



# *Risk Assessment for the Small-Scale Farm*

Farming is a risky business. However, just which risks pose the greatest challenge is highly dependent upon what enterprises you engage in and what stage your business is in. For example, during the first few years of an operation production issues may pose the greatest risks as you work out which production methods work best. As your business grows, not having enough skilled labor may be a significant risk. Therefore, you may wish to take this assessment today, and then again in a year or two. Your relationship to the farm can also influence how you view risks. Farm managers, as paid employees, may have different concerns than a farm owner. If you are farming in partnership with others, have everyone complete a separate assessment and compare notes.

## **I. Evaluate Your Attitude Toward Risk**

When weighing the potential risks of farming and deciding how to respond to them, it can be helpful to understand your own attitude toward risk. Consider the following risk attitudes<sup>1</sup> and decide where on the scale you would put yourself. Are you clearly one type or somewhere between two types? If you have farm partners ask them to rate themselves as well. Do you share similar views or are they very different?

- **Risk Avoider** – You are a very cautious risk taker. You stay prepared for the worst, and you dislike taking any chances. Your operation tends to be stable, but you lose out on opportunities that would involve going out on a limb.
- **Risk Calculator** – You believe that one must take some chances to get ahead. Before making a decision or taking action, you gather information and analyze the odds. You try to be realistic, to recognize the risks and reduce them to acceptable levels. Sometimes you over-analyze.
- **Risk Adventurer** – You feel risks are challenging and exciting, and you often look for the chance to take risks. You enjoy the excitement of risk taking, and sometimes you need to be reminded to keep the stakes to a reasonable level.
- **Risk Daredevil** – You are a risk daredevil if you take unnecessary chances, plunging right in (or staying put) with your eyes closed to

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<sup>1</sup> From “How Risk Tolerant Are You?”, Uva and Green, Cornell University  
New England Small Farm Institute  
Belchertown, MA

risk. Although you might sometimes get lucky, Daredevils commonly fail when they ignore the facts or refuse to take any precautions.

**Place Yourself on this Risk Attitude Scale:**

**Risk Avoider ---- Risk Calculator ---- Risk Adventurer ---- Risk Daredevil**

**II. Assess Risks for Your Farm**

The USDA Risk Management Agency recognizes five risk areas for farm businesses. Below are some potential risks in each of those five areas. Look ahead to your next production year. (We use the term “production” to refer both to raising crops and raising livestock.) Rate each listed risk as high, moderate, low, or not applicable. Include other potential risks that may not be listed. For those risks to your farm that you rated as high, list possible ways to reduce their impact. For example, if unpredictable weather poses a high risk that your single commodity crop will fail, you may decide to diversify your production practices, add additional enterprises, purchase crop insurance, or employ some combination of strategies.

**Assess Production Risks**

Description of Risk	High	Mod.	Low	N/A	Strategy to Reduce Risk
Lack of production experience					
Untested production methods					
Yield variability					
Unpredictable weather					
Lack of equipment or equipment failures					
Other production risk					
Other production risk					

**Assess Marketing Risks**

Description of Risk	High	Mod.	Low	N/A	Strategy to Reduce Risk
Lack of marketing experience					

Limited marketing channels					
Direct competition					
Indirect competition					
Consumer health and safety concerns					
Other marketing risk					
Other marketing risk					

### Assess Financial Risks

Description of Risk	High	Mod.	Low	N/A	Strategy to Reduce Risk
Lack of financial management experience					
Lack of capital to invest in needed equip. or other assets					
High debt					
High production to yield costs					
Lack of seasonal operating cash					
Insufficient revenues to cover operating expenses					
Insufficient profit to provide adequate pay to owner(s)					
Other financial risk					
Other financial risk					

### Assess Legal & Environmental Risks

Description of Risk	High	Mod.	Low	N/A	Strategy to Reduce Risk
Lack of knowledge about legal and environmental issues/ regs					
New regulations for which farm not grand-fathered					
Unsafe conditions for farm workers or customers					
Pollution to or from neighboring property					
Community not "farm friendly"					
Land development pressures					
Other legal/environmental risk					
Other legal/environmental risk					

### Assess Human Resource Risks

Description of Risk	High	Mod.	Low	N/A	Strategy to Reduce Risk
Lack of farm management experience					
Sick or injured farm labor or managers					
Lack of appropriate labor resources					
Competing goals among farm family members or partners					
Death or divorce of farm principal					
Other human resource risk					
Other human resource risk					