

Session 4: Risk Assessment in Agroforestry Businesses (15:15–16:30)

Objective

Introduce the concept of risk assessment within strategic planning and provide advisors with tools to help businesses identify and manage risks. By the end, participants will be able to facilitate a basic risk assessment, categorize different types of risks (e.g. production, market, financial, climate-related), and guide clients in developing risk mitigation strategies as part of their business plan. They will also appreciate the advisor's role in fostering risk-aware yet proactive decision-making (not fear-driven).



Activity - Discussion Starter (10 min)

Ask the group: “What kinds of risks do agroforestry enterprises face that could derail their strategic goals?” List answers on flipchart. Likely responses: weather extremes (drought, storms), pest/disease outbreaks, market price drops, policy changes (e.g., subsidy removal), financial risks (debt, interest rate changes), labour availability, etc. Supplement with any missed ones – possibly categorize into:

Production risks (yield, pests, weather),

Market risks (prices, demand shifts),

Financial risks (cash flow, investment),

Institutional/Legal risks (policy, land tenure), and

Human risks (illness/injury of key people, labour issues).

This mirrors the known categories of farm risk management. The idea is to make sure participants consider a broad spectrum, not just natural risks.



Presentation: Risk Assessment Basics (15 min)

Define risk in a planning context:

Risk = the possibility of an event that could negatively (or positively) affect outcomes. Emphasize that strategic planning is not complete without considering “What could go wrong?” and “How will we prepare or respond?” Introduce a simple tool: the **Risk Matrix** (likelihood vs impact). Show a slide with a 2x2 or 3x3 matrix and an example: “Severe drought” = high likelihood, high impact for a Mediterranean farm – top priority risk; “Equipment breakdown” = moderate likelihood, medium impact; etc. Advisors can help clients plot key risks on such a matrix to prioritize which ones need action. Mention **risk mitigation strategies**: avoid, reduce, transfer (insurance), or accept. Give a quick example for each:

Avoid – choosing not to plant a very frost-sensitive species in a frost-prone site;

Reduce – implementing irrigation to reduce drought risk;

Transfer – buying insurance or partnering to share risk;

Accept – acknowledging a minor risk and monitoring it.

Stress that not all risks can be eliminated, but having a plan can turn a crisis into a manageable event. Quote a relevant extension insight: Extension workers have a vital role in helping farmers reflect on and manage risks, meaning advisors should prompt clients to think about risks proactively. If available, share a statistic or factoid, e.g., “Studies show that farmers who plan for risks (diversification, insurance, etc.) have more stable incomes over time fao.org.”



Highlight **opportunity side of risk** – sometimes taking a calculated risk is needed to innovate. Advisors should help distinguish between reckless risk and strategic risk (calculated, with backup plans).



Activity- Case Study & Role Play – Risk Analysis Conversation (30 min):

Organize a role-play activity to practice discussing risks with a client. Pair up participants. One plays an advisor, one the farmer/business owner. Give each pair a scenario (possibly continue with the “*Sunrise Farm*” case from Session 3 or a new short scenario that the participants can identify with). Example scenario: A chestnut silvopasture farm in Italy is planning to expand chestnut orchards. They have identified this as a key strategy for growth. But they face risks like unpredictable rain patterns (some years of drought), and dependence on a single buyer for their chestnut products.

The advisor’s task: in 10 minutes, talk with the “farmer” to identify at least 3 major risks to the plan and brainstorm ideas to manage them. The “farmer” (participant) can use a prompt sheet with a few personality/attitude notes (e.g., risk-averse or risk-taking stance) to make it interesting. After 10 minutes, swap roles if time permits with a different scenario or let some pairs share their experience.

After the role-play, debrief as a whole group (10 min): “*How easy or difficult was it for you (as the advisor) to get the farmer to talk about risks?*” and “*How did the farmer respond – were they defensive, open, surprised?*” This draws out how some clients might initially resist talking about negative possibilities, or conversely, some might be very anxious about risks. Discuss strategies to approach both types (for example: for resistant ones, frame risk talk as “*we want to ensure your plan succeeds under different conditions*”; for anxious ones, emphasize that planning reduces fear). Ask a pair or two to share a risk and mitigation idea they discussed.

For instance, the chestnut farm risk: drought – mitigation might be to invest in water storage or plant some drought-tolerant fodder trees as backup; single-buyer risk – mitigation by finding alternative buyers or developing on-farm processing to not rely on one buyer. Note how these mitigation actions might become part of the strategic plan (e.g., “*develop local direct sales for chestnut flour*” becomes a strategic action stemming from risk analysis).

Tip for Success: Walk around during role-play to ensure they stay on task. If a pair seems stuck, you can gently drop a hint in character (“*Farmer might be worried about...*”). After role-play, highlight positive behaviours observed, like good questions asked by advisors or empathetic listening.



Tool Practice – Risk Prioritization (10 min):

Distribute a simple risk matrix template. Individually or in small groups, have participants take one of the scenarios or even their own real-life client example and jot down 4-5 risks on sticky notes, then place them on the matrix (if doing physically) or mark on paper. This quick exercise reinforces the concept of prioritizing risks. Then ask: “*Which one or two risks came out as highest priority in your matrix?*” and “*What is one action to address each?*” This reinforces making the link from assessment to action. Provide a brief example of a farm that may successfully navigate a major risk thanks to planning.



Example- Windbreaks as Risk Management (Netherlands):

A Dutch agroforestry farm (mixed vegetables and trees) identified wind damage and soil erosion as a threat (after a storm devastated crops one year). With an advisor’s guidance, they made risk mitigation part of their strategy: planting tree windbreaks and diversifying crops. The strategic plan included establishing 3 rows of willow and alder as shelterbelts around fields within 2 years, and diversifying into at least 2 new crops to spread weather risk. Two years later, a severe storm hit the region. While neighbours’ monocrop fields suffered heavy



losses, the agroforestry farm had minimal damage – the windbreaks reduced storm impact and diverse crops meant some yields survived. Additionally, the farm saved on irrigation due to improved microclimate from trees. This case underlines how integrating risk management (tree windbreaks in this case) into the strategic plan built the farm's resilience.

Key Takeaway:

The advisor helped the farmer see that proactive investment (planting trees) would pay off by reducing future risk, which it did.

Session 4 wrap-Up (5 min)

Reinforce that discussing risk is a critical part of strategic advising. Advisors should ensure clients consider “*what if*” scenarios. It is not about scaring them, but about preparedness. Quote if appropriate: “*Hope for the best, plan for the worst.*” By thinking ahead, agroforestry businesses can weather setbacks and even turn some risks into opportunities (for example: climate change driving carbon farming incentives). End Day 1 on a positive note: strategic planning might seem a lot of work – vision, analysis, risk – but it arms businesses with knowledge and confidence. Encourage participants to reflect overnight on how they might apply these tools to their own context or a client they know. Assign a light reflection homework: for example, “*Think of a farm or project you work with. Jot down a draft SWOT or a couple of key strategic goals for them – something we can perhaps discuss tomorrow.*” This primes them for Day 2.

Methods Used: Brainstorming, mini-lecture with slides, paired role-play, interactive tool practice, and case example storytelling. **Interactive element:** high – especially with role-play engaging participants in advisor-client dialogue.