Check Your Blind Spots

360° of Farm Risk Management

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Farm Management Canada

- Established in 1992 as an umbrella for farm business management activities in Canada
- Connecting farmers with business management tools, information, resources, and training
- Connecting industry stakeholders to share insights and enhance practices
- Working with governments, consultants, advisors and academia to enhance their services
- Promoting new ways of thinking about farm business management
What is risk?

- Uncertainty that can lead to poor planning and decision-making.

What is risk management?

- Thinking strategically in advance and applying a process by which uncertainty can be reduced.
- The process of:
  - identifying, evaluating, and understanding your risks
  - mitigating possible negative impacts and benefitting from potential rewards in taking calculated risks
A look at Managing Risk in Agriculture...

KPMG International Cooperative Sector Risk Readiness Matrix

Figure 30: Risk and readiness matrix

Source: KPMG International analysis, 2012
### A look at Managing Risk in Agriculture...

30% of farmers have a risk management plan of some type*

**Drivers to Plan Development**

<table>
<thead>
<tr>
<th>Factor</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in Market</td>
<td>31%</td>
</tr>
<tr>
<td>Consumer Perceptions</td>
<td>28%</td>
</tr>
<tr>
<td>Changes in farm ownership</td>
<td>23%</td>
</tr>
<tr>
<td>Gov't Incentives/Programs</td>
<td>22%</td>
</tr>
<tr>
<td>Gov't Regs</td>
<td>20%</td>
</tr>
<tr>
<td>Lenders/Creditors</td>
<td>19%</td>
</tr>
<tr>
<td>Limited Profits</td>
<td>18%</td>
</tr>
</tbody>
</table>

**Barriers to Plan Development**

<table>
<thead>
<tr>
<th>Barrier</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do Not Feel it is Necessary</td>
<td>30%</td>
</tr>
<tr>
<td>Age/Retiring</td>
<td>19%</td>
</tr>
<tr>
<td>Lack of time</td>
<td>11%</td>
</tr>
<tr>
<td>Small family business</td>
<td>11%</td>
</tr>
<tr>
<td>Never thought of it</td>
<td>6%</td>
</tr>
<tr>
<td>Have an informal plan</td>
<td>6%</td>
</tr>
<tr>
<td>Can succeed without one</td>
<td>5%</td>
</tr>
<tr>
<td>Experience/Know what...</td>
<td>5%</td>
</tr>
</tbody>
</table>

* Typically limited to financial: market contracts, diversification, off-farm income, insurance. Risk management and contingency planning has decreased over the past 5 years.
Observations

- Lack of attention to risk outside of production and price volatility
- ‘Other’ risks treated in isolation (ex. safety, environment, etc.)
- Most Risk Management is reactive, isolated and limited in scope
- Lack of a connection between risk and farm business management
- Lack of perceived solutions – prevention, mitigation, management
- We need a ‘big picture’ approach and structure to managing risk
A New Approach

1. Risk is **Complex**, however...
   - Risk can be Managed
   - **Help** is available
   - Risk is linked to **Opportunity**

2. There is a better approach, going forward...
Managing Farm Risk

Proactive planning to best manage both what is...
✓ IN the farmers’ control
✓ OUTSIDE of the farmers’ control

Farm Business Management
Minimizing Threats, Taking Calculated Risks, Seizing Opportunity!

Insurance & Government Programs
Mitigating Negative Impact
Coping with Negative Outcomes

“An ounce of prevention is worth a pound of cure.”
Introducing...

Funded through the AgriRisk Initiative (ARI) to design a comprehensive risk assessment and planning tool

In partnership with: CFA, FCA, MNP LLP, AGÉCO
• **Overall Objectives:** Minimize threats and maximize opportunities
  – Identify, Assess, Prioritize risks (in a holistic / comprehensive way)
  – Learn best practices and resources available
  – Create risk management plans that feed into business planning
  – Analyze trends regarding risk management practices and resources needed to continue to meet industry needs

• **Intended users** include:
  – Producers (individually or as a group)
  – Advisors and other professionals
  – Researchers
  – Governmental agencies and insurance companies
Our Development Process

1. **Project advisory team** - diverse cross-section of industry stakeholders

2. **Focus groups** - with farmers, farm advisors, and private industry stakeholders from various production sectors, regions and age groups across Canada

3. **Environmental scan** of resources available

4. **One-on-one interviews** - with industry experts to capture key best risk management practices (ex. farm safety)

5. **Beta testing** - virtually and in-person with people from various backgrounds

6. **Pilot testing** - virtually with people from various backgrounds
No clear consensus on which risk categories need resources
But the need is throughout
There is a need for an ACTION ORIENTED tool
Make decisions and plan next steps + access to resources are the most important

- Make decisions and outline next actions to be taken: 75%
- Get access to resources and services regarding risk management: 53%
- Compare my performance to others': 36%
- Report on my results or action plan to my business partners or other stakeholders: 25%
- Learn about risk management: 19%
Interest in a diversity of resources
Best practices is the preferred resource, and it is at the forefront of the tool.

- Best practices: 70%
- Professional Advisors and/or external support: 58%
- Other existing tools and/or networks: 58%
- Guides and Manuals: 53%
- Laws and regulations: 45%
- Case studies: 38%
- User forum: 32%
Design and Functionality: the Process

1. Identify the risk(s)
2. Assess the risk(s) – frequency, severity, preparedness
3. Prioritize the risk(s)
4. Analyze best practices to apply
5. Plan for the risk(s) – mitigation, management
6. Access resources available

In recognition that most risk planning is currently reactive...

3 points of entry:

1. I want to deal with a specific situation (HR, Succession, etc.)
2. I want to assess my exposure to risk (comprehensive)
3. I want to access the knowledge database (external resources)
WELCOME TO AGRISHIELD!

A Risk Assessment and Mitigation Platform for Canadian Farmers

I WANT
Information and Resources

I WANT TO
Assess Risk on my Farm
Click on “I want to Assess Risk on my Farm” to access the topic selection page.
A. If you’re not sure what you would like to assess first, you may select the “Risk Roadmap” at the bottom of the page to help you determine the order in which you should assess your risks.

B. If you already know where you want to start, simply select the risk category that you wish to assess.
Risk Assessment Module: Risk Roadmap

A. If you selected the Risk Roadmap, complete the questionnaire and the results will provide you with an order in which you should assess the risks for your farm.

B. Note: You may choose to reset the Risk Roadmap questionnaire at any time.
A. The Risk Roadmap allows you to establish priorities (Start here, Continue Here, And Lastly) in order to assess the most relevant risks for your operation first.

B. Once this is done, click on “Assess Your Risk Exposure” to access the questionnaire for that risk category.

C. You may also click on “Related Resources” to access the Information and Resources page for that risk category.
Risk Assessment Module

A. Once you have selected a risk category, read every question and select your answers.
B. You may choose to reset a questionnaire at any time in order to reassess that risk category.
C. Use the menu bar on the left to access the questionnaires for other risk categories.
Once you have completed one or more questionnaires in the risk assessment, the *Risk Profile* section will present an overview of the risk level for each risk category based on the information you provided:

A. **Risk level**: Red = Very High; Orange = High; Yellow = Moderate; Green = Low
B. **Preparedness Level**: 1 Bar = Not prepared; 5 Bars = Very well prepared
C. **Best practices (BPs) in place**: Initial = # of BPs in place during the assessment; Pending = # of BPs selected in the Action Plan that are not yet completed; Implemented = # of BPs implemented after the initial assessment
Understanding the scoring system – Risk level

- Risk categories can be given four different levels of risks: Red (Very High), Orange (High), Yellow (Moderate), Green (Low).

- The risk level of the risk situation is determined by the frequency (or likelihood) and magnitude (or potential impact) of a risk category, based on your answers. The formula to measure the risk level is the frequency (1 to 5) of that risk situation occurring multiplied by magnitude (1 to 5) of the effect of that risk situation on your farm.
Risk Assessment Module: Action Plan

The Action Plan module allows you to put a plan in place and identify the actions you wish to implement to manage your risks.

A. For each risk situation, you may select a best practice or an action to implement and then complete the other fields including: Notes, Person responsible and Timeline.

B. Click on “Print” to create a PDF of the expanded view of the Action Plan.
On the homepage, click on “I want Information and Resources” or scroll down to the middle section of homepage to access the Resource Hub.
Resource Hub Module

A. In order to navigate between the 6 risk families, simply select the one you want.
B. Once you have selected a risk family, select the risk category that you want.
C. Click on “Access Resources” to access the Information and Resources section for the risk category you have selected.
Resource Hub Module

A. Once you have accessed the Information and Resource page for a specific risk category, you may change to another risk category by using the menu bar on the left.

B. The main sections on each Information and Resources page are the following:
   • Did you Know (Facts & Figures)
   • Resources (Organizations, Multimedia, Articles and Tools)
   • Risk Situations and Best practices
   • Tips and Advice
About Risk Management Module

The About Risk Management section contains an overview of risk and risk management, a self assessment for risk tolerance, approaches to risk management and a summary of the different types of insurance. It is meant to complement the information contained in AgriShield®.

What is Risk and Risk Management
What do we know about Risk
Self-Assessment for Risk Tolerance
Approaches to Risk Management
Insurance
Bibliography
Next Steps

• Launch full version April 1, 2019

• Recruit users:
  – Producers (individuals, groups)
  – Advisors and private industry
  – Government and extension

• Assess and benchmark data re: risk assessment trends

• Continue to collect resources for the knowledge database
Next Steps: Additional Opportunities

• Integrate Risk Management into the overall Strategic Planning Process for Canada’s farms

• **Recognize the link** between farm business practices and governmental **BRM (Business Risk Management) Programs**

• **Incentivise** risk management practices:
  – Greater access to government cost-share programming for skills development and advisory services
  – Access to capital, better interest rates and fees from lenders
  – Better coverage, fees waived from insurance programs

• **Create education and training programs** around a comprehensive approach to risk management
Thank you...questions?

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