

Strategic Risk Assessment Tool

Score the following risk items for your farm.

| Production | Score |
|---|--------------|
| <p>Uses best production/operations management practices and current technology in crop and livestock production.</p> <p>Has appropriate technology and machinery/equipment/facility capacity for efficient operations.</p> <p>Identifies, monitors, and benchmarks key production efficiency measures.</p> <p>Maintains positive image and relationships with neighbors and community.</p> | |
| Margin | |
| <p>Use appropriate marketing strategies (contracts, futures, options) to reduce risk.</p> <p>Develops appropriate procurement/input purchasing procedures to reduce cost/risk.</p> <p>Documents procurement and product pricing performance.</p> | |
| Human Resource | |
| <p>Has a seasoned, skilled, and reliable workforce.</p> <p>Committed to employee training/development, through internal and/or external training and development.</p> <p>Uses outside consultants (crop scouts, marketing advisor services, legal, accounting services, and veterinarians, etc.) when appropriate.</p> | |
| General Supply Chain | |
| <p>Has longer-term and sustained relationships with suppliers and buyers.</p> <p>Manages concentration and counterparty risk with contract partners (landlords, integrator partners, suppliers, customers).</p> <p>Has appropriate insurance (casualty/crop, liability, accident, etc.) in place with lender as beneficiary.</p> | |
| Regulatory | |
| <p>Is in documented compliance with regulatory requirements (licenses, environmental permits, etc.).</p> <p>Has identified environmental risks and developed contingency procedures for potential infringement.</p> | |
| Finance/Accounting/Planning | |
| <p>Has developed a business plan which identifies the long-range vision and plans for the business.</p> <p>Has an effective financial accounting system which provides timely information for management and lenders.</p> <p>Has reasonable internal controls in place for the organization's size.</p> <p>Prepares a budget for the company on an annual basis and monitors it with the management team.</p> <p>Has a long-term capital replacement and improvement plan and understands the basic costs of capital concepts.</p> <p>Has effectively managed interest rate risk through locking in longer-term rates on a majority of term debt.</p> <p>Has procedures and personnel that ensure compliance with federal and state income and payroll tax regulations.</p> | |

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| Strategic Risk | Answer Options |
|---|--|
| <i>How strongly do you agree with the following statements?</i> | |
| We have low per unit fixed costs relative to our most efficient competitors. | Strongly agree, Agree, Disagree, Strongly disagree |
| Our farm enterprise mix is more diversified today than it was 5 years ago. | Strongly agree, Agree, Disagree, Strongly disagree |
| We have a strong balance sheet. | Strongly agree, Agree, Disagree, Strongly disagree |
| Our farm has established goals, objectives, and core values. | Strongly agree, Agree, Disagree, Strongly disagree |
| Our farm looks for opportunities that new enterprises may provide. | Strongly agree, Agree, Disagree, Strongly disagree |
| We regularly assess our advantages and disadvantages compared to other farms. | Strongly agree, Agree, Disagree, Strongly disagree |
| Looking ahead to next year, my farming operation has evaluated potential threats caused by ... (Circle up to two items) | Low market prices High input costs Extreme weather events Limited ability to find skilled farm workers Geopolitical conflict Financial Risk Legal Risk |
| Which of the following risks would you say is most threatening to your operation? (Check up to two items) | Marketing Risk Production Risk Strategic Risk Human Risk |
| Risk Preferences | |
| On a scale of 1 to 7, where 1 indicates that you don't like to take risks and 7 indicates that you are fully prepared to take risks, how would you rate your attitude towards risk? | 1, 2, 3, 4, 5, 6, 7 |
| How would your neighbors describe your risk-taking behavior? | A risk avoider Cautious A real gambler |