



# Cornhusker Economics

## North Central Extension Risk Management Education Center

Farmers and ranchers face many risks and challenges in production agriculture on a daily basis. 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 education efforts 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 two decades since, the risks facing producers have continued to grow. Just since 2016, producers have faced a number of risks and market shocks, including policy changes, trade conflicts, supply chain disruptions, and agricultural disasters due to droughts, floods, fires, and other events.

Then, in 2020, the COVID-19 pandemic impacted agriculture and society in essentially every area of risk simultaneously. Consumer demand shocks and supply chain disruptions created production and market risks that also led to market losses and financial risks. Legal risks ranged from public health mandates affecting agricultural practices and operations to federal assistance that provided substantial, but unreliable support. Human risks were tragically apparent as well, including specific risks on the farm or ranch with personal and family health and well-being, personnel safety and management, and farm transition and continuity issues at the forefront. The sheer breadth of risks, the magnitude of challenges and policy responses, and the overall market volatility and uncertainty presented major challenges to producers.

A substantial market rally for many commodities since late last summer has improved the economic prospects at present, but risks and uncertainty remain and managing those risks will continue to be a major challenge for farmers and ranchers. 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](#), 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 (ERME, 2017). 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 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 444 projects and over \$14.2 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

143,431 farm and ranch participants receiving risk management education and 440,730 measurable producer actions to better manage risk on their operations to date.

### 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, regional priorities, results verification, producer demand, 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.

The Center announced two 2021 RFAs concurrently last fall, both were released in September and closed in November. The 2021 ERME RFA focused on a broad range of risk management education topics and activities. Twenty-four applications requesting more than \$1 million in funding were submitted to the North Central Center through the online application process. The Advisory Council recom-

**Table 1.** North Central Region States and Funded Projects.

| State                           | Number of Awards<br>2001-2021 |
|---------------------------------|-------------------------------|
| Illinois                        | 30                            |
| Indiana                         | 23                            |
| Iowa                            | 65                            |
| Kansas                          | 29                            |
| Michigan                        | 23                            |
| Minnesota                       | 46                            |
| Missouri                        | 34                            |
| Nebraska                        | 57                            |
| North Dakota                    | 18                            |
| Ohio                            | 27                            |
| South Dakota                    | 34                            |
| Wisconsin                       | 57                            |
| All Other States*               | 1                             |
| <b>Total</b>                    | <b>444</b>                    |
| Public Institutions             | 356                           |
| Private/Non-Profit Institutions | 88                            |

\*Serving North Central Producers

mended 5 educational projects for funding with a project period of April 1, 2021 – September 30, 2022, for a total of \$701,467. The Center also acted on Council recommendations and funded an exploratory project for a total of \$5,000. The exploratory projects have a short, 8-month project period for the purposes of program planning and development.

The ERME Underserved Producers RFA was specifically designated to deliver risk management education for producers underserved by Federal **crop insurance**. Eight applications requesting more than \$758,000 in funding were received. The Advisory Council recommended funding 6 projects with a project period of April 1, 2021 – September 30, 2022, for a total of \$583,974.

Examples of risk management improvements (or results) that were learned, achieved, or applied by producers and successful outputs from recently completed projects include:

- In Kansas, 685 producers (primarily farm women) participated in a series of workshops focused on four farm financial topics: recordkeeping, balance sheet, income statement, and cash flow. When the pandemic hit, two additional webinars reaching 216 participants were offered and focused on commodity prices and how producers should adjust

their financial management plans. All participants in the 4-part series 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 plan to develop a balance sheet for their farm business.
- Over 75% stated they would develop an income statement and cash flow statement every year.
- 63% plan to make a family living budget.
- The 6-month follow-up survey had 196 responses and showed that 75% of these participants implemented 1-3 items from their action plans; 17% implemented 4-6 items from their action plans; while 1% implemented over 7 items from their action plans.
- In Minnesota, 12 workshops and a retreat reaching 215 total participants focused on assisting farm and ranch families with farm business transfer and personal estate planning. Objectives included farm goal setting, business structures, inheritance and business transition, retirement planning, family communication, and providing additional educational resources. This project focused on creating a comprehensive, updated farm transition curriculum that would be useful and beneficial for farm and ranch families.
  - Prior to the workshop, 69% of evaluation respondents did not have an up-to-date estate plan and 88% did not have an up-to-date transition plan.
  - As a result of attending the program, 88% of respondents planned to begin developing and implementing an estate and transfer plan within the year.
  - A 6-month follow-up evaluation had 40 responses and 75% (n=30) of respondents had begun updating their transition plans and 78% (n=31) had begun updating their estate plans.
  - The self-reported value of the personal and farm assets protected by their estate plans ranged from \$250,000 to \$6,000,000.

In 2019, the ERME program initiated the Outstanding Project Award to recognize the successful efforts of one project from each region. Now in its third year, the North Central Center recently recognized South Dakota State University Extension (Amanda Blair Project Director) for their recent project “Implementation of Risk Management Strategies by Beginning Beef Producers: A Comprehensive Approach” as its 2021 Outstanding Project Winner. Through a series of

webinars and three interactive workshops held across South Dakota, participants learned how to develop livestock and crop marketing plans, business plans and financial analysis of their cow/calf operations. They were presented with two case studies featuring fellow beef producers who spoke openly about their operations. Several participants said those meetings led them to consider a variety of changes to their operations, ranging from collecting genetic data on bulls and heifers to finding funding for water tanks and wind breaks.

### **Center Activities**

The Center met with stakeholder listening groups, the North Central Farm Management Extension Committee, and our Council during the 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.

The annual ERME Competitive Grants Program included two separate RFA’s that were both released in September, with a mid-November closing date. 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 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.

A training workshop for the newly funded North Central Center project directors was held on April 1 via zoom meeting. 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 2021 National Extension Risk Management Education Conference (ERME) was held as a virtual conference over a 3-day period on March 23-25, 2021. Many of the concurrent session and poster session presentations are available online at <https://agrisk.umn.edu/conferences>. 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 2022 National ERME Conference next spring in Omaha, Nebraska on March 30-31, 2022.

The North Central Center applied for and was recently awarded funding from USDA-NIFA to renew the effort for another three years. We look forward to continuing to support risk management education efforts that help farmers and ranchers across the region.

## 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>.

Extension Risk Management Education. “Progress: 2017.” Progress . 2017. Available at: <http://extensionrme.org/pubs/2017ProgressReport.pdf>

## 2021 Funded Projects

Congratulations to the following project directors whose risk management education projects were selected for funding in 2021:

|                    |  |
|--------------------|--|
| Olivia Amundson    | South Dakota State University              |
| Michaela Clowser   | National Cattlemen’s Beef Association      |
| Allen Featherstone | Kansas State University                    |
| Jessica Groskopf   | University of Nebraska-Lincoln             |
| Deb Ihm            | Southwest Wisconsin Technical College      |
| Jim Jansen         | University of Nebraska-Lincoln             |
| Audrey Kalil       | North Dakota State University              |
| Glennis McClure    | University of Nebraska-Lincoln             |
| Melissa McKendree  | Michigan State University                  |
| Jenna Nees         | Purdue University                          |
| Nick Olson         | Land Stewardship Project                   |
| Rachel Rawls       | Purdue University                          |
| Denise Schwab      | Iowa State University Extension & Outreach |
| Mary Sobba         | University of Missouri                     |
| Renee Wiatt        | Purdue University                          |

## Exploratory Projects

|                   |                         |
|-------------------|-------------------------|
| Stephanie Plaster | University of Wisconsin |
|-------------------|-------------------------|

## Producers Underserved by Crop Insurance Projects

|                  |   |
|------------------|---|
| Elliott Dennis   | University of Nebraska-Lincoln          |
| Jacquelyn Evers  | The Land Connection                     |
| Carol Goland     | Ohio Ecological Food & Farm Association |
| Johnathan Hladik | Center for Rural Affairs                |
| Jennifer Ifft    | Kansas State University                 |
| Ruben Martinez   | Michigan State University               |

## NCERME Center Staff

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