PL.8

Planning for Risk Management

A risk management plan starts with defining and evaluating risk and then matches risk mitigation strategies to risks and sets priorities for implementation.

Define risks by considering categories or types of events that would threaten the success of your business plan. There are two common frameworks for thinking about risk in a farming, ranching or fishing business:

- The Five Ds: Death, Divorce, Disaster, Disability, Disagreement
- Business Plan Assessment Framework:
    - Production
    - Marketing
    - Financial
    - Legal and Regulatory
    - Human

Evaluate risk by assessing both the likelihood and the severity of consequence from an adverse event.

Mitigate risk by matching risk to an appropriate risk management strategy:

- Death, Divorce, Disability, Disagreement: insurance, strong operating agreements, written leases and contracts
- Disaster: physical protection of assets, insurance for assets
- Production Risks: diversification of production, multi-peril crop insurance
- Marketing risks: diversification of markets, revenue protection insurance
- Financial risks: strong accounting systems, insurance, strong operating agreements, written leases and contracts
- Legal and regulatory risks: strong management systems, strong training policies and procedures, strong operating agreements, written leases and contracts, regular meetings with appropriate legal counsel when indicated before taking a new, large, or risky course of action
- Human risk: strong management systems, strong training policies and procedures, insurance

Prioritize which risks are most critical and which mitigations are most strategic.

1. Protect **critical assets**, identified as those most essential to your operation
2. Address **greatest vulnerabilities**, identified as most likely vectors for material losses
3. Are known to be **effective** and have a high probability of protecting your operation
4. **Benefit** your operation regardless of the risk they mitigate.

