

Risk Management Skills Assessment

1. Mark if you've done the following "a lot," "some," or "not much." Give yourself 1 point for each time you answer a lot, 2 points for each some, and 3 points for each not much.

- Diversified production by raising both crops and livestock.
- Diversified production by raising a crop not widely grown in your area.
- Planted varieties with different maturity dates.
- Hired fieldwork done rather than purchase a piece of equipment.
- Hired fieldwork done to improve timeliness of crop operations.
- Used irrigation to reduce losses from drought.
- Contracted inputs ahead of when you needed them to lock in a good price or made sure you'd have access to them.
- Bought crop insurance.
- Maintained a larger open line of credit than you need just in case.
- Participated in the government farm program.
- Leased equipment rather than purchased it.
- Rented equipment rather than purchased it.
- Shared production expenses or work with landlord.

- Negotiated multi-year leases of farmland.
- Used crop share leases.
- Refinanced debt to take advantage of lower interest rates.

2. Subtract one point for each of the following techniques you use.

- Sensitivity analysis
- Accrual accounting
- Cash flow plan
- Accountant
- Computerized financial records
- Financial ratios
- Financial consultant or farm business association

3. How many individual sales of your major crop will you make in a year?

Subtract the number of points indicated.

Points	Individual sales
1	= One
2	= Two to five
3	= Six to 10
4	= 11 to 15
5	= More than 15

4. What percentage of your crops are forward priced before harvest or before reaching market weight?

Subtract the number of points indicated for both crops and livestock, giving yourself two separate scores.

- Crops
- Livestock

Points % forward priced

- 1 = None
- 2 = 1% to 24%
- 3 = 25% to 49%
- 4 = 50% to 75%
- 5 = More than 75%

5. If you raise livestock, what percent are raised or sold through a contract or marketing arrangement with a packer or other company?

Subtract the number of points indicated for both hogs and cattle, giving yourself two separate scores.

- Hogs
- Cattle

Points % using contract

- 1 = None
- 2 = 1% to 24%
- 3 = 25% to 49%
- 4 = 50% to 75%
- 5 = More than 75%

6. Which of the following best describes your approach to planning?

Add the number of points indicated.

Points Approach

- 1 = Have a detailed, written plan for the next five years
- 2 = Put a few ideas on paper, but nothing comprehensive
- 3 = Have a general idea, but nothing in writing
- 4 = Have not doing any planning that far into future

TOTAL POINTS

SCORING SYSTEM

35 or more	★
25 to 34	★★
19 to 24	★★★
18 or less	★★★★

Financial Strength Quiz

What letter grade (A, B, C, D, or F) would you give to judge the financial strength of your farm?

Put the number of points indicated below, 'A' being the best.

A = 5 B = 4 C = 3 D = 2 F = 1

How likely is it that your farm could survive a year of bad yields or bad prices — "very likely," "somewhat likely," or "very unlikely?"

Put -1 point if you answered "very unlikely." Otherwise put zero.

How much would the following affect your farm? Answer "a lot," "some," or "not much."

- a 3 percentage point rise in interest rates
- a 5% drop in revenues
- a 5% increase in expenses

Put -1 point for each time you answer "a lot." Otherwise put zero.

Do you worry about whether you'll be able to pay back the debt you own?

If yes, put -1 point. Otherwise put zero.

Do you always pay off the balance on your credit cards on time to avoid paying a finance charge on the outstanding balance?

If no, put minus -1. Otherwise put zero.

Compared to other farms, is your farm successful?

If no, put minus -1 point. Otherwise put zero.

Over the next five years, do you expect your earnings to increase?

If no, put minus -1 point. Otherwise put zero.

What were your farm's total profits after expenses last year?

Put the number of points indicated below.

- 1 = Lost money
- 2 = Less than \$10,000
- 3 = \$10,000 to \$24,999
- 4 = \$25,000 to \$49,999
- 5 = \$50,000 to \$99,999
- 6 = \$100,000 or more

What is your farm's debt-to-asset ratio? That is, your total debt divided by your total assets? ___%

Subtract the number of points indicated below.

- 1 = Zero (no debt)
- 2 = 1 to 10%
- 3 = 11 to 40%
- 4 = 40 to 60%
- 5 = More than 60%

SCORING SYSTEM

Zero or less	★
One to three	★★
Four to six	★★★
Seven or more	★★★★