Farm Program Decision: A Risk Management View

Frayne Olson, PhD
Crop Economist/Marketing Specialist
frayne.olson@ndsu.edu 701-231-7377
NDSU Extension Service
ND Agricultural Experiment Station
Dept. of Agribusiness & Applied Economics
Agricultural Act of 2014

• How do the alternative 2014 farm bill options fit into an overall farm risk management program?
• Risk management requires that you consider all of the “bad things” that can happen.
• What risks keep you awake at nights?
• What safe guards do you have in place to protect against these risks?
Comparing Alternatives

• Need to run alternative scenarios!
• What are the odds (probability) that this scenario will occur?
• Does this scenario “keep you awake at night?”
• Which program alternative provides the “best” protection?
Comparing Alternatives

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<tr>
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<th>“High” Price</th>
<th>“Low” Price</th>
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<tbody>
<tr>
<td>“High” Yield</td>
<td>Who Cares?</td>
<td>PLC</td>
</tr>
<tr>
<td>“Low” Yield</td>
<td>ARC (Crop Ins.?)</td>
<td>PLC ARC</td>
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Historical National Average Prices

Corn

Dollars per Bushel


- MY Corn
- PLC
- ARC
- Loan Rate
Historical National Average Prices

Soybean

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- **MY Soybean**
- **PLC**
- **ARC**
- **Loan Rate**
Historical National Average Prices

Canola

Canola PLC ARC Loan Rate
Historical National Average Prices

All Wheat

Dollars per Bushel


MY Wheat  PLC  ARC  Loan Rate
Historical National Average Prices

Sunflower

![Graph showing historical national average prices for Sunflower, PLC, ARC, and Loan Rate from 1985 to 2014. The graph indicates fluctuations in prices over the years with notable increases and decreases.]
Questions?