



MANAGING RISKS ON THE SMALL FARM

A Plain Language Guide from the New Entry Sustainable Farming Project



IN THIS GUIDE, YOU WILL LEARN ABOUT:

Production Risk

Marketing Risk

Financial Risk

Worker Risk

Legal Risk

Strategies to Manage Risks

NEW ENTRY SUSTAINABLE FARMING PROJECT NORTHEAST NETWORK OF IMMIGRANT FARMING PROJECTS

Authored by Kimberley Fitch

Reviewed by Jennifer Hashley, New Entry Sustainable Farming Project Director

www.NewEntrySustainableFarmingProject.org

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Boston Office:

New Entry Sustainable Farming Project

Agriculture, Food and Environment Program

Gerald J. and Dorothy R. Friedman School of Nutrition and Science Policy

Tufts University

75 Kneeland Street

Boston, MA 02111

(617) 636-3793



Lowell Office:

New Entry Sustainable Farming Project

155 Merrimack Street, 3rd Floor

Lowell, MA 01852

(978) 654-6745



For additional information regarding this document, please email: nesfp@tufts.edu, or call: (978) 654-6745. This document is available in electronic format or as a printed copy. The latter may be obtained by contacting New Entry Sustainable Farming Project at the above locations. Please contact New Entry for permission to use any part of this document for educational purposes.

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Managing Risks on the Small Farm

PURPOSE OF THIS GUIDE

Who should read this guide?

This guide is written to introduce farmers to the risks of farming. If you are thinking about earning money through farming, it is a good idea to ask yourself a lot of questions before you begin. Farming can be a good way of life, and it poses many risks. When you become involved in farming, you should invest time to learn about the risks so that you can prepare for unexpected events. This guide will help you ask many of the questions that will help you face the unknowns.

You will benefit from this guide if you:

- Have been farming for a long time and want to make farming a larger part of your life.
- Are new to farming and wish to learn about the realities of what you may face.
- Have encountered a setback in your farming and wish to better prepare yourself to deal with possible future challenges.

It may be helpful for you to use this workbook with someone who can guide you to more farming information, such as an experienced farmer, staff member of a farm service organization, or other service provider. We recommend you involve your whole family in completing the worksheets in this guide to make sure everyone understands what is involved and to help develop strategies to reduce your risk.

Remember, there are no right or wrong answers! The information you discover as you work through this guide is your own and each person may have different goals, resources and ways to get started in farming. Be as honest as you can in your answers to the questions.

What is Plain Language?

This guide is presented in a format called **Plain Language**. Plain Language provides clear, simple, and accessible text for readers in order to reduce misunderstandings, errors, and lack of comprehension. It also helps guide you through action steps to practice what you learn, and gives examples of other people using the information. We present this guide in Plain Language in order to make the topic accessible to everyone.



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WHAT IS RISK?

You have risk if there is the chance of injury or loss to you, your family, your employees, or your property. Risk involves things which are hard to predict, such as weather, prices, government policies, accidents, and illness which can affect your farm.

- Risk is always a part of farming.
- Risk is something which can cause a loss for your farm or cause a problem for you or your workers.
- Risk is something which can stop you from getting to your goals.



What can you do about risk?

Risk is not something that you can stop. But, there are tools you can use to reduce risk. When you learn about these tools, and use these tools, you are **managing risk**.

A government agency that specializes in helping farmers think about risk is the USDA Risk Management Agency, also called the RMA.

The RMA provides information about crop insurance programs and provides reports to help farmers manage risks. They also have staff to answer questions and a website with tools help farmers to manage risk.

Visit their website at <http://www.rma.usda.gov/>.



Before you can manage risk, you will need to think about your goals.

Write down your answers to these questions:

- What are my goals for the farming season? (Pay a loan, pay for equipment, pay for education, earn more profit, etc.)
- Do I think I will be able to reach my goals this year?
- Do I have a way to know if I am moving closer to my goals?
- Have I talked about my goals with my family and my workers? Have my family and my workers talked about their goals with me?
- Do my family and my workers have the same goals I have?

In this Guide, you will learn about five kinds of risk:

Production Risk

Marketing Risk

Worker Risk

Legal Risk

Financial Risk

You will see questions in each section. **Write down** the answers to the questions. Then, share your answers with the people listed below who can help you with managing risk, such as:

- Other farmers
- People in nearby USDA offices
- Loan officers
- Teachers
- Crop insurance agents
- Lawyers
- Your family
- Business counselors
- Accountants
- Extension agents



RISK #1: PRODUCTION RISK

To succeed, it is helpful for you to have a farm plan that includes different types of farm products. If you have this plan, you can make money in one area in case you lose money in another area due to **Production Risk**.

You Have Production Risk If:

- Your area has bad weather (flooding, no rain, storms, hail).
- Your crops have pests and diseases.
- You have bad seeds.
- Your machinery and equipment does not work.
- You do not manage your soil health and fertility.
- You are not sure how to apply chemicals.
- You are not sure how to rotate your crops.
- You do not manage your weeds.





Check the box for each Production Risk that affects you:

Risk	<i>This risk could keep me from getting to my goals.</i>	<i>I can manage this risk on my own.</i>	<i>I need help managing this risk.</i>	<i>I avoid this risk.</i>
Bad weather				
Pests and disease				
Bad seeds				
Equipment does not work				
Not sure how to manage soil health				
Not sure about chemicals				
Not sure how to rotate crops				

There are many tools you can use to manage Production Risk.

For example, you can:

- Talk to an expert for advice.
- Employ a crop scout to check your fields for early signs of pest or disease.
- Take a soil test annually to get recommendations for improving soil fertility.
- Order seeds from a good company that guarantees their product.
- Plant crops on a schedule and rotate where you plant them in the field each year.

Example 1: *I farmed on my own for two years, and did not make much money since insects ruined many of my crops. This winter, I met another farmer who has been farming for many years and has a big farm. I told him about my problem. He says he uses safe products to manage insects. He says he will visit me and help me with information on how to control insects during the next growing season.*

Example 2: *Last year, I grew crops on two acres. On part of my field, many of my crops were yellow, small, and did not produce well. This fall, I took a soil sample and sent it to a lab for testing*



Check the box if you use the tools now or if you plan to use them during the next growing season:

Tools to Manage Production Risks	<i>I use this tool NOW:</i>	<i>I will use the tool during the NEXT growing season:</i>
Grow crops and raise livestock (both)		
Grow a variety of crops		
Make money from another job to add to my farm income		
Talk to experts about new ways to farm		
Have crop insurance		
Grow crops which are disease-resistant		
Rotate crops		
Use safe products to manage pests		
Irrigate crops		
Maintain equipment		
Use new technology		
Store items safely (away from too much heat or cold)		



What tools do I need to manage my Production Risks?

- Money?
- More help from my friends, relatives, or hired workers?
- More information?
- New technology?

ONE GROWER'S STORY

A Production Risk Decision:

Regular or Insect Resistant Seeds?

Leonel wants to buy bitter melon seed. Last year, Leonel lost money on his melon crop, due to problems with beetles. Leonel uses organic practices.

This year, Leonel sees the following items for sale:

- The same bitter melon seed which he bought last year (1 pound costs \$85.00). Last year Leonel bought 3 pounds of seed.
- One bottle of organic pesticide for beetles \$60.
- Melon seed which is resistant to the beetles (1 pound costs \$150.00).

These are some of the choices that Leonel has:

- Buy the same seeds as last year.
- Buy the same seeds as last year, plus the organic pesticide.
- Buy the beetle resistant seeds.
- Buy the same seeds as last year plus crop insurance.
- Buy the beetle resistant seeds plus crop insurance.

These are some of the things that Leonel needs to know before he can make a decision:

- What is the yield of the regular melon seed?
- How much organic pesticide would he need to treat his crop to cover the three pounds of melon seeds he will buy?
- How much time and work does it take to apply the organic pesticide?
- What is the yield of the beetle resistant seed?
- Are there other insects (besides beetles) which may hurt Leonel's bitter melon crop?
- Does crop insurance cover loss from pests? How much does crop insurance cost?

There are many decisions to think about when deciding what to grow and how to manage production risks. Planning ahead and carefully thinking of ways to prevent risk can help you save time and money.

RISK #2: MARKETING RISK

To succeed in farming, you should think about the tools, techniques and resources needed to increase sales. This is called **Marketing**.

You Have Marketing Risk If:

- You are trying to sell a product you have not sold before.
- The buyer has not seen the crop before.
- You go to a market where you have not sold before.
- Your prices or costs of production have changed since last year.
- There is a new seller in your area who sells the same products you sell.
- Your buyers do not speak your language.
- Your buyers cancel their contracts.





Check the box for each Marketing Risk that affects you:

Risk	<i>This risk could keep me from getting to my goals.</i>	<i>I can manage this risk on my own.</i>	<i>I need help managing this risk.</i>	<i>I avoid this risk.</i>
Have not sold product before				
Buyers have not seen the crop before				
Not gone to market before				
Prices changed since last year				
New seller sells your product				
Buyers speak different language				
Buyers cancel contracts				

Your decisions about marketing will affect the rest of your farm business. You should not make a decision about marketing without thinking about how your decision will affect the rest of your farm.

Example 1: *I have a one acre farm. Last year I planted potato, tomatoes, and squash. But everyone at the farmers' market asked me for cucumbers and lettuce. This year I will plant cucumber and lettuce also. But this means that I will have less room to plant my other crops. I need to think about which crops make me the most money with the least cost to produce.*

Different markets have different costs to your farm.

Example 2: *If I sell my products to the grocery store, I will need special-sized boxes, and all the produce must be uniform and perfect. I have to deliver on time and have the quantity the store wants. If I sell my products at the farmers' market, I may need tables, tents, scales, bags, and signs, and I can bring the crops that are ready to harvest, but I may not know how much I will sell that day.*



Check the box if you use the tools now or if you plan to use them during the next growing season:

Tools to Manage Market Risks	<i>I use this tool NOW:</i>	<i>I will use the tool during the NEXT growing season:</i>
Know what products your customers want to buy		
Know your costs so you set a price that makes you money		
Sell a product that other growers are not producing		
Advertise and tell your buyers about your products		
Sell to a variety of customers: CSA, wholesale market, farmers' markets		
Become a member of a marketing cooperative		
Get sales contracts before planting your crops		
Watch your competition; adjust your prices if they are too high or too low compared to the competition, and of similar quality		
Add value to your crops through processing or packaging		
Store products to sell at a later time if possible		
Plant some crops that grow quickly, and some crops that take a long time - always have a variety to sell		
Grow crops in a greenhouse		
Develop a marketing plan		
Make a backup plan to follow in case your marketing plan does not work		

What tools do I need to manage my Marketing Risks?

- Money?
- More help from my friends, relatives, or hired workers?
- More information?

Calculate your revenues

It is important to know which markets make you the most money for your time and effort. Having a variety of markets is a smart marketing strategy, but it is important to know your costs and see which markets bring you the most revenue (earnings). Your revenues will be decided by the amount of product you sell and the prices you set.

To calculate your revenues, complete the following exercises:

For the upcoming season, which products will you sell and which markets will you sell your products to?

Example:

I sell 800 bunches of amaranth to the African restaurant.

I will sell 40 pounds of eggplant to the African restaurant, 90 pounds of eggplant to Tropical Foods grocery store, and 95 pounds at the City Farmers Market.

I will sell 20 pounds of bitter melon at the African restaurant, and 80 pounds at the City Farmers Market.

Product	African Restaurant	Tropical Foods Grocery	City Farmers Market
<i>Amaranth</i>	800 bu		
<i>Eggplant</i>	40 lbs	90 lbs	95 lbs
<i>Bitter Melon</i>	20 lbs		

Fill in the table below with information about your farm:

Product	Buyer 1	Buyer 2	Buyer 3
<i>Example: corn</i>	<i>20 bu</i>	<i>10 bu</i>	<i>60 bu</i>

Setting prices

How much do you think you will sell of each product? At what price will you set for each product?

You need to have a production plan that will tell you how much you can expect to produce of each crop (your *yield*). Then, you need to set a price for your crops that a buyer will pay, and that also covers all your costs.

It is helpful to visit stores and other markets to see what your crops sell for at the places you want to do business, so that you can get an idea of how much to charge. Retailers/stores generally mark up produce at least 20-30%. Check with the buyer, but be sure to cover your costs of production, travel for delivery, and any other market costs you have (boxes, labels, bags, etc.)

Calculate how much money you think you will receive in total sales of your crops. This is your *Revenue*.

Example:

	Africa Food Restaurant			Tropical Foods Grocery			City Farmers Market			Grand Total
Product	Quantity	Price	Total \$	Quantity	Price	Total \$	Quantity	Price	Total \$	
Amaranth	800 bu	\$1.20	\$960							\$960
Eggplant	40 lb	\$1.10	\$44	90 lb	\$1.10	\$99	95 lb	\$2.00	\$190	\$333
Bitter Melon	30 lb	\$1.00	\$30				160 lb	\$2.00	\$320	\$350
Revenue			\$1034			\$99			\$510	\$1,634

Fill in the table below with information about your farm:

	Market/Buyer			Market/Buyer			Market/Buyer			Grand Total
Product	Quantity	Price	Total \$	Quantity	Price	Total \$	Quantity	Price	Total \$	
Revenue										

In order to manage marketing risk, you need to know your farm's costs and profits. To develop a marketing plan, you should:

- Ask for help from experts.
- Determine your **Revenues**.
- Make a list of all your **Costs** (seeds, irrigation, equipment, etc.) and calculate what you think your total production costs will be for the season.
- **Revenues** minus **Costs** are your **Profit**.

Example:

Type of Cost	Cost for Growing Season
<i>Amaranth Seed</i>	\$55.00
<i>Eggplant Seed</i>	\$212.00
<i>Bitter Melon Seed</i>	\$78.00
<i>Surround WP - 25 lb Bag</i>	\$30.00
<i>Fuel for Transport to Markets</i>	\$450
<i>Fertilizer</i>	\$60.00
Total Cost for Growing Season	\$885

In the examples, **Revenues** are \$1,643 and **Costs** are \$885.
 The **Profit** is \$1,643 - \$885 = **\$758**

Fill in the table below with information about your farm:

Type of Cost	Cost for Growing Season
Total Cost for Growing Season	

Your Revenue \$ _____ - Your Cost \$ _____ = \$ _____ Profit

How much do you have to sell so that your costs equal your revenues?

Example 1: *I will sell to two restaurants and three farmers markets this year.*

My revenues will be about \$3,600.

My costs for land lease, seeds, tools, and fuel will cost about \$1,300.

Also, I have to buy a rototiller this year (second hand), which costs me \$2,500.

So, my total cost is $\$1,300 + \$2,500 = \$3,800$.

By the end of the season, I will lose \$200 on my farming.

I will need to grow and sell more crops so that my costs equal my revenues.

How much do you have to sell so that you make enough money to reach your goals?

Example 2: *I want to pay to move to a new apartment closer to the farm, but the rent for the apartment is \$100 more per month than the rent I pay now.*

I will need to have an additional \$1,200 to move to the new apartment.

I have a part-time job and I make just enough money to pay for my living expenses.

My revenues from farming this year will be about \$6,200.

My total costs of farming will be \$2,400.

By the end of the season, I will make \$3,800 ($\$6,200 - \$2,400 = \$3,800$).

I will have enough money to reach my goal of moving closer to the farm.



ONE GROWER'S STORY

A Marketing Risk Decision:

Grocery Store or Farmers market?

Sometimes, if you use one marketing outlet, you cannot use another. As you will see in the example below, you may not have time to go to both marketing outlets. You would need to think about which outlet has more risk, and which outlet allows you to make more money.

For many years, Nuo has sold his water spinach, taro leaves, bok choy, chrysanthemum, mustard greens, pea tendrils, and amaranth to a grocery store in his town. He must drop off the produce before 3:00 PM on Thursdays. This year, Nuo's friend told him about a new farmers market, which is located 35 miles away by car. Nuo's friend says that the farmers market is good. Nuo's friend sells tomatoes, carrots, and beans. The farmers market takes place on Thursday afternoon, and Nuo would not return in time to drop off produce at the grocery store.

Nuo knows:

- The grocery store will purchase his crops each week.
- For each of his crops, the price at the farmers market is twice as much as he can get at the grocery store.
- Nuo is not sure about the sales that he could make for his ethnic crops at the farmers market.
- Nuo's van has bad gas mileage. It will cost about \$20 for a round trip to the farmers market.
- One booth at the farmers market costs \$125 for the season.
- Nuo will need to buy a tent, tables, scale, signs, bags and other supplies.
- The market is open for four hours. Including travel time, Nuo will be away from the farm selling all afternoon.

These are some of the options that Nuo has:

- Sell to the grocery store, and don't take the chance on the farmers market.
- Go to the farmers market for one day (if allowed by the market manager) to test the market.
- Make a season-long commitment to the farmers market for \$125.
- See if the grocery store will accept a delivery on another day.
- Hire someone to make his store delivery for him on Thursday afternoon while he attends the farmers market.



These are some of the things that Nuo needs to know before he can make a decision:

- What do other farmers say about sales at the farmers market? Is it busy? Do lots of people shop there?
- Nuo sells Asian crops. Who shops at the market? Will he be able to sell these crops at the farmers market?
- Is it possible to pay a one-time fee and try out the farmers market before paying the full season price?
- Will the grocery store accept a drop off on another day or earlier in the day? Or can he hire someone else to make the delivery?
- Can he grow enough to sell at both the market and the store?
- How much will he need to spend on market supplies for the farmers market?

RISK #3: WORKER RISK

You may have family members, friends, or hired people who work on your farm. All of these workers need to be managed and trained. The way that you manage and train workers has a large impact on your Worker Risk.

You Have Worker Risk If:

- Your family members have different goals than you.
- Your workers leave the farm (or children leave).
- Your workers are not skilled in farming.
- You do not train your workers.
- Your workers do not get along well.
- Your workers get sick or injured.
- You have not managed workers before.
- You do not understand government rules about hiring workers.
- You do not pay workers' compensation.
- You do not pay the right payroll taxes for your workers.



Example: *This growing season I will move from a one acre farm to a three acre farm. I plan to grow much more than last year. I do not have workers now. I will need to hire workers and train them. I have not managed workers before and I do not know all the forms I need to fill out to hire or pay my workers.*



Check the box for each Worker Risk that affects you:

Risk	<i>This risk could keep me from getting to my goals.</i>	<i>I can manage this risk on my own.</i>	<i>I need help managing this risk.</i>	<i>I avoid this risk.</i>
Family members have different goals				
Workers leave the farm				
Workers not skilled in farming				
Do not train workers				
Workers do not get along well				
Workers get sick or injured				
Have not managed workers before				
Do not understand government rules about hiring				
Do not pay workers' compensation				





Check the box if you use the tools now, or if you plan to use them during the next growing season:

Tools to Manage Market Risks	<i>I use this tool NOW:</i>	<i>I will use the tool during the NEXT growing season:</i>
Talk about your goals and risk management tools with your family		
Hire productive workers		
Make sure that workers understand how and why decisions are made		
Make sure that workers understand what you want them to do and how to do it		
Take a class to build your own skills		
Talk to experienced farmers when you have questions		
Know what you will do if a worker gets hurt		
Purchase workers' compensation insurance		
Prepare a will		
Hire a payroll specialist to pay your workers		



What tools do I need to manage my Worker Risks?

- Money?
- More help from my friends, relatives, or hired workers?
- More information?

ONE GROWER'S STORY

A Worker Risk Decision:

The Family Farm

Sophy has worked on her six acre family farm for 15 years, with her two adult daughters and her husband. Her husband died during the winter. Sophy would like to manage the farm this summer, but she is worried about getting all of the work done.

Sophy knows that:

- She cannot do all of the work that her husband did.
- Most of the farm decisions were made by her husband alone, and she was not part of the decisions.
- Sophy likes to work with her daughters, but her daughters work only part-time on the farm, since they have other jobs.

These are some of the options that Sophy has:

- Pay her daughters more money and ask them to work more on the farm.
- Hire farm workers and train them to work on her farm.
- Hire an experienced farm manager.
- Purchase workers' compensation insurance.
- Don't purchase workers' compensation insurance.
- Find another job and work on the farm part-time.
- Plant on smaller acreage this year and manage the farm alone.

These are some of the things that Sophy needs to know before she can make a decision:

- Will her daughters spend more time at the farm, now that Sophy needs them?
- Can Sophy now offer her daughters more money for their work?
- How much do farm workers cost?
- Where can Sophy go to find good farm workers?
- How much time would it take for them to learn about her farm?
- How much does workers' compensation insurance cost?
- What are the types of jobs that Sophy's husband did that she would need to hire for?

RISK #4: LEGAL RISK

You may have legal risk when you operate your farm. If you do not know and follow the local, state, and federal laws and regulations, you will have legal risk. Also, if you sign a legal contract, then you have **Legal Risk**.

A legal contract is:

- A signed lease for equipment or land
- An insurance contract
- A mortgage
- A sales contract

You Have Legal Risk If:

- You do not follow the label instructions when you use pesticides.
- You do not keep records of pesticide use.
- You do not get the permits you need for your farm.
- You could be sued from an injury that happened on your farm.
- You do not pay your taxes.
- You do not pay your lease or mortgage.
- You do not follow food safety laws.
- You do not have product liability insurance and someone gets sick from eating your food.



Example: Nelson signed a sales contract with a grocery store. He is required to provide 50 pounds of carrots each week for six weeks. His carrot crop did not do well, and Nelson was not able to provide the carrots. Nelson has legal risk since he cannot complete the sales contract.



Check the box for each Legal Risk that affects you:

Risk	<i>This risk could keep me from getting to my goals.</i>	<i>I can manage this risk on my own.</i>	<i>I need help managing this risk.</i>	<i>I avoid this risk.</i>
Do not follow pesticide instructions				
Do not keep records of pesticide use				
Do not get permits you need				
Could be sued for farm injuries				
Do not pay taxes				
Do not pay lease or mortgage				
Do not follow food safety laws				
Do not have product liability insurance				





Check the box if you use the tools now, or if you plan to use them during the next growing season:

Tools to Manage Market Risks	<i>I use this tool NOW:</i>	<i>I will use the tool during the NEXT growing season:</i>
Buy farm liability and product liability insurance		
Know where you are allowed to grow and sell your products		
Know food laws for inspection, quality, and handling		
Pay your taxes		
Get a license to use chemicals, if required		
Keep records for organic certification		
Keep records for pesticide and fertilizer use		
Buy workers' compensation insurance and health insurance		



What tools do I need to manage my Legal Risks?

- Money?
- More help from my friends, relatives, or hired workers?
- More information?

ONE GROWER'S STORY

A Legal Risk Decision:

Food Processing Laws

Ricardo and his wife have been growing and processing salsa for many years. They use their kitchen at home for cooking and canning. Their product is popular with other Latinos in their town. Store owners have asked if Riccardo will sell the salsa to their stores.

Riccardo knows:

- There are food processing laws for cooking, handling and canning.
- His cost is \$2.25 per jar to make the salsa.
- He can make 45 jars of salsa per week.

These are some of the choices that Riccardo has:

- Sell his salsa to the stores without learning about the regulations.
- Attend a food safety certification course.
- Get a food business license.
- Submit state and federal tax forms.
- Buy insurance.
- Find an approved kitchen for processing the salsa.
- Have the salsa tested and a label made.

These are some of the things that Riccardo needs to know before he can make a decision:

- Is there a food safety certification course nearby?
- Where can he get help in getting a food business license?
- Where can he get help in submitting state and federal tax forms?
- Where can he get help in learning about insurance?
- Is there an approved or certified processing kitchen nearby?
- What price will the store pay him for his salsa?
- How many jars will the store buy from him each week?
- What will happen if someone gets sick from his salsa?

For more information about making a value-added product such as salsa, see the New Entry Sustainable Farming Project's "Starting a Value-Added Food Business" Guide.

RISK #5: FINANCIAL RISK

Even if you have a successful farm, you still may have Financial Risk. Each time you owe money or have to pay money for expenses that you will have later, you have **Financial Risk**.

You Have Financial Risk If:

- Your math skills are not good.
- The interest rates change on any debt or loans you have.
- Your taxes increase or you pay them late.
- You did not pay off your debts in time.
- You have no extra money for purchases (seeds, equipment, etc.) or for emergency situations.
- You do not know your revenues or expenses.
- You do not keep good records.





Check the box for each Financial Risk that affects you:

Risk	<i>This risk could keep me from getting to my goals.</i>	<i>I can manage this risk on my own.</i>	<i>I need help managing this risk.</i>	<i>I avoid this risk.</i>
Math skills not good				
Interest rates change				
Taxes increase				
Did not pay off debt on time				
No extra money for purchases				
Do not know revenues/expenses				
Keep bad records				

In order to manage financial risk, you need to keep good financial records. During the year you need to write down:

- Farm purchases (equipment, seeds, marketing supplies, etc.)
- Sales (what product sold, how much the product sold for, who you sold to)
- Loan payments
- Worker costs (how many hours per week, what tasks they did)
- Insurance costs
- Taxes
- Electricity and irrigation costs
- Family expenses
- Other farm costs



Check the box if you use the tools now or if you plan to use them during the next growing season:

Tools to Manage Market Risks	<i>I use this tool NOW:</i>	<i>I will use the tool during the NEXT growing season:</i>
Take a class to learn about finances		
Pay bills on time		
Buy crop insurance		
Participate in government programs		
Keep records		
If possible, make large purchases with other farmers in order to get a better price		

What tools do I need to manage my Financial Risks?

- Money?
- More help from my friends, relatives, or hired workers?
- More information?



ONE GROWER'S STORY

A Financial Risk Decision:

Borrowing Money

Mira received a loan last year from Acción for \$3,000. She used the money to pay for seeds, equipment, supplies, and rent for her land. For eight months, she has made all of her monthly payments in full and on time.

The farming season will start in four months. Mira has an old tractor, which has broken down. It will cost \$950 for repairs.

Mira knows:

- She must repair her tractor in order to farm this season.
- If she stops making monthly payments for her loan, she will have enough money to repair her tractor in six months.
- If she stops making monthly payments for her loan, her debt with Acción will probably increase since there may be a penalty and she will also have bad credit.

These are some of the choices that Mira has:

- Don't repair the tractor and use small equipment to do the work.
- Don't repair the tractor and borrow a tractor from another farmer for the season.
- Speak with Acción to see if she can get more money or refinance her loan to repair the tractor.
- Lease a tractor for the season.
- Borrow money from a friend or family member.
- Exchange produce or farm equipment for the tractor repair.
- Take a class on tractor repair and fix it herself.

Here are some of the things that Mira needs to know before she can make a decision:

- Can Mira work out a new payment schedule with Acción so that she can make lower loan payments and save for the tractor repair?
- Will Acción lend Mira more money so that she can pay for the tractor repairs?
- How much would it cost for Mira to lease a tractor for the season?
- Can she barter produce for tractor repair?

WHAT TO DO NEXT

After you finish answering the questions in this guide, go back and think about the risks that:

- Keep you from getting to your goals.
- You need help managing.

If there are some tools that you use now and that you will use during the next growing season to manage your risk, you should think about these tools now.

- Some tools will cost you money.
- Some tools will use your time.
- Some tools require you to speak with other people to get more information.
- Some tools will require you to try something new.

You need to decide which tools are right for your farm in order to manage risks and reach your goals.

You need to decide which type of insurance is right for your farm.

- RMA provides information about crop insurance, which you can purchase.
- When you buy insurance, you pay for a legal contract. You will get paid for any loss that is described in that legal contract.
- You can use farm insurance as a tool along with other risk management tools.





Thank you for your interest in this plain language guide. If you could take a few minutes to fill out a four question survey, please go to: <http://survey.constantcontact.com/survey/a07e2zty2t8gcxrw5vq/start>

1) How would you describe your background?

- Farmer
- Home Gardener
- Educator or Researcher
- Rancher
- Non-Profit Professional
- Government Agent
- Other



2) How useful was this guide?

Not Useful

Most Useful

3) Where did you learn about this guide?

- Friend
- Internet
- Co-Worker
- New Entry Staff
- Other

4) How will you use the information in this guide? Please write 2 or 3 action items.

Additional comments, corrections, or suggestions.

Please write to us with additional comments, suggestions, corrections or to sign-up for the New Entry newsletter.

Survey results can be sent to:
 New Entry
 155 Merrimack Street, Third Floor
 Lowell MA 01852

RESOURCES

Local Contacts

USDA Farm Service Agency Offices

Middlesex/Essex County
319 Littleton Rd., Suite 205
Westford, MA 01886-4133
(978) 692-1904 (extension 3)

Crop Insurance Agents:

P. Plastridge
Littleton, MA
978-486-3575

J. Cross
East Brookfield, MA
508-867-7538

E. Spencer
Plymouth, MA
508-747-8181

National Contacts

USDA Risk Management Agency

1400 Independence Avenue, SW
STOP 0808
Washington, DC 20250-0808
202 720-6356
<http://www.rma.usda.gov/>

FSA Loan Programs

USDA FSA Loan Making Division
1400 Independence Avenue, SW
STOP 0522
Washington, DC 20250-0522
202-720-1632
<http://www.fsa.usda.gov>

RESOURCES

Online Resources

Food Safety Begins on the Farm

A guidebook from Cornell University

Available online at <http://www.sfc.ucdavis.edu/pubs/articles/foodsafetybeginson-thefarm.pdf>

Farm Risk Management Strategies

USDA Economic Research Service's website

Available online at <http://www.ers.usda.gov/Briefing/RiskManagement/Strategies.htm>

Managing Farm Risk: Issues and Strategies

A guide from USDA Economic Research Service

Available online at <http://www.ers.usda.gov/publications/agOutlook/Feb2000/AoReprint/AOreprint.pdf>

Farm Risk Planning

USDA Risk Management Agency's website

Available online at <http://farm-risk-plans.usda.gov/>

