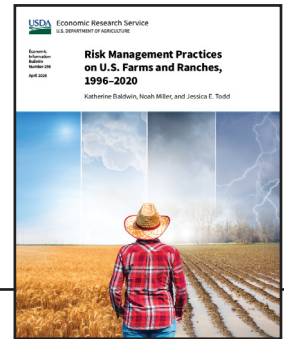




A report summary from the Economic Research Service

Risk Management Practices on U.S. Farms and Ranches, 1996–2020

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Key Points

- U.S. agricultural producers pursue a variety of strategies to manage risk, including on-farm strategies (such as income diversification and storage), market-based tools (including crop insurance and marketing contracts), other Government programs for managing risk (including countercyclical-type programs and disaster programs), and strategies to manage longer-term strategic risk (including investments in farm improvements and succession planning).
- This report analyzes risk management strategy utilization by U.S. farms from 1996 to 2020 using data from the USDA's Agricultural Resource Management Survey (ARMS).
- In many cases, usage of strategies varied by farm size and commodity specialization.
- Across all farms, savings (in the form of non-retirement financial assets) and engaging in off-farm employment were the most prominent risk management strategies utilized.
- The share of all farms participating in the Federal Crop Insurance Program (FCIP) has varied little since 2005, but participation has increased for very large farms and declined particularly for small farms.
- A small share of farms receives Government payments related to risk management. Although fewer than 15 percent of all farms received any countercyclical-type payment from the Agriculture Risk Coverage, Price Loss Coverage, or Dairy Margin Coverage programs in any given year, a higher share of midsize, large, and very large farms received such payments. Additionally, at most, 7 percent of farms received payments from any Federal disaster program in any year over the period analyzed.
- Fewer than one-third of producers had a succession plan in place in 2019, but the share rose over time among most age groups of farmers. The likelihood of elaborating a formal succession plan rose with farm size.

Why Does This Matter?

The last comprehensive analysis of risk management in U.S. agriculture was carried out in 1999. The years that followed witnessed evolutions in agricultural policy, changes in markets, and advances in technology that affected the risk environment in which producers operate. This study analyzes how utilization of risk management strategies has changed, and reports on

what strategies were utilized by different types of U.S. farms from 1996 to 2020. It also examines the role of crop insurance and countercyclical-type programs in the wider context of a basket of strategies that producers use to manage risk.