

Identifying & Managing Risk Challenge



Like virtually all businesses, those in the agricultural sector are always vulnerable to good and bad years. But the Farm Crisis of the 1980s involved more than just one bad year and one good year, and had long-term implications for agriculture throughout the country. The ups and downs of any industry can be related to regular business cycles, changes in supply and demand, unexpected political events, weather disasters, and more.

Your challenge is to identify an agriculture-related business. Consider the various risks to the business and create a plan to minimize this risk. Follow the steps below as you consider how your business can survive the ups and downs.

1. Define Your Business

Think of a current or future agriculture business that you are interested in. This business can be in any sector of agriculture, such as production, transportation, agricultural processing, retail, etc.

Provide a description of your business that includes:

- A detailed description of the agriculture sector for your business
- The product and services this business would provide
- The size, scope and scale of this business

2. Identify Risks

Once you have defined your business, identify some of the risks your business might encounter. Briefly describe each risk you have identified, detailing why it is threat to your business. Items to consider might include:

- Market demand
- Government policy
- Weather & climate
- Input costs
- Energy sources
- Diseases & pests
- Political uncertainty
- Global events
- Financing

3. Minimize Risk

What does it mean to minimize risk? What are ways that businesses minimize risks?

Create a plan for managing risk in your business. For each of the risks you identified, think of at least two ways you might manage your business to respond to each threat. Is there a solution for each problem? Your plan should explain how you would manage each of the risks you identified.

4. Evaluate Your Plan

Review another student's business description and risk management plan. Compare and contrast the business and risks with your own plan.

- Summarize your comparison of the businesses. How are they similar or different? How are your businesses interconnected? Are there risks that both business share?
- Write a short evaluation of your partner's risk management plan. Are there risks to their business that were not addressed? Can you suggest different or better ways to manage their risks?