

STRATEGIC RISK

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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 weather patterns
 - Technological uncertainties



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

Example of an Event from a Strategic Risk Shock

Agricultural Credit Market

- Many farmers only do business with one bank. A strategic risk is that your business partner/source of capital may not be able to loan you money.

- Potential solutions:
 - Accumulate capital so that you don't need a lending partner.
 - Do business with multiple lending partners.
 - Be able to adjust operations such that you need less capital in case this happens.

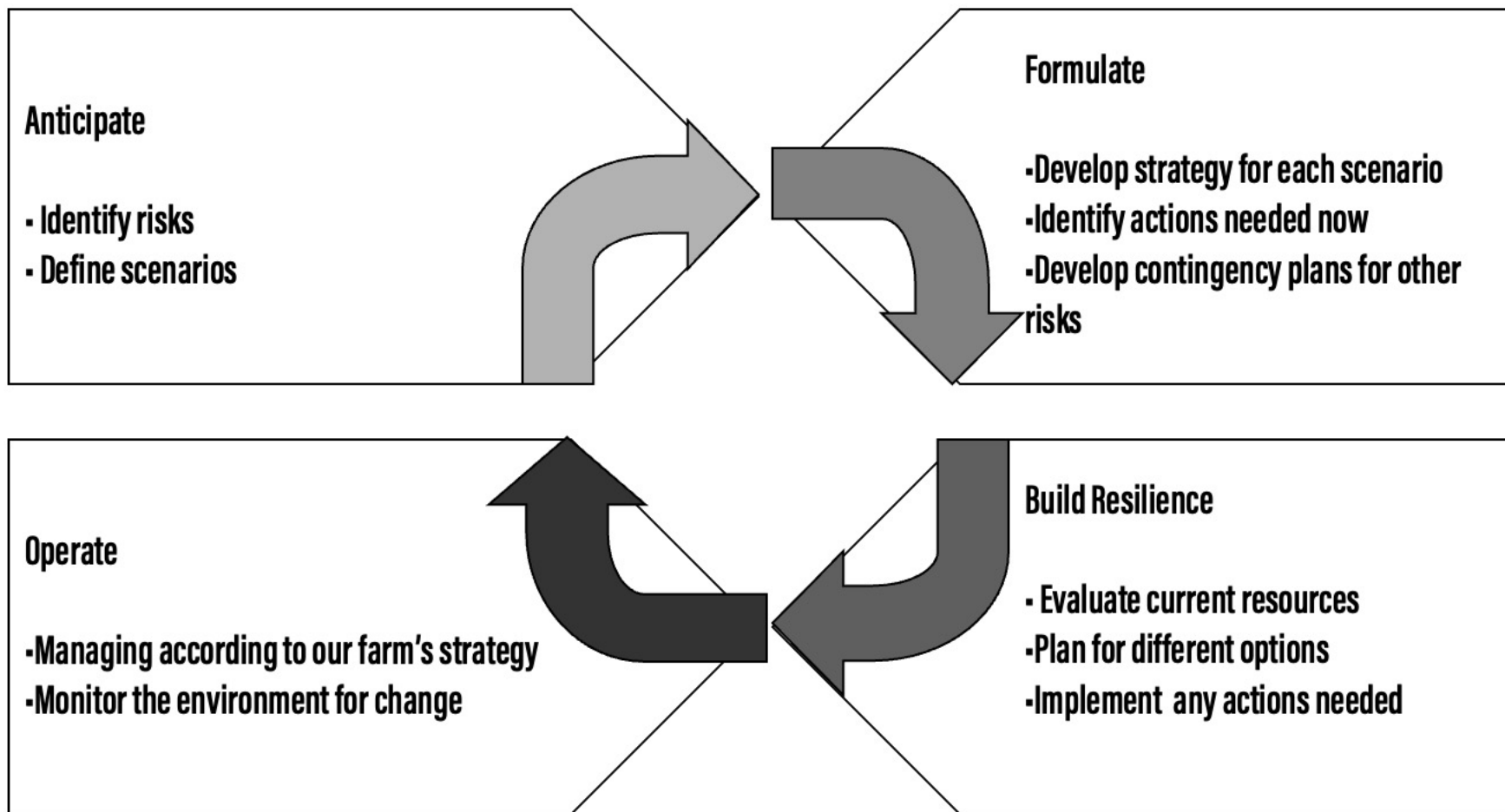
Example of an Event from a Strategic Risk Shock

Access to Capital

- How much working capital should a farmer have?
- Potential solutions:
 - Burn Rate
 - Working Capital
 - Stock pile cash/liquidity
 - Revolving Loan

STRATEGIC FLEXIBILITY

Source: Raynor



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