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Full Length Research Paper

Utilization of farm management risk strategies at the rural/urban fringe

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Abstract

Government policy-intervention programs offer U.S. farmers protection from a variety of risk sources. However, the utilization of farm-management risk strategies to address those risks might differ because of location or the crop-mix patterns. This paper utilizes principal component analysis (PCA) and regression analysis to examine the utilization of risk management strategies at the rural/urban fringe. The regression results provide insights into the current utilization of tools and risk management strategies used by farm operators, while the PCA examines tools that are currently utilized to manage farm risks and new tools that may be utilized to do so. The results from the PCA suggest that farm operators would like the addition of new tools such as tax-deferred savings accounts that allow farm operators to withdraw funds in a low-income year or at retirement as a risk management strategy. The PCA results further show that farm operators would like an incentive payment for using various risk management tools, including hedging, insurance, and debt and equity financing as part of federal risk management programs. With respect to the current tools utilized to manage farm risks, the PCA and regression results identify three such categories – enterprise diversification, information collection from the internet, and off-farm income sources.

Key words: Risk, PCA, farm management.

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