Plains due to interest.

In-depth interviews were conducted with 7 organic farmers and 7 crop insurance agents to create an educational guide, “Conversations from the Field – Crop Insurance for Organic Operations.” This resource took an innovative, conversational approach to an often content-heavy subject and has been well-received and shared with more than 1,200 organic farmers.

One-on-one consultations with 46 individual organic farmers provided additional support to investigate and purchase crop insurance. With this assistance, these individuals were empowered to select a crop insurance product appropriate for their operation.

Outreach was further expanded by the development and release of presentations and media on com-

mon barriers and paths to success for organic farmers in purchasing crop insurance. These materials have reached more than 4,000 producers.

In Nebraska, 307 producers attended 11 workshops either in-person or online that focused on topics to help operations address business shocks by planning for current financial issues in land management, effective budgeting strategies, critical negotiation skills to deal with risk, and management practices for improved decision-making and profitability.

76% of participants reported enhanced planning to address current financial issues in the land industry.

65% of participants integrated budgeting approaches to improve financial positions.

53% of participants improved negotiation strategies for equitable and workable solutions to accommodate unforeseen events.

58% of participants advanced effective management practices to ensure the viability and longevity of the operation.

### **Outstanding Project Award**

In 2019, the ERME program initiated the Outstanding Project Award to annually recognize the successful efforts of one project from each region. Now in its fourth year, the North Central Center recently recognized Robin Reid (Project Director) and LaVell Winsor (co-PD) from Kansas State University for their recent project “Farm Financial Skills for Kansas Women in Agriculture” as its 2022 Outstanding Project Winner. A four-part program was held over four weeks where a keynote presentation was broadcast from the K-State campus one evening each week to 32 host locations across Kansas. A total of 685 participants enrolled in the series along with 75 KSRE extension agents who facilitated the local sites. Each night of the program, a different financial topic was discussed, and local extension agents facilitated a hands-on case farm activity for participants to apply what they learned. Local speakers were trained to give in-person presentations about managing family living expenses and farm stress. All participants showed an increase in their level of knowledge for keeping quality farm records and putting together and assessing balance sheets, income statements, and cash flow statements. Over 87% of participants stated they planned to develop a balance sheet for their farm business every year, over 75% stated they would develop an income statement and cash flow statement every year, and 63% planned to make a family living budget.

## Center Activities

The Center met with stakeholder listening groups and Council members in the third quarter of 2022 to identify and assess educational needs and other emerging issues. Based on those discussions and recommendations, the Center builds on needs assessment results to implement and deliver the competitive grants program for the following year and related programming as appropriate.

The 2022 RFA for the ERME Competitive Grants Program was released in the fall with an open period of mid-September to mid-November. North Central Center staff members held a webinar for potential applicants to learn about the funding opportunities and how to apply. Participants learned what makes a good risk management project and proposal, the criteria for proposal evaluation, and how to use the online application site. Project directors have indicated in the past that this training is very valuable for them as they look at potential project topics and put their proposal together.

A training workshop for the newly funded North Central Center project directors was held on March 29, 2022, in Omaha. The training focused on project administration responsibilities as well as best practices for implementing, delivering, and reporting on successful projects. The Center continues to support other outreach efforts as well to reach educators and potential applicants and build the capacity for future risk management education.

The 2022 National Extension Risk Management Educa-

tion Conference (ERME) was held in Omaha, NE over a 3-day period from March 29-31, 2022 with approximately 180 participants. This annual conference featured 3 keynote speakers, over 40 concurrent session presentations on educational projects and topics, and a networking reception that included a poster session featuring numerous additional projects. Many of the presentations are available online at:

[https://agrisk.umn.edu/Conferences/Record/2022\\_extension\\_risk\\_management\\_education\\_nati](https://agrisk.umn.edu/Conferences/Record/2022_extension_risk_management_education_nati)

This conference regularly brings 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 2023 National ERME Conference next spring on March 27-29 in Chicago.

The Center also participated in the 33<sup>rd</sup> Annual MOSES Organic Farming Conference in La Crosse, Wisconsin from February 24-26<sup>th</sup>, 2022 to expand its target audience and further connect with educators for the benefit of the program. The participation enhanced the Center's presence in the Midwest as a source to provide funding and helped establish some key face-to-face connections and network with individuals from a broad and diversified agricultural sector and producer population.

## 2022 Funded Projects

Congratulations to the following project directors whose risk management education projects were selected for funding in 2022:

|                  |                                     |
|------------------|-------------------------------------|
| Mariel Barreras  | Barreras Family Farm, LLC           |
| Gail Carpenter   | Iowa State University               |
| Kelly Froehlich  | South Dakota State University       |
| Jessica Groskopf | University of Nebraska-Lincoln      |
| Jim Jansen       | University of Nebraska-Lincoln      |
| Amanda Kik       | Crosshatch Center for Art & Ecology |
| Glennis McClure  | University of Nebraska-Lincoln      |
| Ryan Milhollin   | University of Missouri              |
| Beth Nelson      | Midwest Forage Association          |
| Daniel O'Brien   | Kansas State University             |
| James Salfer     | University of Minnesota             |
| Madeline Schultz | Iowa State University               |

## 2022 Funded Projects (continued)

|               |                                       |
|---------------|---------------------------------------|
| Matt Stockton | University of Nebraska-Lincoln        |
| Trisha Wagner | University of Wisconsin               |
| Renee Wiatt   | Purdue University                     |
| Kathy Zeman   | Minnesota Farmers' Market Association |

### *Exploratory Projects*

|                         |                                |
|-------------------------|--------------------------------|
| Jessica Groskopf        | University of Nebraska-Lincoln |
| Homero Salinas-Gonzalez | Lincoln University             |
| Amy Timmerman           | University of Nebraska-Lincoln |

### *Producers Underserved by Crop Insurance Projects*

|                    |                                |
|--------------------|--------------------------------|
| Elliott Dennis     | University of Nebraska-Lincoln |
| David Van Eeckhout | The Good Acre                  |
| Johnathan Hladik   | Center for Rural Affairs       |
| Keith Olander      | Central Lakes College          |
| Karen Stettler     | Land Stewardship Project       |

## References:

Crane, Laurence; Gantz, Gene; Isaacs, Steve; Jose, Doug; Sharp, Rod. 2013. *Introduction to Risk Management – Understanding Agricultural Risk: Production, Marketing, Financial, Legal, Human*. Extension Risk Management Education and Risk Management Agency, USDA. Available at: <http://extensionrme.org/pubs/IntroductionToRiskManagement.pdf>.

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