

## Risk Management

Farming is risky business. Whether your farm is big or small, things like equipment breakdowns, pests and weather, affect your bottom line. Some things are beyond your control, while other things are well within your control. "Risk Management" is everything you do to understand and deal proactively with risks.

"*Farm safety is MY business.*" is the theme of this year's Canadian Agricultural Safety Week (CASW) campaign, March 8-14, 2006. The campaign emphasizes the personal and professional responsibilities of farm managers for their own safety as well as for their workers. This risk management theme will give a special focus on youth aged 15 to 29 who make up a significant portion of new farm workers. CASW is delivered by the Canadian Federation of agriculture (CFA) and the Canadian Agricultural Safety Association (CASA) in partnership with Farm Credit Canada (FCC) and Agriculture and Agri-Food Canada (AAFC).

"Farm-related injuries and fatalities are often the result of predictable and preventable risks," says John Ryan, FCC President and CEO. "There is nothing more valuable than healthy, safe producers and employees – the farm's most valuable assets."

There are two key aspects to risk management. The first is anticipating and taking actions to reduce the chances that an unfavourable event may happen. These are things that you have a degree of control over like maintaining machinery, taking care of your health, and keeping a healthy balance between your business and family life.

The second aspect of risk management is contingency planning – taking actions ahead of time to reduce the negative consequences if something bad happens. For example, having adequate insurance for crop failure, fire, medical care or disability, death, or liability; train family and workers on how to handle emergencies; and allot enough time to do a job so that things aren't rushed.

There is a seemingly endless list of risks in farming. Generally each can be placed into one of the following five categories:

**Production risk** includes weather, pests, equipment breakdowns, and anything else that directly affects the quantity and quality of production.

**Marketing risk** results from the changing variables concerned with selling your product. You may be uncertain about the price you will receive or perhaps will lose a market you were expecting to sell to.

**Financial risk** relates to the farm's ability to pay the bills in a timely fashion. Obviously this is closely tied to production and marketing but is also heavily influenced by interest rates, inflation, the economic climate and trade policies.

**Legal risk** refers to the possibility of being sued, fined or otherwise penalized for violating a law or regulatory standard. There are also liability concerns with regard to human safety, product safety, and environmental responsibilities on your farm.

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**People risk** or human resources includes the four D's of death, divorce, disability and disagreement. Small farms are especially dependent on the operator and farm family for its workforce, which means any of these influences could have a huge impact on the viability of the farm.

Taking care of all these concerns can be over whelming. Setting priorities can help you manage these risks, particularly if you have limited time and resources. The following are the bare essentials of risk management and you are strongly urged to make the time and resources available to learn more about these risk management tools and strategies.

**Minimize safety risks.** There is nothing more important then safety. Take the time to do things right. By doing so you will be teaching your children by example and showing your workers what you expect of them. Small children should have a fenced-in play area and be closely supervised at all times.

**Use good agricultural practices.** Simply using good agricultural practices such as Integrated Pest Management (IPM), nutrient management planning, crop or grazing rotations, and herd health management can significantly reduce in-put costs while maintaining optimum productivity.

**Property and liability insurance.** Carefully review your farm insurance policy to make sure you have all the coverage you need. It's important to make certain you are spending your insurance dollars wisely by getting quotes from different sources every two or three years. This process also is an opportunity to get a second opinion on your coverage needs.

**Health and disability insurance.** The cost of recovery from an illness or disability can be financially crippling. Health insurance is an important part of managing your human resource risks. An effective way to reduce your health insurance premiums can be to join group insurance through your general farm organization, post-secondary alumni, local chamber of commerce, or contact an insurance company that offers medical insurance to self-employed people. Again, shop around for competitive rates.

**Crop insurance.** This insurance can offer affordable assistance in the event of weather related disasters.

**Attention to business management.** One of the best ways to manage financial risk is to analyze, in writing, the impact of decisions on the financial performance of the farm before implementing a new practice or making a capital purchase. An orderly and up-to-date filing and bookkeeping system makes this analysis easier and can reduce stress by helping you make informed decisions.

**Support your neighbours.** A strong network of good neighbours is the best safety net a farm family can have. Sharing labour, equipment and knowledge can reduce your costs, increase personal satisfaction, and familiarize you with how things are done if your neighbour should need help due to illness or injury.

The CFA along with FCC, CASA and AAFC want to remind Canadian farmers that "*Farm safety is MY business.*" means that farming is all about risk management, and safety should be your first priority.

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*\* This article was adapted in part from the Cornell Small Farms Program.*

**For more information call:**

Theresa Whalen–Ruiter, CFA Farm Safety Coordinator

Tel/Fax: (613) 731-7321 E-mail: [farmsafety@cfafca.ca](mailto:farmsafety@cfafca.ca)

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