

Cornhusker Economics

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Institute of Agriculture & Natural Resources
Department of Agricultural Economics
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University of Nebraska–Lincoln Extension

North Central Extension Risk Management Education Center

Market Report	Year Ago	4 Wks Ago	5/1/15
Livestock and Products,			
Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.	148.00	168.58	161.45
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	222.00	285.95	284.22
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	195.68	233.80	224.90
Choice Boxed Beef, 600-750 lb. Carcass.	231.87	254.55	256.94
Western Corn Belt Base Hog Price Carcass, Negotiated.	112.31	56.30	74.62
Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean.	114.60	64.22	71.06
Slaughter Lambs, woolled and shorn, 135-165 lb. National.	145.50	141.99	136.03
National Carcass Lamb Cutout FOB.	369.27	364.44	354.77
Crops,			
Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu.	7.52	5.33	4.47
Corn, No. 2, Yellow Nebraska City, bu.	4.75	3.73	3.51
Soybeans, No. 1, Yellow Nebraska City, bu.	14.65	9.51	9.40
Grain Sorghum, No.2, Yellow Dorchester, cwt.	8.30	7.71	7.66
Oats, No. 2, Heavy Minneapolis, Mn, bu.	4.05	3.04	2.71
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	190.00	175.00	190.00
Alfalfa, Large Rounds, Good Platte Valley, ton.	115.00	77.50	72.50
Grass Hay, Large Rounds, Good Nebraska, ton.	205.00	115.00	120.00
Dried Distillers Grains, 10% Moisture Nebraska Average.	222.50	175.25	172.50
Wet Distillers Grains, 65-70% Moisture Nebraska Average.	70.00	55.50	58.00
* No Market			

After peaking near \$130 billion in 2013, U.S. net farm income fell to \$108 billion in 2014 and is expected to fall to \$74 billion in 2015, the lowest level since 2009 (USDA Economic Research Service). The large drop from 2013 to 2015, after nearly a decade of strong growth in agricultural income, presents a substantial challenge to agricultural producers and an increased need to carefully manage risk on the farm or ranch.

The drop is buffered in part by the underlying strength of the agricultural sector. Several years of very strong farm income have helped build the farm sector balance sheet to a debt-asset ratio of 10.9 percent, nearly the strongest farm financial position since USDA started tracking data in 1960 (USDA-ERS). Similarly, farmland values have grown exponentially, with U.S. average farmland values rising more than 8% per year in the 2003-2013 period (USDA National Agricultural Statistics Service) before reports of level or modestly lower values in 2014 and early 2015.

The varying outlook for agriculture stems in large part from the changes and continued volatility of agricultural commodity prices. Lower price and income forecasts will push changes in price, production, and financial management decisions. But, even as producers adjust to changing price expectations, they will also continue to face tremendous price volatility. From a low of \$1.87 per bushel in December 2005, the nearby corn futures contract on the Chicago Board of Trade climbed to \$7.65 in June 2008, fell to \$2.90 in December 2008, climbed to \$7.99 ¾ in June 2011, fell to \$5.51 in May 2012, rocketed to \$8.43 ¾ by August 2012, fell to \$4.06 ¼ in January 2014, rebounded to \$5.19 ½ in May



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2014, fell to \$3.18 ¼ in September 2014, and stood at \$3.59 ¾ as of early May 2015 (CME Group).

Managing this price volatility and similar volatility in input costs can be challenging for producers. The greater recognition of production risk following a record drought in 2012 and the changing design of farm programs in the 2014 Farm Bill add more variables for producers to address in managing risk on their farm or ranch operation.

Beyond the price, production, and financial risks in the recent headlines, producers face numerous other risks as well. Environmental regulations, new rules that could constrain production and marketing methods, food safety regulations, agricultural labor rules, and other legal issues including tax and trade policy all affect producers. Human risks such as labor and personnel management or transition and estate planning also have a substantial impact.

Clearly, risk management continues to be a critical need for agriculture in 2015. The challenge for producers is to develop and implement effective risk management strategies to manage risk and position the farm or ranch for future growth and success.

The *Extension Risk Management Education* (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. 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 and helping programs focus on tangible results (ERME, 2014). Four ERME Centers are located across the country at the University 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*, ncerme.org hosted by the University of Nebraska-Lincoln Agricultural Economics Department, addresses 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 316 projects and over \$9.9 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 85,656 farm and ranch participants receiving risk management education and more than 195,257 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 from recently completed projects are:

- 1) In Iowa, 330 participants attended workshops to learn about best management practices in their calf program. With the use of 40 calf management surveys, 16 on-farm workshops, 3 webinars, and over 20 individual visits, producers increased awareness, understanding, and decision-making ability.
 - Over 200 participants viewed and evaluated a calf-feeding and management system, and nearly 10% are in the process of, or have completed making changes to their calf facilities and practices which may include improved housing ventilation systems, installation of automated calf-feeders or pasteurizers, and enhanced nutritional feeding programs.
 - 80% of the individual visits were to assist producers in developing a change in their calf environment.
 - 20% of the individual visits included ways to assist producers with changes to their calf health or nutrition program to improve growth.
 - Long-term application of this project will produce healthy dairy replacements that will improve profitability and productivity.
- 2) FairRent for the Web was developed and distributed to provide a web-based software to evaluate risks associated with land rental arrangements. FairRent users are located in at least 30 states, including all 12 states in the North Central region.
 - Through 30 workshops held across Minnesota, 1,586 participants understand how to evaluate the projected returns from cash, share, and flexible rental arrangements and the risk associated with each.
 - 2,076 producers used the online FairRent application to evaluate projected returns and risks at various cash rental rates or under alternative share rental arrangements.
 - To date, 2,126 users have used FairRent to evaluate 2,405 cash, 143 share, and 449 flexible lease arrangements.

3) In Kansas, 438 producers participated in programming to help graziers and livestock producers assess and manage production, market, and financial risk. The Amazing Grazing programming included a conference, 6 workshops, and two field days across the state.

- Over 250 participants improved their understanding of rotational grazing strategies, water use, or livestock handling methods.
- 47 participants will implement one or more livestock production and grazing system strategies into their operations to improve ranch profitability.
- 40 participants integrated an alternative forage to extend the grazing season or reduce input costs.
- 44 participants will either incorporate additional fencing to optimize grazing distribution and forage utilization or implement improvements to their watering system as a result of this project.

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, price support payments 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. Awards by State

State	Number of Awards 2001-2014
Illinois	21
Indiana	16
Iowa	48
Kansas	21
Michigan	14
Minnesota	31
Missouri	26
Nebraska	28
North Dakota	17
South Dakota	26
Ohio	21
Wisconsin	47
Total	316
Public Institutions	254
Private/Non-Profit Institutions	62

Forty-one proposals requesting \$1,789,708 were submitted to the North Central Center through the on-line application process during the 2015 RFA. The Advisory Council funded 15 projects for a total of \$680,033. The project period is April 1, 2015 – September 30, 2016. The Center also received 6 exploratory projects to consider, and the Advisory Council funded 4 projects for a total of \$10,175. 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. The FY2015 RFA included changes to the application period and the application process. The open period of the RFA is now mid-September to mid-November. The application process has changed from a two-step (pre-proposal and full proposal) to a single proposal process. North Central Center staff members hold a webinar for anyone interested in submitting proposals during the open period. 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 Extension Farm Management 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. Additional focus groups were held by the Center to assess the risk management educational needs of various special emphasis farmers in the North Central Region. The audiences and meetings included: Native American producers, Rapid City, South Dakota; Hmong producers, Madison, Wisconsin; and Black producers, Manhattan, Kansas.

The new farm bill created a current and emerging need for education, and in response, the 2014 Farm Bill Conference was held in Kansas City, Missouri on September 3-4, 2014. This train-the-trainer conference for Extension and other agricultural professionals on 2014 Farm Bill details and programs was sponsored by the Extension Risk Management Education Centers. A total of 145 participants attended the training and, based on end-of-meeting evaluation results, indicated they would deliver more than 2,900 farm bill education programs to more than 185,000 producers.

Together with the other regional Centers and the Digital Center located at the University of Minnesota, the North Central Center recently co-hosted the 2015 National Extension Risk Management Education Conference in Minneapolis, MN with approximately 200 participants. This conference featured 3 keynote speakers, over 40 hours of individual concurrent session presentations, and a networking reception which includes a poster session. The Conference brings together private and public sector educators, crop insurance agents, lenders, and other agricultural pro-

fessionals providing an opportunity to share ongoing and emerging successful risk management education efforts which target agricultural producers and their families. Centers will sponsor the 2016 Extension Risk Management Education conference next spring in Fort Worth, TX.

The project director training was held on April 28, 2015 in conjunction with the ERME National Conference. The North Central Center had a breakout session with our regional project directors to discuss project responsibilities and administration. We then joined a general session with project directors across the country to learn more about topics such as: the reporting system, improving information delivery, evaluation, and how to write impact stories for progress and final reports.

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: “Managing Risk Drives Success.”* Progress Report. January 2014. Available at: <http://extensionrme.org/pubs/2014ProgressReport.pdf>.

2015 Funded Projects

Congratulations to the following project directors whose Risk Management Education projects were selected for funding in 2015

Rachel Armstrong	Farm Comments
Jennifer Bentley	Iowa State University
Marin Bozic	University of Minnesota
Jack Chang	Wisconsin Department of Agriculture, Trade and Consumer Protection
Jessica Jones	University of Nebraska-Lincoln
Joy Kirkpatrick	University of Wisconsin
Rachel Lindvall	South Dakota State University
Ray Massey	University of Missouri
Katie Nixon	Lincoln University
Jay Parsons	University of Nebraska-Lincoln
Kristine Ranger	The Learning Connection
Robert Rhea	Western FBFM Association
Denise Schroeder	Purdue University
Mercedes Taylor Puckett	Kansas Farmers Union Foundation
Crystal Weber	University of Missouri

Exploratory Projects

Jennifer Blazek	Dane County, University of Wisconsin
Jane Bush	Grazing Fields Cooperative
Roger Gates	South Dakota State University
Ken Olson	South Dakota State University

NCERMEC Staff

Brad Lubben	Director and Extension Assistant Professor and Policy Specialist
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