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Cornhusker Economics

North Central Extension Risk Management Education Center

Market Report	Year Ago	4 Wks Ago	5-8-20
Livestock and Products.			
Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.....	*	*	95.00
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	NA	161.98	155.96
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	NA	122.12	133.40
Choice Boxed Beef, 600-750 lb. Carcass.....	223.49	225.37	441.53
Western Corn Belt Base Hog Price Carcass, Negotiated	77.83	*	*
Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean.....	84.72	51.94	115.75
Slaughter Lambs, wooled and shorn, 135-165 lb. National.....	154.10	162.25	162.25
National Carcass Lamb Cutout FOB.....	386.97	438.44	408.26
Crops.			
Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu.....	3.65	4.51	4.25
Corn, No. 2, Yellow Columbus , bu.....	3.42	2.98	2.81
Soybeans, No. 1, Yellow Columbus , bu.....	7.01	7.91	7.91
Grain Sorghum, No.2, Yellow Dorchester, cwt.....	5.30	5.93	5.70
Oats, No. 2, Heavy Minneapolis, Mn, bu.....	3.20	3.10	3.37
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.....	*	*	*
Alfalfa, Large Rounds, Good Plate Valley, ton.....	115.00	90.00	90.00
Grass Hay, Large Rounds, Good Nebraska, ton.....	90.00	85.00	80.00
Dried Distillers Grains, 10% Moisture Nebraska Average.....	114.50	211.67	165.00
Wet Distillers Grains, 65-70% Moisture Nebraska Average.....	42.50	52.75	51.88
* No Market			

Farmers and ranchers face many risks and challenges in production agriculture on a daily basis. Managing the full range of production, marketing, financial, legal, and human risks are all part of the business of being in agriculture. Yet, even in a sector where risk is a part of daily life, the past few years seem like an extreme outlier.

A multi-year downturn in agriculture from record farm income levels in 2013 has been accentuated by multiple shocks that have affected the profitability and viability of farms and ranches across the country. For more than two years, agricultural producers have felt the economic impact of a lingering trade conflict with China. In 2019, agricultural producers faced extreme weather, storms, and flooding that led to substantial property damage and massive production losses (including prevented planting losses) across much of the North Central region. In 2019, cattle producers also faced the challenges of market disruption due to a processing plant fire and the loss of processing capacity for an extended period of time.

Now, in 2020, producers seem to be facing the combination of all of the risks at one time. In the wake of the tragic COVID-19 pandemic, agriculture has been significantly impacted in spite of being one of the essential industries still operating through the economic shut-down. Dramatic changes in food demand with a shift to more at-home consumption have stressed processing and marketing channels and reduced demand for ag commodities in some markets. Worker health issues have also greatly hindered the food animal processing sector and reduced processing capacity, hurting ag commodity prices even as retail prices have climbed. Commodity prices have also been hurt by the overall economic slowdown as ag exports have struggled and reduced energy demand has in turn, reduced demand for biofuels.

Managing through the current economic challenges and accumulating shocks in the ag sector will 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 412 projects and over \$12.2 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 132,773 farm and ranch participants receiving risk management education and 407,911 measurable producer actions to better manage risk on their operations to date.

The Agricultural Improvement Act of 2018 authorized the ERME program to expand our role and serve a new audience, defined as *producers that are underserved by the Federal crop insurance program*. In response, the Center, in conjunction with the other regional Centers, released a second RFA in February for projects focused on risk management education for producers underserved by Federal crop insurance.

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 the Center's 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 2020 RFA which focused on a broad range of risk management education was released in September 2019 and closed mid-November. Forty-three proposals requesting more than \$1.6 million in funding were submitted to the North Central Center through the on-line application process. The Advisory Council recommended funding 15 educational projects with a project period of April 1, 2020 – September 30, 2021 for a total of \$650,409. The Center also acted on Council recommendations and funded 4 exploratory projects for a total of \$11,000. The exploratory projects have a short, 8-month project period for the purposes of program planning and development.

Table 1. North Central Region States and Funded Projects.

State	Number of Awards 2001-2020
Illinois	28
Indiana	20
Iowa	61
Kansas	27
Michigan	19
Minnesota	43
Missouri	33
Nebraska	50
North Dakota	17
Ohio	26
South Dakota	33
Wisconsin	55
Total	412
Public Institutions	335
Private/Non-Profit Institutions	77

The new funding opportunity serving producers underserved by crop insurance was announced on February 3, 2020 and closed March 26, 2020. Fifteen proposals requesting over \$1.2 million in funding were received by the Center through the on-line application process. The review panel has recommended 10 projects be funded for approximately \$733,000 subject to contract review. These projects will be carried out during an expected award period of June 1, 2020 – November 30, 2021.

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

1. Five, multi-session workshops were held in western Ohio to improving 54 producers' marketing risk management skills. Two webinars were also offered and are available for producers to access at-will expanding the reach of this program. Understanding breakeven cost of production and how that drives marketing decisions, exposure to the different marketing tools, and the concept of writing a grain marketing plan to take some of the emotion out of marketing are some of the most important concepts participants reported they learned. Based on the 6-month follow-up survey that had 17 respondents:
 - 9 (52.9%) had developed a marketing plan since the workshops, and 5 had implemented that plan,
 - 90% completed an accurate balance sheet,
 - 70% discussed risk capacity with their lender,
 - 60% tried a new marketing tool,
 - 50% completed a crop budget and,
 - 20% opened a brokerage account.
2. Workshops in Missouri provided 52 producers with the opportunity to gain the information and tools necessary to sustain their farms' viability by improvement in recruitment, hiring, and managing of employees. Participants left the meetings with the Missouri Farm Labor Guide in hand which included resources, templates, and checklists on farm labor management.
 - Participants better understand state and federal labor regulations and recordkeeping requirements.
 - Participants reviewed existing labor management practices on their farms to consider their risk exposure.
 - Participants developed a list of changes to their labor policies and procedures and goals for implementation on their farm.
 - Participants committed to preparing a new or revised labor management guide for their operation.
 - Beyond the workshops, more than 330 producers have used the Missouri Farm Labor Guide to learn more information about labor management, laws, and regulations.

In 2019, the ERME program initiated the Outstanding Project Award to recognize the successful efforts of one project from each region. Now in its second year, the North Central Center recently

recognized Jim Jansen (PD) and Allan Vyhalek (co-PD) from Nebraska Extension for their recent project "So You've Inherited a Farm, Now What?" as its 2020 Outstanding Project. The project provided education on the financial, human, and legal risks associated with farm transition and helped impact participants ranging from off-farm heirs to multi-generation farm family operations to ag professionals working closely with producers on farm transition issues.

Center Activities

The Center hosted and was a co-sponsor of the 2018 Farm Bill Education Conference in Kansas City on May 22-23, 2019. This conference was provided for Extension and other professionals educating agricultural producers to discuss the details, decisions, and impacts of the "Agricultural Improvement Act of 2018." Approximately 150 participants attended the conference, with the impacts and outreach extending well beyond that once they took what they learned and applied it to their work with producers.

The Center also 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 RFA for the ERME Competitive Grants Program was released in the fall. North Central Center staff members held a webinar for potential applicants to learn about the funding opportunity 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 similar webinar was held in February for applicants interested in applying to the Underserved Producers RFA.

Unfortunately, the 2020 National Extension Risk Management Education Conference in Denver, Colorado in April was cancelled due to the COVID-19 pandemic. Many of the concurrent session and poster session presentations are available online from a link on the extensionrme.org website. 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 2021 National Extension Risk Management Education conference next spring in Omaha, Nebraska on March 23-24, 2021.

A training workshop for the newly funded North Central Center project directors was held on March 31 via a Zoom meeting. The training focused on project administration responsibilities as well as best practices for implementing, delivering, and reporting on successful projects.

2020 Funded Projects

Congratulations to the following project directors whose risk management education projects were selected for funding in 2020:

Rachel Armstrong	Farm Commons
Kimberly Clark	University of Nebraska-Lincoln
Jennifer Bentley	Iowa State University Extension & Outreach
Jessica Groskopf	University of Nebraska-Lincoln
Robert Holcomb	University of Minnesota
Jim Jansen	University of Nebraska-Lincoln
Amanda Kik	Crosshatch Center for Art & Ecology
Glennis McClure	University of Nebraska-Lincoln
Kendra Meyer	Iowa State University Extension & Outreach
Daniel O'Brien	Kansas State University
Robert Rhea	Illinois FBFM
Beth Scheckelhoff	The Ohio State University
Madeline Schultz	Iowa State University Extension & Outreach
Larry Tranel	Iowa State University Extension & Outreach
Katie Wantoch	University of Wisconsin-Madison

Exploratory Projects

Erin Hodgson	Iowa State University Extension & Outreach
Leigh Presley	University of Wisconsin Ext. Kenosha & Racine Counties
Matthew Stockton (2 projects)	University of Nebraska-Lincoln

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 Report. 2017. Available at: <http://extensionrme.org/pubs/2017ProgressReport.pdf>.

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