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Attitudes Toward Risk in a Changing Agricultural Marketing Environment

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This issue of Choices continues the discussion of risk management with a focus on decision making in risky environments. If risk can be defined as exposure to uncertain consequences, particularly unfavorable consequences (Hardaker et al., 2004), then risk management implies that decision-makers have some degree of choice or action by which they can influence the outcome of risky endeavors or mitigate the impact of the unfavorable outcomes.

We begin with a discussion of the risk preference characteristics of those involved in production agriculture. We then turn to efforts and tools these producers use to manage risk, beginning with commodity risk management through futures and options. Direct marketing alternatives via agricultural e-commerce are discussed. Finally, food safety liability among specialty crop producers is examined.

The first article, "How Well Do Farmers Tolerate Risk," by Brian Roe, examines whether the risk environment of farming has shaped who has entered and stayed in farming. He goes on to evaluate the degree of risk tolerance of farmers in comparison to both the general population and nonfarm business owners.

Futures and options markets are means by which commodity producers and users can reduce price risk through hedging. But the changing environment of futures markets—volatility, convergence issues, misappropriation of margin accounts—has raised the question of whether farmers and ranchers still perceive futures markets as viable marketing tools. Mark Welch et al. examine this issue in the second article, "Have Concerns over Futures Market Integrity Impacted Producer Price Risk Management Practices?"

Articles in this Theme:

How Well Do Farmers Tolerate Risk? Comparisons with Nonfarm Business Owners and the General Population

Have Concerns over Futures Market Integrity Impacted Producer Price Risk Management Practices?

Does E-Commerce Help Agricultural Markets? The Case of MarketMaker

Food Product Liability Insurance: Implications for the Marketing of Specialty Crops

In "Does E-Commerce Help Agricultural Markets? The Case of MarketMaker," Carlos Carpio, Dave Lamie, Olga Isengildina-Massa, and Samuel Zapata look at the development of agricultural e-commerce platforms like MarketMaker. MarketMaker, created in 2000 by a team of University of Illinois Extension personnel, is an interactive e-commerce platform that provides food marketing information to food entrepreneurs and their customers. Electronic markets in general are expected to be more transparent and competitive than physical markets. However, given the relatively new state of e-commerce in agriculture, its impact has not been widely measured and documented.

In the last article by Kathryn A Boys, the impact of food product liability insurance requirements on specialty crop farmers is examined. Boys finds in her article "Food Product Liability Insurance: Implications for the Marketing of Specialty Crops" that inefficiencies associated with

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food product liability insurance could effectively increase the cost of specialty crop production, while limiting the ability of producers to sell products even through direct marketing channels. As a result, revenues and profitability could decline and, in some cases, viability of some producers could be affected.

For More Information

Hardaker, J.B, R.B.M. Huirne, J.R. Anderson, and G. Lien. 2004. *Coping with Risk in Agriculture,* 2nd edition. Cambridge: CABI Publishing.

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