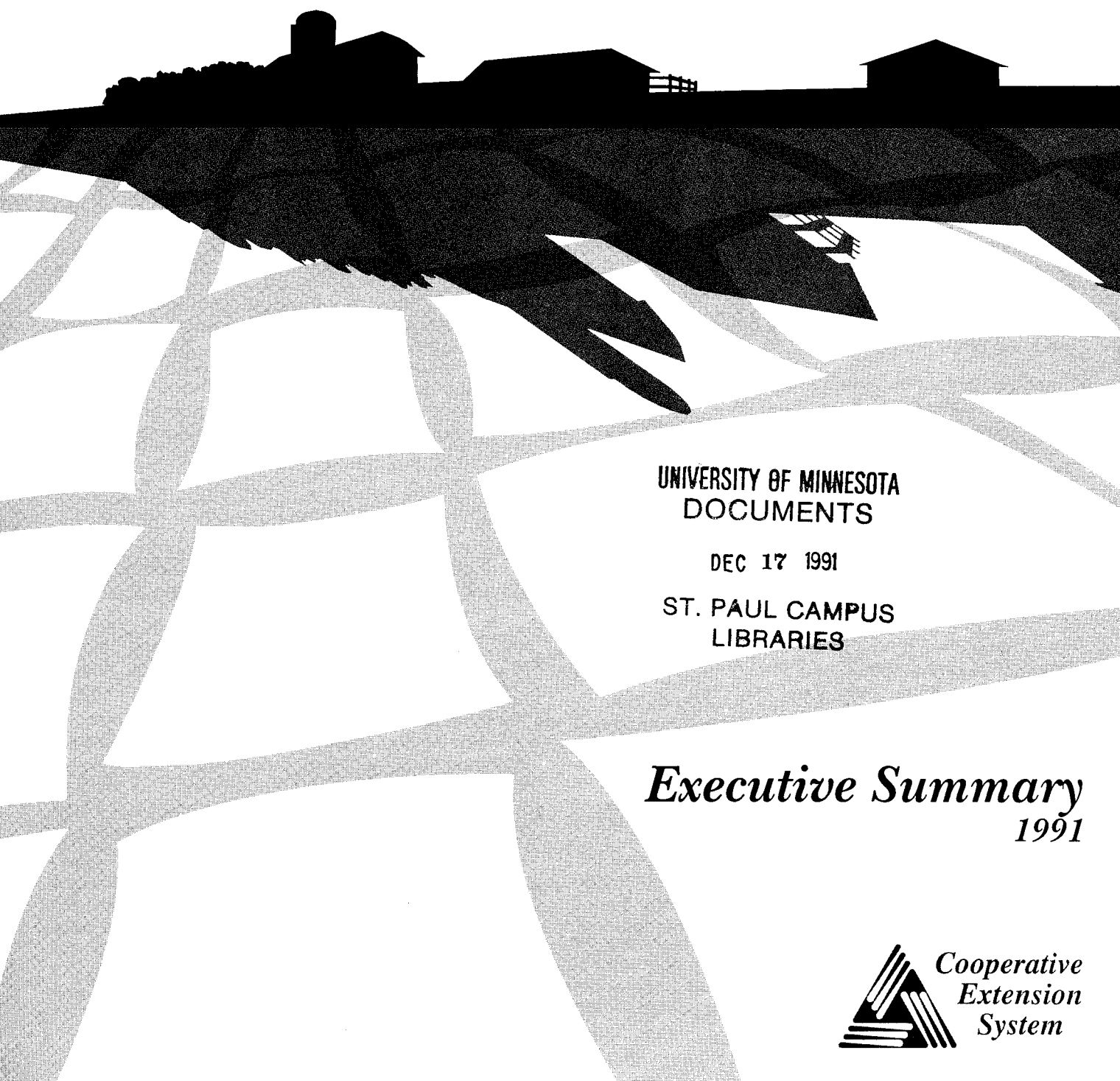


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# Annual Assessment of Extension Farm and Ranch Financial Management Programs

1984 through 1988



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*Executive Summary*  
1991



# Executive Summary



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## Situation and Purpose

During the agricultural financial crisis of the mid 1980's Extension farm and ranch financial management programs increased rapidly as thousands of farmers and ranchers turned to the Extension Service for help in assessing and improving their financial situation. The purpose of this study was to document and evaluate the Extension Service's response to this major financial crisis in U.S. agriculture in the 1984 to 1988 period.

Thirty-seven state Extension Services reported the results of their financial management efforts. In these states over 400,000 farmers and ranchers received Extension financial management educational assistance during this period. Total participation in Extension financial management programs by these producers exceeded 1.8 million contacts.

Surveys of producers, lenders and county Extension agents were conducted in ten selected states. Over 9000 agricultural producers were surveyed and nearly half (4269) responded.

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## Characteristics of Extension Financial Management Program Participants

Over half (59 percent) of the respondents operated farms or ranches with annual gross sales of over \$100,000. Most (79 percent) of the respondents stated that their financial stress was either moderate or severe during the 1984 to 1988 period.

Sixty-one percent of the 4269 respondents indicated that they used the Extension Service for the first time because a special financial management program was available.

A majority (56 percent) of the respondents stated that they used Extension for financial management assistance because it was an unbiased source.

providing financial management assistance, increasing from 14 percent of their work time prior to 1984 to 30 percent during the 1984 to 1988 period.

A total of 304 major programs were initiated to address the financial crisis from 1984 to 1988 in the 37 states responding to this study. Participation in financial management programs increased every year from approximately 250,000 producers in 1984 to over 480,000 producers in 1988.

Agricultural lenders, other educators, private consultants, attorneys, accountants, agribusiness representatives, and personnel from other agencies also participated in Extension financial management programs over 390,000 times from 1984 to 1988. These professionals significantly multiplied Extension's efforts to assist financially stressed agricultural producers.

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## Extension's Response to the Financial Crisis

Extension increased the staff resources available to provide financial management assistance by training existing staff and hiring additional permanent and temporary staff. Extension field staff more than doubled the amount of time they spent

Due to the financial crisis, the Extension Service supplemented its base efforts with new appropriations or reallocations of nearly 40 million dollars to provide financial management education and assistance to farmers and ranchers. About 16.5 million dollars of this was new funding with the remaining 23.4 million dollars coming from reallocation of existing Extension funds.

**The following quotes from farmers and ranchers tell in their own words the value of Extension financial management educational programs.**

*"Extension is the best source to date of overall financial management and record keeping for agriculture."*—Idaho producer

*"Extension was there when we needed it most. It was very helpful and was a great service to us taxpayers."*—Oklahoma producer

*"FINFLO, FINLRB, FINAN. These analyses were the best! It enabled farmers to look at many alternatives, then implement and analyze."*—Minnesota producer

*"I don't think I would be farming today without the help I received from a couple of Extension people."*—Indiana producer

*"Without Extension assistance I doubt I would be farming today. They helped prove through enterprise analysis, cash flow worksheets, and debt restructuring that my operation cash flowed."*—Iowa producer

*"Management in non-crisis times helps keep us out of a crisis."*—Tennessee producer

## Value of Extension Financial Management Programs

Most (71 percent) of the 4269 respondents considered their financial management skills improved or much improved as a result of the assistance they received from the Extension Service. Eighty-four percent of the respondents indicated the overall financial management assistance they received from Extension was useful or very useful.

Over half (56 percent) of the producers who utilized Extension financial management assistance felt their financial stress level was lower after 1988 than it had been between 1984 and 1988.

Each participant in Extension financial management programs, on average, implemented over four major management decisions resulting in significant changes in the way they operated their businesses.

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## Increased Profits

Eighty-eight percent of the respondents indicated their profitability increased as a result of Extension financial management assistance. The average benefit per respondent was approximately \$20,000 during the entire five year period from 1984 through 1988. For the 4269 respondents to this study, the total perceived improvement in profitability was approximately 84 million dollars. The total improvement in profitability for all the participants in Extension financial management programs was many times greater than this amount.

Larger improved profitability increases were reported by producers who participated in Extension financial management programs more frequently, who operated larger businesses, or who experienced severe financial stress.

## Cooperation with Ag Lenders

Ag lenders stated that the benefits received from cooperating with Extension financial management programs included saving time and money, improved business managers as customers, improved lender/producer communication through the assistance of a neutral third party, and reduced lender liability.

Most lenders think there are considerable opportunities for increased cooperation between Extension educators and lenders to provide financial management education for producers. Many lenders expressed interest in having a teaching role in Extension financial management programs.

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## Implications for Future Educational Programs

Extension financial management programs provided valuable assistance to large numbers of farmers and ranchers during the financial crisis of the mid 1980's. Although the financial crisis has subsided and the number of producers seeking financial management assistance has declined, the 1990's continues to present many management challenges for U.S. ag producers.

The demands for good business skills will be greater than ever as producers adopt new practices and technologies to enable them to compete in international markets and address environmental concerns. Producers will need to base their adoption decisions on sound financial planning and analysis to reduce the risk of adverse business consequences.

A strong personnel base with proven expertise in farm and ranch financial management needs to be maintained if the Extension System is to provide unbiased, effective assistance to producers needing to make management decisions pertaining to water quality, sustainable agriculture, increased national and international competition, and other issues in the 1990's.



# Recommendations



The following recommendations have been developed by the project advisory committee and the author. They are based on the responses of agricultural producers, agricultural lenders, and Extension specialists and agents to the surveys and personal interviews conducted as part of this study.

## 1. Maintain Strong Base of Subject Matter Personnel and Programs

Maintaining expertise and programs to address basic farm management topics is essential for Extension to be able to respond effectively to future issues and crises which require management decisions. Both agricultural producers and agricultural lenders expect profit margins to remain volatile in the 1990's. Almost all (98 percent) of the 4269 respondents to this survey stated that Extension financial management programs should be maintained or expanded. Eighty-two percent of the respondents consider financial management programs to be valuable to them on a continuing basis, during both good and bad times.

The Extension System that employs subject matter specialists to develop new analytical tools, delivery systems and long-term programs with the ability to adjust emphasis to address specific crises and situations has proven particularly effective in the financial management area. The continued development of new technology and expertise will enable the Extension System to respond to future farm and ranch management issues as they arise.

Extension. Producers repeatedly stated that they did not know about all the farm and ranch financial management programs available from the Extension Service. Producers also cited cases where neighbors had experienced severe financial difficulties but did not know the Extension System had any programs offering financial management assistance.

Extension staff do attempt to inform all producers and lenders about Extension programs. However, Extension educational programs need to be more aggressively promoted and marketed to producers.

## 2. Increase Producer Awareness of Financial Management Programs

The most frequent suggestion from both producers and agricultural lenders was to make producers more aware of farm financial management educational opportunities provided by

## 3. Evaluate the Economic Impact of Environmental Decisions

Extension has an excellent opportunity and a significant challenge to assist producers as they attempt to reduce the potential environmental consequences of agricultural production while maintaining economic viability.

Producers, agricultural lenders and Extension staff all stated that they expect environmental issues related to agriculture to be one of the primary areas producers will need to address in the next several years. Producers will need to more adequately address the use of chemicals and fertilizers, waste disposal, water quality, manure handling, government regulations and other environmental issues as they make future management decisions.

Environmental issues will have significant financial consequences for many farmers and ranchers. Agricultural producers need to know what environmental regulations are being enacted and what impact these regulations will have on their economic situation. Producers want the educational and analytical tools which enable them to evaluate the financial impact of alternative, environmentally sensitive production practices.

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#### **4. Increase Cooperation with Agricultural Lenders to Develop and Deliver Producer Educational Programs**

Extension farm and ranch management can expand its audience and improve its educational programs through increased cooperation with agricultural lenders. Many of the lenders interviewed as part of this project indicated they want increased cooperation with Extension in developing and conducting educational programs for agricultural producers.

Lenders have substantial experience dealing with the financial management problems of farmers and ranchers and are in a unique position to encourage producers to take advantage of financial management educational opportunities. However, lenders expect Extension to initiate cooperative actions to develop and deliver farm financial management education programs. A number of lenders stated they would be willing to help design educational programs, some would welcome the opportunity to teach financial management topics, others would help promote and sponsor financial management education.

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#### **5. Continue Intensive Programming in Financial Management**

Agricultural producers, Extension specialists and Extension county agents all rated individual educational assistance as the most effective delivery method for financial management programs. Intensive assistance was a very significant factor contributing to the increased profits participants attributed to financial management assistance.

When delivering technical, highly confidential assistance specific to an individual's situation, intensive delivery often is the most effective means of providing assistance. Small group activities and innovative communication technologies used in conjunction with individual consultation would provide efficient and effective utilization of Extension resources. Further, Extension should strive to provide continuing education for other educators and consultants who can work directly with individual producers.

Extension should be one of the innovators and experimenters of new technology to deliver educational programs and should continue to strive to find more efficient uses of resources to deliver intensive education. At the same time, the Extension Service needs to continue to utilize the delivery methods which have enabled it to effectively deliver quality education and assistance.

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#### **6. Continue to Design Farm Management Programs Which are Relevant to All Sizes and Types of Farms and Ranches**

Extension should emphasize the development and delivery of financial management programs which are of value to operators of all sizes and types of farms and ranches including the larger, commercial operations. Producers representative of all farm and ranch sizes utilized Extension financial management programs during the 1984 to 1988 period. However, proportionate to the U.S. farm population, a relatively high number of producers from larger commercial farms participated in Extension financial management programs. Financial management programs were utilized more frequently as farm size increased from \$100,000 to over \$500,000 in annual gross sales. In addition, significantly higher profit increases in terms of dollars were reported by larger operators as a result of using Extension financial management programs.

Based on the successful experience of delivering farm management programs to operators of large commercial farms and ranches during the financial crisis, Extension should aggressively continue to design programs of value to these producers. At the same time Extension financial management programs must maintain relevancy and programs for all producers as was exemplified by the programs developed and delivered from 1984 to 1988.

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#### **7. Continue Public Funding to Provide Unbiased Information**

Farmers and ranchers rated the availability of unbiased information the most important reason they chose to use Extension financial management programs. Producers also made numerous comments about the value they place on being able to obtain unbiased information from the Extension Service.

The Extension System is a widely available source of unbiased information in agriculture. Due to the value producers place on having unbiased information available and the uniqueness of this characteristic, continued public funding for Extension research and educational programs appears well justified.

## 8. Make Every Effort to Recruit and Retain High Quality, Specialized Staff

High quality staff who are available to develop and deliver programs is extremely important to the overall success of Extension programs. Numerous respondents asserted that the reason they received significant benefit from Extension programs was due to the personal commitment and ability of the Extension staff person with whom they worked.

Specialized area farm management staff received the highest commendations from agricultural lenders and producers. These staff have two characteristics which enable them to deliver some of the highest quality Extension programs.

1. Area staff are able to develop a high level of expertise in their subject matter area.
2. They are located in rural areas where they are able to maintain close contact with the situations individual producers and lenders experience.

With the quality of Extension programs so dependent on the abilities of individual staff personnel, recruiting and retaining high quality staff is imperative for maintaining the educational effectiveness of the Extension Service. Expanding the use of specialized field staff to deliver area wide programs is also an important aspect of developing high quality programs.

## 9. Increase Funding for Extension Financial Management Programs

The average cost of these programs from appropriated and reallocated funds was only \$100 per producer assisted. This was in addition to the ongoing farm management educational programs and funding. Producers reported average improved profitability of approximately \$20,000 as a result of using Extension financial management programs.

The federal special funds appropriated from 1984 to 1989 (an average of 1.35 million dollars per year) were an important catalyst in generating both a rapid response to the financial crisis and the development of financial management tools. Many of these tools continue to be used in financial management education programs. Due to the high return and the demonstrated multiplier effect of these funds, it is recommended that adequate funding be provided.

Special funding serves as a cost effective means of stimulating creative development of practical educational tools and programs for farm and ranch managers. Federal funding provided important opportunities for obtaining additional funding from states and other sources. These funds, when combined with funds from other sources, generated highly productive programs for the relatively small amount of federal money appropriated.

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This project was carried out for the Extension Service, U.S. Department of Agriculture, under cooperative agreement No. 89-EFFM-1-6065, by:

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For more complete information about this study you may request a copy of the full report, *National Assessment of Extension Farm and Ranch Financial Management Programs, 1984 through 1988*, AG-FO-5781-S, from:

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