

Decision Support for Financial and Production Risks

- With uncertain weather conditions and prices—and increasing production expenses—crop and livestock production carries significant financial risks.
- Managing a business in such a risky environment means that agricultural producers must manage their resources and risk wisely to remain profitable and viable. Producers must be able to weigh the risks and evaluate the probable impacts of alternative operational decisions.

AgriLife Extension's Response

- In 1997, the Texas A&M AgriLife Extension Service received funds from the Texas Legislature to develop a risk management education program. The Texas Risk Management Education Program was created to address the increased financial, production, and marketing risks associated with agricultural production, whereby the FARM Assistance[®] program was born.
- FARM Assistance[®] is a computerized decision-support system that provides agricultural



operations with the ability to assess the expected financial impact of proposed changes within their operations, as well as the financial risks associated with those changes.

- Extension specialists work with producers one-on-one, making the entire FARM Assistance[®] analysis an individualized process in which financial and production data are collected, analyzed, and reviewed with each producer.

Economic Impacts

- Currently more than 2,500 strategic analyses have been completed for producers, representing some 5.5 million acres of land and more than \$2.2 billion in managed assets.
- Based on Farm Assistance[®] program evaluation responses, 93 percent of participants indicated an improved ability to assess the financial risks and potential impacts of strategic decisions they make.
- Eighty-seven percent of participants indicated they will likely continue using a formal financial analysis to help make decisions in the future.
- On average, participants estimate a \$24,043 annual benefit from their participation in the program.
- Broader benefits of the program result from the use of an extensive database to analyze industry trends, characteristics, and the potential impacts of policy changes.