



Risk Management Starter Guide



FARM MANAGEMENT CANADA
GESTION AGRICOLE DU CANADA



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Disclaimer: This guide is intended for general informational purposes only and should not be interpreted as professional, legal, or financial advice. Readers are encouraged to seek the guidance of qualified professionals to ensure that any strategies or practices are appropriately tailored to their specific circumstances.



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Understanding Risk and Risk Management

What is Risk?

In its simplest form, risk is defined as the uncertainty of an outcome, which may result in undesirable consequences, or open the door to new opportunities and potential rewards.¹



What is Risk Management?

Risk management is the practice of identifying, assessing, and understanding potential risks and putting a plan in place to minimize vulnerabilities and avoid negative outcomes while also taking advantage of new opportunities – making informed, calculated decisions that support your goals.



Business Risk Management

Within the context of Canadian agriculture, the term “Business Risk Management” (BRM) has become the go-to phrase for describing government-based farm support programs. While this has helped raise awareness of the importance of risk management in agriculture, it has unintentionally narrowed the focus to the government’s financial support programs as the only option for risk management.

In reality, business risk management refers to a wide range of tools, approaches, and practices aimed at reducing business vulnerabilities while taking calculated risks to seize new opportunities.

As the old saying goes, “an ounce of prevention is worth a pound of cure.” In agriculture, this isn’t just good advice – it’s a mindset shift. Rather than waiting for a crisis to unfold, effective risk management starts with anticipating potential challenges before they arise and putting measures in place to minimize vulnerabilities and maximize opportunities.

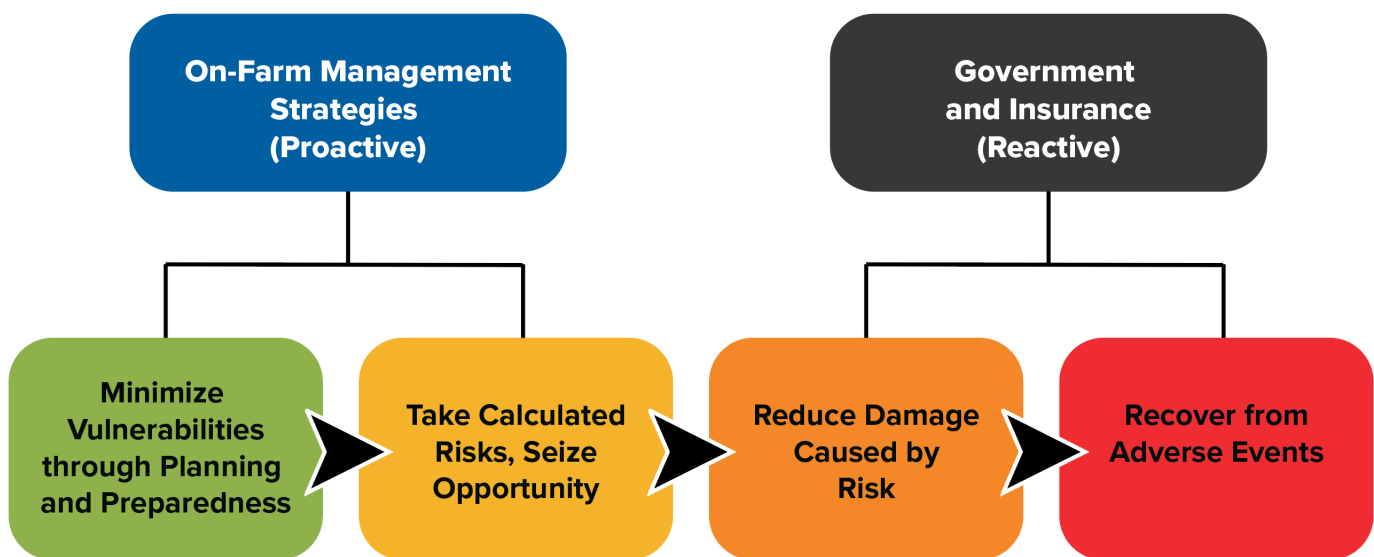
¹Farm Management Canada, 2025. “Striking the Balance: Proactive Strategy versus Reactive Response.”

Proactive versus Reactive Risk Management

A proactive approach empowers you to take control, even when factors like weather and market shifts are outside of your control. Proactive risk management focuses on identifying potential threats and aims to prevent them from happening or becoming significant issues. On the other hand, reactive risk management focuses on recovering from loss.

The diagram below illustrates proactive planning versus reactive response – shifting toward proactive risk management builds resilience and long-term success.

The Risk Management Continuum



A Comprehensive Approach to Managing Farm Risk

In business, risk management is typically referred to as “enterprise risk management” to acknowledge the interplay between various risks and management strategies within the business and between product and service lines.

Managing risk within a comprehensive framework and plan helps focus on proactive risk management strategies that support logical, timely and effective decision-making.

The diagram below provides a framework for comprehensive risk management.

Comprehensive Risk Management Framework



Business Strategy

Business Planning – Business Structure
– Governance – Transition Planning –
Technology and Innovation – Operational
Planning



Business Environment

Public Trust and Consumer Advocacy
– Politics, Policies and Regulations –
Cybersecurity



People

Occupational Health and Safety – Personal
Wellbeing – Hired Labour – Family Relations
– Contractors and Advisors



Production

Climate and Weather – Animal
Health and Welfare – Nutrients –
Pests – Soil, Water and Biodiversity



Finance

Money Management – Cash Flow – Debt
Service – Access to Capital – Investments



Markets

Sourcing – Selling – Trade



FIELD NOTE

Start with Production Risk as it is likely the area with which you are most familiar and comfortable.

The Risk Management Process

The 5 Steps of Risk Management

In order to effectively manage risk, the risk management process includes five steps:



1 | Assess your tolerance for risk

Everyone views risk differently. Some are comfortable making bold moves and investing heavily in uncertain ventures, while others prefer to play it safe and wait until the outcome is more predictable. Understanding your own risk tolerance is a key first step before assessing risks or choosing how to manage them. There are a variety of free tools available online that can help you get a clearer picture of your comfort level with risk.

Field Note

Seek to understand the risk tolerance of key family and farm team members – they are likely different!

2 | Identify, assess, and prioritize your risk

A comprehensive risk management framework includes managing each area of risk, while also recognizing the interplay between them.

First, use the following list to identify risks on your farm. Some examples have been provided to help you.



Business Strategy Risks

Ex. business planning, business structure, governance, farm transition, use of technology.



Business Environment Risks

Ex. politics, government policy and regulations, public trust, activism.



People Risks

Ex. injury, illness, stress and anxiety, labour disputes, labour shortages.



Production Risks

Ex. weather, pests, disease, environmental stewardship.



Financial Risks

Ex. interest rates, access to capital, investing debt load, cash flow.







Market Risks

Ex. price or supply/demand fluctuations, access to inputs, markets and trade.

Second, **assess each risk: evaluate the likelihood** of the risk occurring, the **impact** it would have on your farm, and your level of preparedness. This helps focus attention and prioritize high likelihood/high impact/low preparedness risks.

Third, use a simple matrix to **prioritize your risks:**

-  High likelihood / high impact / low preparedness → Needs urgent attention
-  Medium likelihood / medium impact / low preparedness → Manage to avoid disruption
-  Low likelihood / high impact / moderate preparedness → Monitor and plan
-  Low impact / low likelihood / high preparedness → Low priority

[Skip to the Prioritizing Risk section below to help you identify, assess and prioritize your risks.](#)

Field Note

Walk through a typical year. List what could go wrong in each management area.

3 | Create a plan

There are four main strategies to deal with risk: **Avoid, Reduce, Transfer, or Retain.**



Avoid the Risk

Eliminate the risk entirely by choosing not to engage in the risky activity.

Examples:

- Do not grow a high-value disease-prone crop due to unpredictable local weather.
- Do not perform a specific practice that violates safety regulations or protocols.



Reduce the Risk

Take action to lower the likelihood and/or the impact of a risk.

Examples:

- Install irrigation to reduce the risk of crop failure due to drought.
- Implement biosecurity measures to reduce the spread of disease in livestock.
- Provide staff training to reduce workplace accidents or equipment misuse.



Transfer the Risk

Shift the risk to another party, typically through insurance or contracts.

Examples:

- Purchase crop insurance to protect against losses from hail.
- Sign contracts with buyers to lock in prices and reduce market volatility risk.
- Lease equipment rather than buying, so repair/maintenance falls on the provider.



Retain the Risk

Accept the risk and choose to deal with any consequences directly.

Examples:

- Do not hedge grain prices and choose to accept market fluctuations at sale time.
- Rely on family labour without employment insurance or formal backup plans in place if someone gets injured or becomes unavailable.
- Adjust fertilizer based on observations rather than data.

For each priority risk you've identified, choose the most suitable risk management strategy. Then outline the specific actions you will take to support that strategy, assign responsibilities to the appropriate members of your team, and set clear timelines for completion. Involving your family and team in this planning process is essential – it ensures everyone is on the same page, expectations are clear, and the plan is accurate and achievable. Write the plan down and make sure it is accessible to your farm team.

Field Note

Retaining risk is used for risks with low likelihood or impact.



For assistance in creating your plan, a **Risk Management Action Plan Template** and **Sample Plan** are available to you as part of the **Risk Management Bundle**.

4 | Implement the plan

Now it's time to bring your plan to life. Gather your farm team for a meeting to walk through the plan, confirm everyone's roles, and review key timelines. Use this time to address any questions or concerns and set a schedule of meetings to check in on progress.

5 | Monitor progress, evaluate performance

Risk management isn't one-and-done. Review your plan regularly – at least once a year or after a major event and ask:

Did anything unexpected happen?

Were our strategies effective?

What new risks have emerged?

What new opportunities have surfaced?

The plan will need to be updated as new information becomes available, which may include new risks that potentially affect the plan and options moving forward. Adapt and improve your plan as conditions within your business environment change.



Field Note

Schedule quarterly meetings to check on your progress.

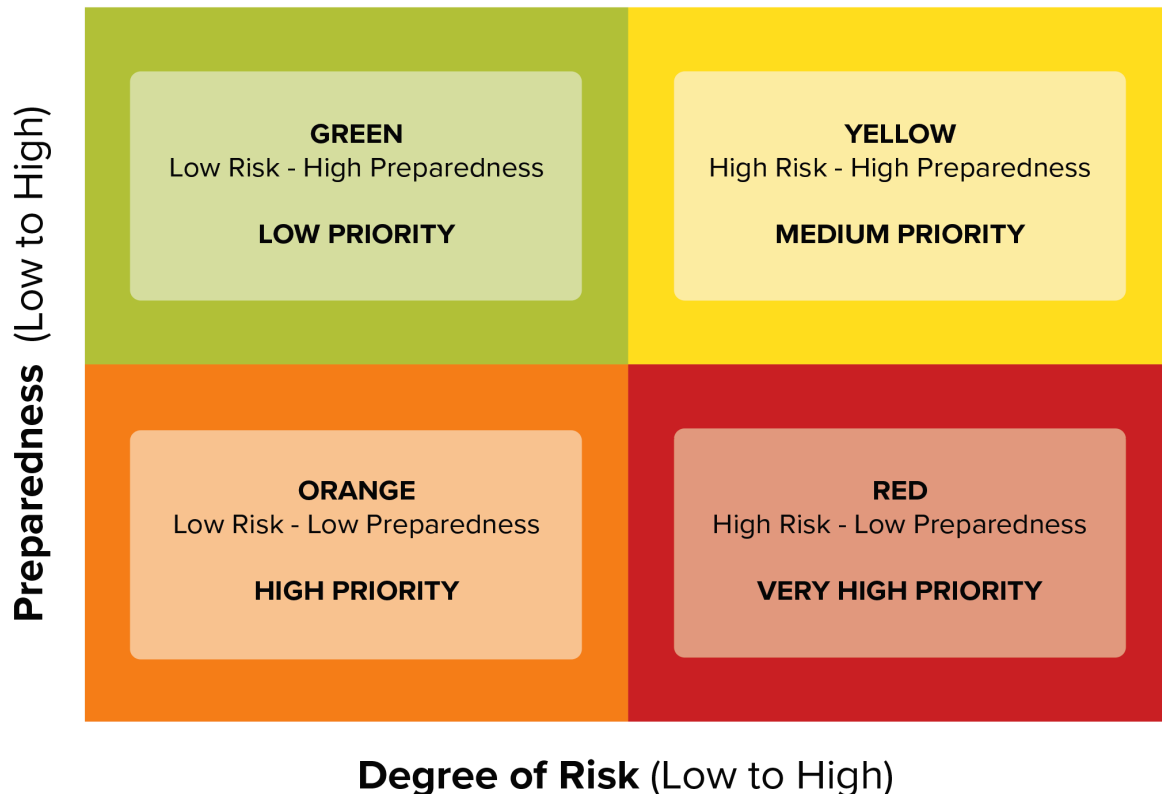
Prioritizing Risk

A strong assessment involves prioritizing which risks need the most attention. The following exercises will help you evaluate and rank the risks you face—both to reduce vulnerabilities and to identify opportunities that come from taking calculated risks.

Risk Management Matrix

The Risk Management Matrix can be used to assess and prioritize the risks on your farm by giving potential risks a value for likelihood or frequency (the probability of occurrence) and magnitude (the level of potential impact) and then cross-referencing with the level of preparedness to be able to manage the risk. By plotting the assessment of different risks on the matrix, you can determine which risks need more or immediate attention, and which risks are minimal or which you are well-prepared to handle.

The Risk Management Matrix (or heat map) is made up of four quadrants:



You may choose to consult external experts to help assess risks on your farm. This could include professionals like your accountant, lawyer, agronomist, veterinarian, nutritionist, or other experienced farmers with specialized knowledge. It's also important to involve your management team and family members in the process to ensure all potential risks are considered and that the risk ratings are accurate.



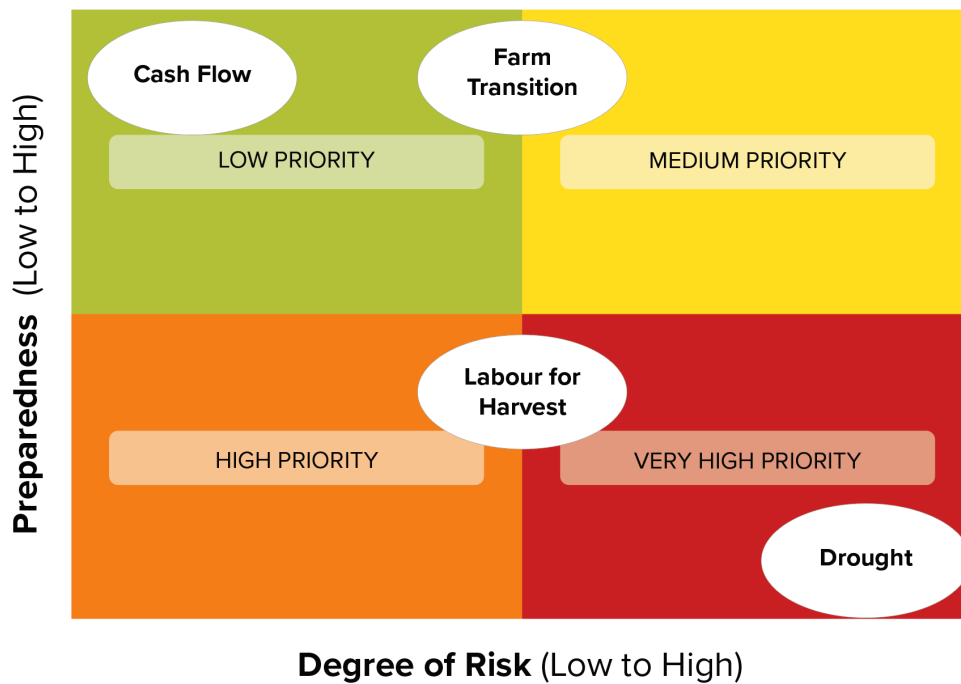
For assistance in prioritizing your risk, a **Risk Assessment and Planning Spreadsheet** is available to you as part of the [Risk Management Bundle](#).

Prioritizing Your Risks

The following example shows how to use a simple chart to assess your risks. The example uses one risk within four different risk categories. Remember, there are six risk categories and a number of risks under each one.

| Risk Area | Risk | Frequency/ Likelihood | Magnitude/ Impact | Degree of Risk | Preparedness Rating |
|-------------------------|---|---|---|--------------------------|--|
| List all the risk areas | List all the specific risks to the farm within the risk areas | From 1-5: Always (5) Occasional (3) Rare (1) | From 1-5: Severe (5) Moderate (3) Negligible (1) | Frequency + Magnitude | From 1-10: Very Well (10) Somewhat (5) Not at All (1) |
| Production | <i>Drought</i> | <i>Always (5)</i> | <i>Severe (5)</i> | $5+5 = 10$ | <i>Not at All (1)</i> |
| People | <i>Labour for Harvest</i> | <i>Occasional (3)</i> | <i>Moderate (3)</i> | $3+3 = 6$ | <i>Somewhat (5)</i> |
| Financial | <i>Cash Flow</i> | <i>Rare (1)</i> | <i>Negligible (1)</i> | $1+1 = 2$ | <i>Very Well (10)</i> |
| Strategy | <i>Farm Transition</i> | <i>Rare (1)</i> | <i>Severe (5)</i> | $1+5 = 6$ | <i>Not at All (1)</i> |

Using the chart, you can then map your risks (based on their Degree of Risk and Preparedness ratings) to the Risk Management Matrix to prioritize your risk management activities.



Reflecting on the results of the example Risk Management Matrix, it becomes clear that drought management is the highest priority (highest risk and lowest preparedness), followed by labour for harvest, farm transition and finally, cash flow, which is a very low priority (lowest risk and highest preparedness).

Next Steps

Now that you have reviewed the **Risk Management Starter Guide**, we encourage you to put your learning into action by using the **Risk Assessment and Planning Spreadsheet** and the **Risk Management Action Plan Template and Sample Plan** as part of the [Risk Management Bundle](#). This tool will help you identify, prioritize, and prepare strategies for the risks most relevant to your operation. You can also explore [AgriShield®](#) — our online risk assessment and planning platform.

Risk management is not something to do alone – bring your family and farm team into the conversation to ensure all perspectives are considered, and don't hesitate to consult with trusted advisors and professionals who can provide additional expertise.

Your Risk Management Plan should not stand on its own. For the greatest impact, integrate it directly into your overall **Farm Business Plan**, making risk management part of your farm's daily decision-making and long-term vision. To support you in building a comprehensive and resilient farm business plan, explore FCC's [Business Plan Bundle](#).

Together, these resources will help strengthen your farm's future and build your confidence in navigating uncertainty.

For more great resources and tools, be sure to visit Farm Management Canada's [AgriResources.ca](#) and [FCC Knowledge](#).

Thank You

Farm Management Canada thanks you for taking the time to explore the Risk Management Starter Guide. You are taking an important step toward building a stronger, more resilient farm business.

We encourage you to continue learning and make use of the many resources available to help you plan for the future with confidence and peace of mind.



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