

STRATEGIC RISKS

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Positioning your farm for long-term success

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 long-term weather patterns
 - Technological uncertainties



What Does It Mean to “Manage Strategic Risks”?

- There’s a tendency to throw up our hands and say strategic risks can’t be managed, but...
- Managing strategic risk does not require accurately forecasting that a particular risk will occur such as...
 - A trade war
 - A geopolitical conflict
 - A shift in long-term weather
- Instead, managing strategic risks is about positioning your farm for success in a way that makes it possible to successfully manage through a variety of strategic risks that might occur

Positioning your farm for long-term success

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

Sample Survey Questions

Agility

“Our farm looks for opportunities that new enterprises may provide.”
“We regularly assess our 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?”

What were the takeaways from the research

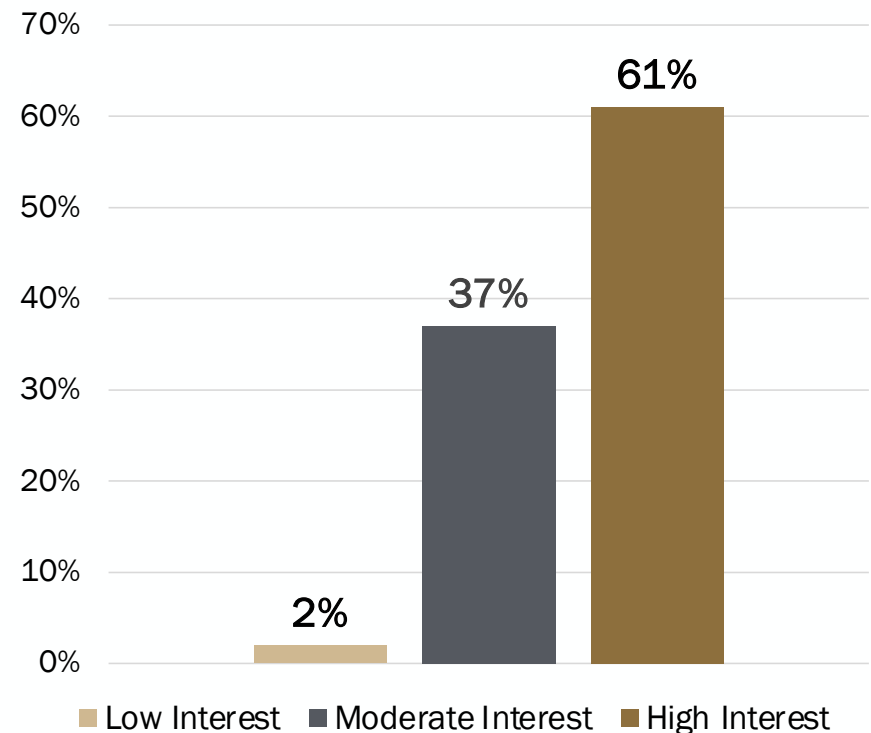
Some producers:

1. More aggressively seek out professional development opportunities
2. If they used one key management practice, they used several practices

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



Source: Purdue Top Farmer Conference Survey, January 2024

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