Post Rock Answers
Week of: 1/29/18 – 2/2/18
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Post Rock District – Livestock

Managing Risk in Your Operation

Risk is a huge variable in any business. For those involved in agriculture, risk is involved in nearly every decision we make. While it can sometimes pay off in a big way, anyone who has ever felt the brunt of a big risk when the outcome is not desirable would probably tell you that it is far easier to adopt a management strategy to defer any negative impacts that could harm your operation.

Developing such a strategy involves one or more of the following tactics: Avoid, Transfer, Control, or Accept. Avoiding risk is simply making decisions that keep you directly away from a negative encounter. In developing heifer calves, we take a risk of a poor breed-up. Sure this risk can be avoided by simply selling your heifer calves and purchasing heavy breds later on; but keep in mind that avoidance can sometimes lead to equal or bigger problems. In this particular scenario, a producer who opts to buy bred heifers but does not do their due diligence can take on a huge risk of disease, lack of longevity, or short term abortions in purchased heifers.

Insurance and forward contracts are two forms of Risk Transfer. By paying a premium to the insurance company, we are looking ahead and transferring the risk to an agency who is far better equipped to deal with any negative impact that may come about. In a forward contract, we allow the opposite party to take a portion of risk out of our hands. The more we buy or sell through these contracts, the more minimal risk becomes. At the same token, the other person is also inheriting a larger and larger chance at earning a premium from the contract. Contracts are an interesting option because many producers will feel that sacrificing a possible premium is equally as harmful. For example, the abnormal price influx for feeder steers this fall was something that few of us saw coming and left many people with slightly smaller checks than they would have received without selling on a forward contract. However, selling a forward contract for a price that is predetermined and well thought out can just as easily keep a producer afloat in a year when the price sharply declines.

Controlling risk is the most common avenue taken by producers. Different practices may include diversification, maintaining flexibility, or keeping extra reserves. While exposing a larger group of heifers for their first breeding season may lessen the impact of a poor conception rate, the additional feed resources necessary become a new issue. If we don’t tie up funds in the additional feed, it may allow us to remain more flexible by buying bred heifers in a year with a bad conception rate.

My personal favorite story of diversification is a little different than a typical farmer-feeder or cow/calf and stocker operation. On a livestock judging trip to an Illinois hog farm, we got the opportunity to listen to the owner share a nugget of information, as was usually the case. He spoke to us precisely about the need for a risk management plan and what it could mean for an agriculture operation. He then took us to the other side of his farm where the sun shined on several long runs that stretched a quarter mile. His son hopped on the side-by-side and took it full speed to the end of the runs, honking the horn the entire way. Then about 15 greyhound track dogs, a couple of which we learned were world famous, emerged at full speed from indoor kennels and the race against the machine was on. This goes to show that not every operation has to be cut from a certain mold; think outside the box and find a plan that not only is plausible but also something you may enjoy doing.

Finally, calculate and accept the risk. Sometimes avoidance strategies are so far in left field that acceptance is our best option. There can be some high profit margins when accepting the risk, but I would strongly urge producers to think long and hard before blindly accepting any risk, great or small.

Upcoming Livestock Meetings

- **Corrals, Calcium, Costs, & Cows: Management & Profit Strategies for 2018**
  - February 6th at 5:30 pm at the North Central Kansas Technical College in Beloit.
  - Topics Include: Implementing the Bud Box Processing System, Mineral Supplementation, Cost and Profit Benchmarking, & Optimizing Your Cow Herd Through Heifer Selection.
- **Spring Breeding Update: Synchronization, Sire Selection, & EPD's**
  - March 8th at 5:30 pm. Location TBD.
  - Topics Include: Synchronization Methods from the Viewpoint of an AI Technician, EPD's and Their Role in Sire Selection, How to Figure Across-Breed EPD Calculations, & the Management Minder Tool.

Please RSVP to any Post Rock Extension District Office to insure accurate meal counts for these meetings

Post Rock Extension District of K-State Research and Extension serves Jewell, Lincoln, Mitchell, Osborne, and Smith counties. Barrett may be contacted at Barrett8@ksu.edu or by calling Smith Center, 282-6823, Beloit 738-3597, Lincoln 524-4432, Mankato 378-3174, or Osborne 346-2521. Join us on Facebook at "Post Rock Extension" along with our blog site at postrockextension.blogspot.com. Follow us on Twitter @KSRE_PostRock. Also remember our website is postrock.ksu.edu