

## Book review

Hoag, Dana L. (ed.) (2010):

### **Applied Risk Management in Agriculture.**

CRC Press, Boca Raton (USA); 400 pp., paperback;

ISBN 978-1-4398-0973-0; \$ 79.95

The editor Dana L. Hoag motivates the book in his preface (p. ix) as follows: “Over the last few years I have witnessed a great deal of interest in risk management education. However, based on my participation in [...] extension programs, I could not understand why more agricultural producers were not using risk management tools when so many were readily available. My suspicion was that the topic required the integration of many disparate and difficult parts, which is time consuming and overwhelming for producers who are already giving it their all to maintain a viable business. So, I set out to write a book about risk management and the fundamentals of building a risk management plan.”

“Applied Risk Management in Agriculture” focuses on an internet program called Risk Navigator<sup>®</sup>, a free risk management tool available at <http://www.RiskNavigatorSRM.com> which has been developed by a group of US extension economists from universities in eight western states of the US. The 18 chapters of the book were written by a team of nine contributors (including the editor Dana L. Hoag) in varying collaboration of the authors. The book is organized into three sections: section 1 (chapters 1 through 4) is introductory; section 2 (chapters 5 through 12) describes risk management as a cyclic process in ten working steps; and section 3 (chapters 13 through 18) describes the traditional instruments to manage financial risks, production risks, price risks, behavioral risks, and institutional risks. While the book is overall well organized despite the multitude of its authors, it does not form an entirely integrated whole. An obvious sign of this are redundant text repetitions. Another sign are misleading references to subsequent chapters.

According to the editor, the authors’ goal is to provide real world applications for college students of risk management as well as a practical guide which is useful to farmers and ranchers even if they have no previous knowledge about risk management and economics. It is certainly a challenging task to draw

up a text which enables people with no previous knowledge of risk management to adequately evaluate their real world risks and management options. Trying to achieve this ambitious goal, the editor has used several didactic tools:

- The sequence of chapters follows an easily understandable framework called “Strategic Risk Management Process” (SRM process). The SRM process divides risk management into three main parts – strategic, tactical, operational – containing a cycle of ten sequential working steps.
- For the sake of clarity one single case study – a 2,500 acreage property in north-eastern Colorado – is consistently used to describe each working step within the cyclic SRM process. In order to lend tangibility to the case study, the description of the family owned farm business includes family photos and information on family members including their careers as football players and cheerleaders.
- The description of each working step follows a recurring pattern and is always broken down into three parts: part 1 contains the case study and “is meant to read like an extension bulletin”. Part 2 describes the theoretical background behind each step and “is meant to read something like a college textbook”. Part 3 “is a user’s guide to the tools available at <http://www.RiskNavigatorSRM.com>” which describes how the various tools can practically help accomplish each working step (p. 7).

The reader is supposed to be able to adequately manage her/his risks if she/he follows the ten working steps and uses the accompanying tools from the Risk Navigator Web site.

Overall, one might summarize that “Applied Risk Management in Agriculture” contains weaknesses and strengths which both originate in its ambitious goal and corresponding design. A weakness can be seen in the fact that no systematic introduction into decision theory is given and that no inspiring or innovative insights are provided for those who are familiar with

the conceptual background of risk analysis and management. I believe that, with regard to academic teaching, the book by Hoag represents a complement rather than a substitute for a scientifically more rigorous textbook on risk analysis and management. One has to bear in mind, however, that the book has been deliberately designed as a user's guide to an internet based management tool and that it has been explicitly written to provide a quick and practical guide for practitioners with little time and inclination to learn from theory. The book's strength also originates from its goal and design. While only the indispensable essentials of decision-making under risk are presented, these essentials are intimately linked with real-world applications and practical tools which have been developed by extension specialists. Furthermore, these tools are freely available on the internet. This offers an exceptional opportunity for learning-by-doing via real world applications and enables practitioners to familiarize themselves continually and at low cost with practical risk management. It also offers a great opportunity for risk management students to deepen their knowledge by applying these tools in student research projects. Only time and interest is required!

I would like to conclude this review by making reference to a conspicuous passage in the book's introduction in which the editor provides a definition of 'Strategic Planning' that is taken from Wikipedia.org. This gives rise to a few interesting questions: (i) Was Wikipedia used as a source of information because it provided the most suitable definition of all possible sources? (ii) Or was it used pragmatically – fitting an economist – because it provided a suitable definition which could be found at low costs? (iii) Which of the two possibilities, if any, justifies the use of Wikipedia and the like as sources for citations, and in which types of publications?

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