COOPERATIVE EXTENSION SERVICE
UNIVERSITY OF KENTUCKY — COLLEGE OF AGRICULTURE

A PRIMER for Selecting New Enterprises for Your Farm:

RISK 2: Market Risk Worksheet

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RISK 2

Use this worksheet to anticipate what can go wrong and what can be done about it

Financial Risks (con't)

What are the liabilities you expect to be exposed to in development of this enterprise?

What level of insurance coverage (and at what cost) will you need for this enterprise?

Crop production ______ Liability ______ Worker's Comp ______

Crop revenue ______ Property ______ Unemployment ______

Market Risks

How much seasonal price variability exists for your product? What are the seasonal high and low prices?

What is the duration of high and low prices?

Are you trying to target a market window (peak price)?

If so, what factors appear to create this market window?

Is your product perishable?

If timely harvest and/or handling and storage after harvest are critical to quality and price, what measures can be taken to maintain quality?

What recourse do you have for default on payments for product sold?

Are food safety concerns an issue?

Can you identify critical control factors to ensure food safety?

Are livestock wastes or by-product disposal a concern?

Are waste management and water quality plans in place?

Calculate your break-even price needed to cover cash costs. Divide the cash costs from the PROFITABILITY WORKSHEET by the amount of product produced to determine the break-even price per unit.

Cash costs from PROFITABILITY WORKSHEET	
divided by the amount of product produced	
equals break-even price to cover cash costs	

Does the market consistently offer a price above this break-even price?

Will your estimated market price cover these cash costs and leave enough to pay debts, depreciation, and an adequate return to family labor?