



# Long-Term Strategic Risk on Your Farm

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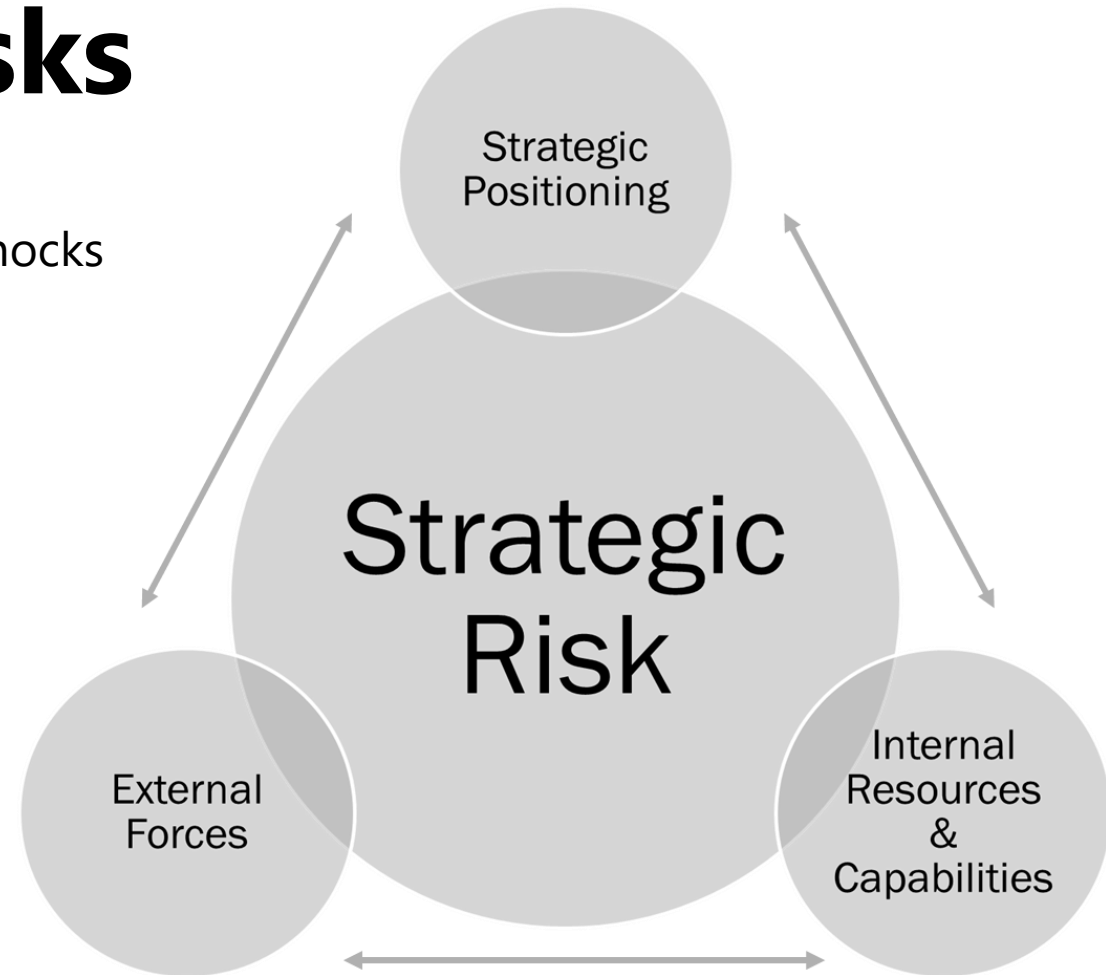
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# Overview

- What is strategic risk relative to operational risk?
- How do farmers approach strategic risk?
- How does strategic risk impact different managerial areas of the farm?

# What are Strategic Risks

- Strategic risks are risks caused by exogenous market shocks
- Sources:
  - Government policy changes
  - Geopolitical Conflicts
  - Disease
  - Changes in consumer preferences
  - Shifting weather patterns
  - Technological uncertainties



# Farm Resilience to Strategic Risk

- Resilience is a farm's ability to anticipate, absorb, accommodate, or recover from effects of shocks or stresses in a timely manner

Agility

A farm's ability to quickly identify and capture business opportunities

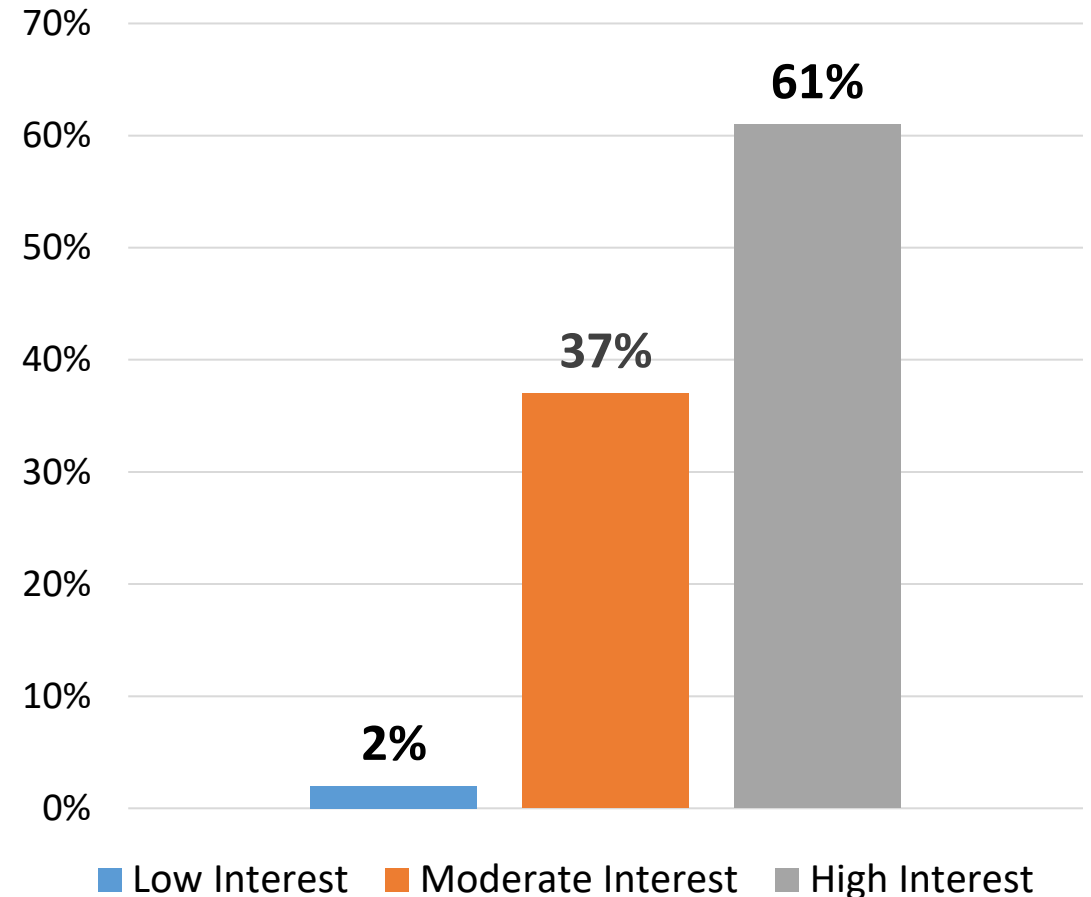
Absorption  
Capacity

A farm's ability to withstand shocks from strategic risks

# Motivation

- Provides a benchmark of resilience for commercial producers & U.S. agriculture
- Assess preparedness for future occurrence of strategic risks
- Identify if there is a need for a strategic risk management program /education

Interest in Strategic Risk



# Sample Survey Questions

## Agility

“Our farm looks for opportunities that new enterprises may provide.”  
“We regularly assess out advantages and disadvantages compared to other farms.”

## Absorption Capacity

“We have low per unit fixed costs relative to our most efficient competitors.”  
“Our farm enterprise is more diversified today than it was 5 years ago.”

## Managerial Ability

“Does your farm have written succession plans in place?”  
“Does your farm use financial ratios to make decisions?”  
“Are standard operating procedures documented for repetitive and routine tasks?”

# The Five Managerial Levers a Farmer Can Pull

## Output Price

Manage price you get for what you produce.

## Yield

Manage how much output you produce.

## Costs

Manage how much it costs you to produce.

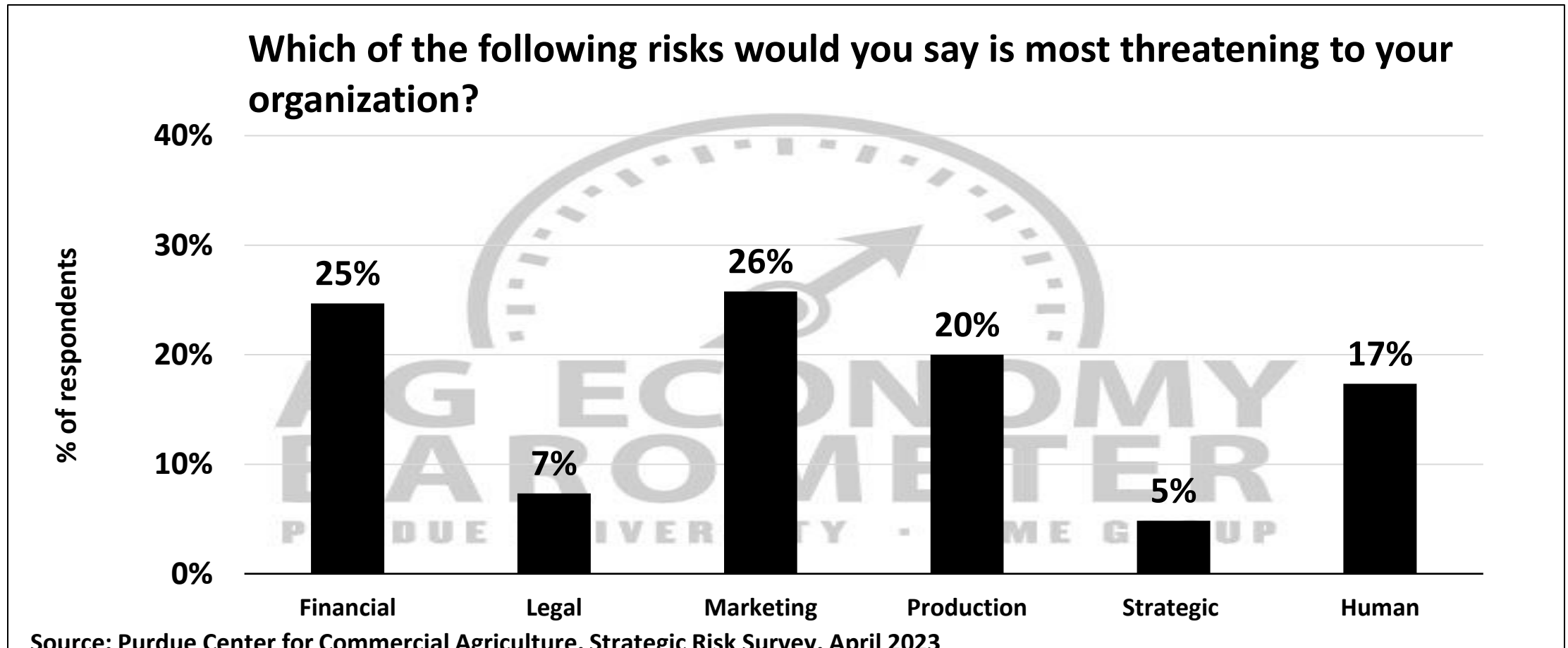
## Assets

Manage your balance sheet/What tools you use to produce.

## People

Manage the people that help you with the four levers above.

# Perceptions of Strategic Risk



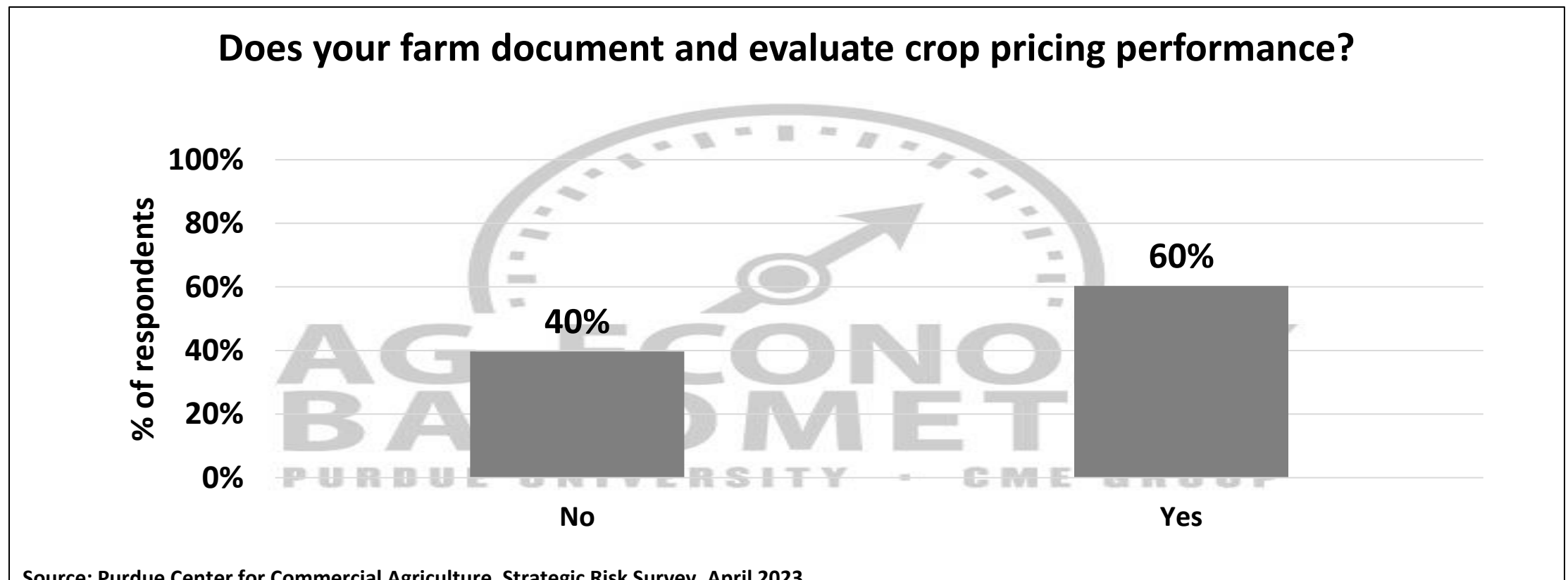
Source: Purdue Center for Commercial Agriculture. Strategic Risk Survey. April 2023





# Strategic Risks

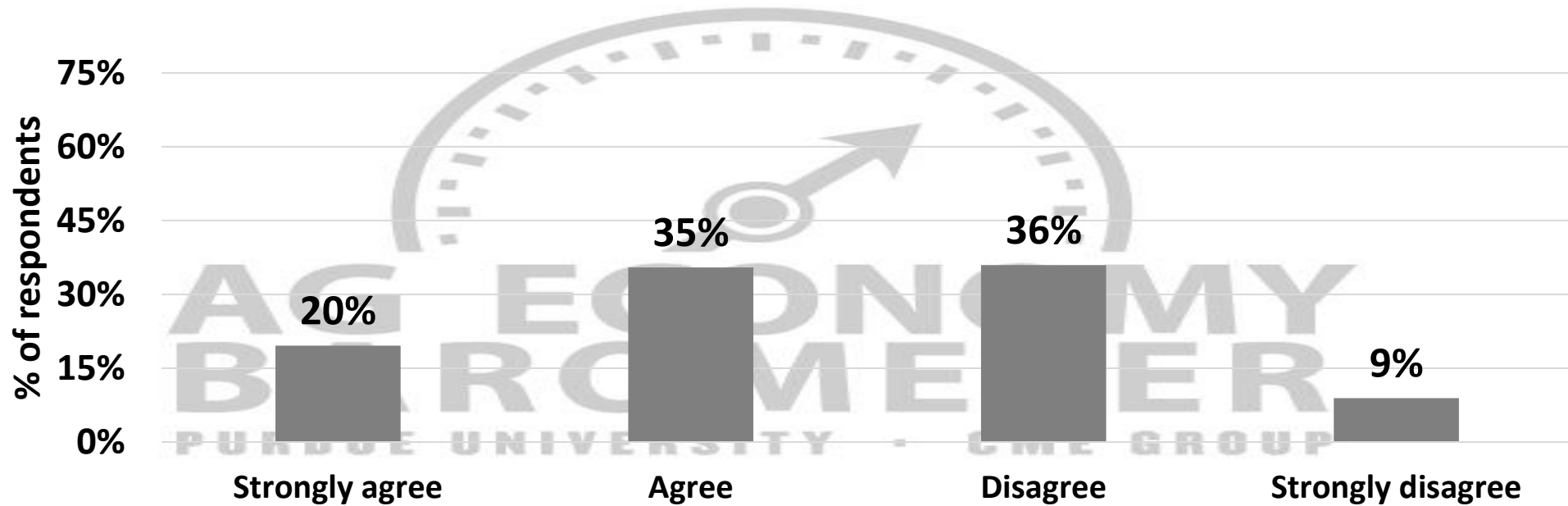
# Strategic Risk and Managing Output Price



Source: Purdue Center for Commercial Agriculture, Strategic Risk Survey, April 2023

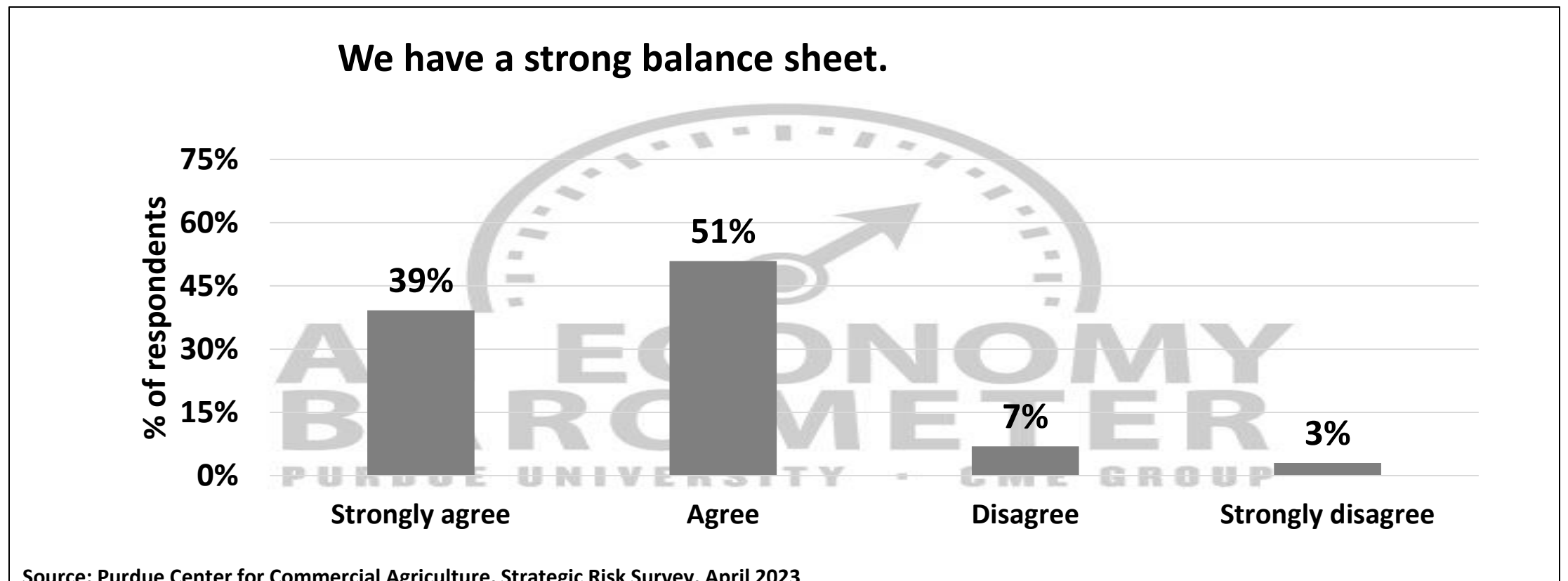
# Strategic Risk and Managing Production/Yield

Our farm enterprise is more diversified today than it was 5 years ago.

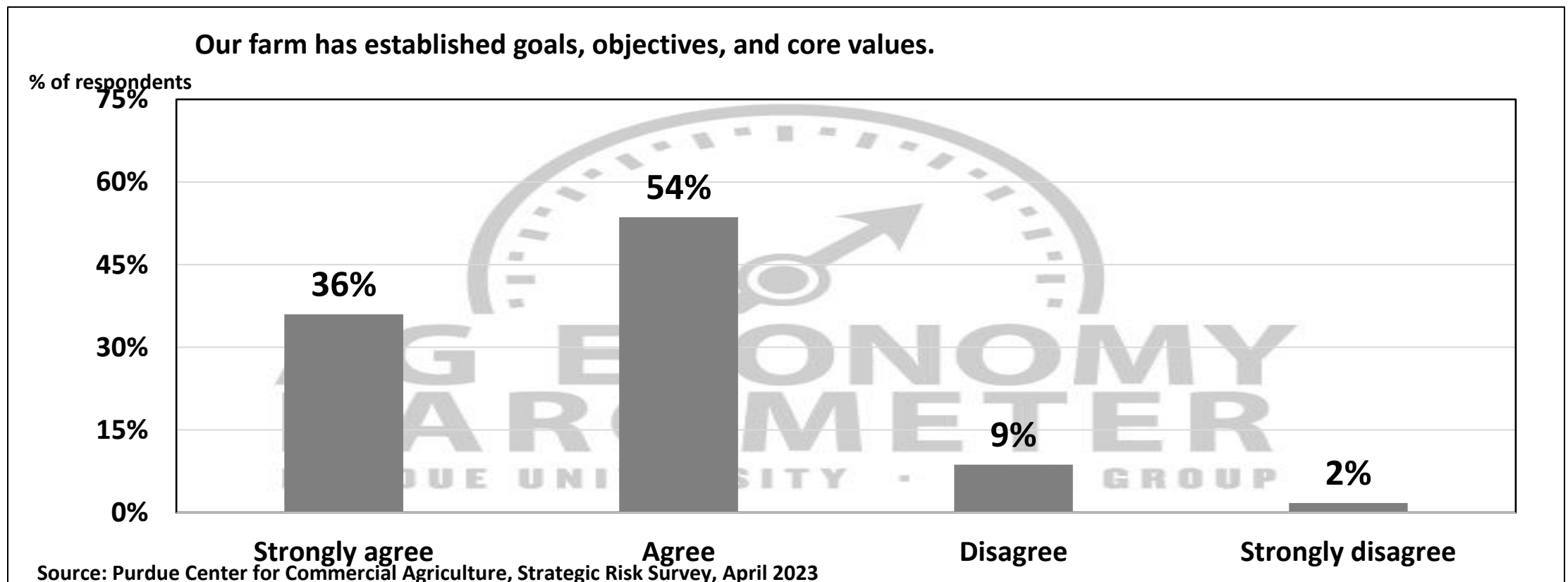


Source: Purdue Center for Commercial Agriculture, Strategic Risk Survey, April 2023

# Strategic Risk and Managing Assets



# Strategic Risk and Managing People and Overarching Strategy



# Managing People and Strategy

- Your Life Cycle vs Life Cycle of the Business
- Business Plan
- Succession Plan
- Defined Roles





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