

Is your 2011 risk management plan adequate for 2012?

As you make plans for 2012, you need to seriously evaluate the adequacy of your 2011 risk management plan for each segment of your farm business. While a whole farm business focus is critical, in the interest of being brief, let's focus on the crops segment of your farm business.

Time was when the government programs almost automatically provided a pretty good safety-net and about all producers had to do was to enroll, and perhaps, idle a few acres. **But times have changed.** Today, the major safety-net is determined by individual proactive producer decisions. For example, if all crops are not insured or covered by NAP, producers are ineligible for SURE Payments. Furthermore, if an adequate amount of crop insurance protection is not selected, the programs will not perform up to expectations or necessary payment levels when disasters occur. Therefore, risk management planning is as important as production and marketing planning.

2012 expectations are that risk exposures will increase in the form of high crop values, increased price volatility, higher input costs, tighter credit requirements, the need to recover from 2011 losses, higher family living costs, and aging farm operators. Next, one might want to compare equity to expenses and income potential. Does it make sense to manage risk by self-insuring? Just how much protection is needed for 2012?

How much protection did you have in 2011? Add up the value of:

Crop Insurance:	\$_____
FSA Programs:	
NAP:	\$_____
SURE:	\$_____
(not funded for 2012),	
Other:	\$_____
Marketing Contracts:	\$_____
Other Risk Mgt. Tools:	\$_____
TOTAL:	\$_____

What is your strategy for 2012: Protect crop values, all or part of input costs, put a floor under marketing contracts, recovery of 2011 losses, secure operating loan and/or secure family living expenses? So, is your current risk management plan adequate for 2012 to fulfill your strategy?

Crop insurance agents now have 2012 rates and rules and are prepared to help you to complete a free Risk Management Checklist and to discuss coverage and cost control options that can strengthen your farm business plan and minimize the risk of an income interruption. Managing risks may result in improved peace of mind for you and your family in the year ahead. The checklist is also available at: http://farm-risk-plans.usda.gov/pdf/risk_management_checklist.pdf