

V(A). Planned Program (Summary)

Program # 16

1. Name of the Planned Program

Agricultural Business Management

Reporting on this Program

V(B). Program Knowledge Area(s)

1. Program Knowledge Areas and Percentage

KA Code	Knowledge Area	%1862 Extension	%1890 Extension	%1862 Research	%1890 Research
601	Economics of Agricultural Production and Farm Management	10%		20%	
602	Business Management, Finance, and Taxation	40%		20%	
603	Market Economics	10%		30%	
604	Marketing and Distribution Practices	40%		20%	
610	Domestic Policy Analysis	0%		10%	
	Total	100%		100%	

V(C). Planned Program (Inputs)

1. Actual amount of FTE/SYs expended this Program

Year: 2012	Extension		Research	
	1862	1890	1862	1890
Plan	10.9	0.0	2.7	0.0
Actual Paid Professional	23.6	0.0	14.7	0.0
Actual Volunteer	0.0	0.0	0.0	0.0

2. Actual dollars expended in this Program (includes Carryover Funds from previous years)

Extension		Research	
Smith-Lever 3b & 3c	1890 Extension	Hatch	Evans-Allen
552992	0	328492	0
1862 Matching	1890 Matching	1862 Matching	1890 Matching
2020034	0	673444	0
1862 All Other	1890 All Other	1862 All Other	1890 All Other
1353304	0	2423158	0

V(D). Planned Program (Activity)

1. Brief description of the Activity

In 2012, **MAES** supported research in agricultural business management focused on areas of international trade, on factors that impact farmers use of genetically-modified seed, and on the short and long range trends in crop and livestock production economics. Research results provided public policymakers and government officials with necessary information to structure policies that impact the health of the agricultural sector. It also focused on the profitability of individual farm operations, including niche markets such as organic production systems. Some examples of research results in 2012:

- A study on the dramatic increase in adoption of genetically modified seed in the U.S. and worldwide since its inception in 1996 found that farmers may choose genetically modified seeds even when this decision leads to lower profits than traditional seeds.
- A study of government crop insurance data and local land values tracked by a U of M agricultural economist has suggested that crop insurance could be playing a role in escalating farm land prices.
- A study of wheat commodity prices has shown that wheat supplies worldwide are paring back and wheat demand will be heavily influenced by trends in the corn market.
- A study of 37 Minnesota farms in transition to organic production has shown that transitioning farmers generally fall into four groups: conventional dairy farmers, most with relatively small farms and a median herd size of 80; conventional crop farmers using a diversified three-or-four-year rotation before beginning transition; certified organic crop farmers expanding by transitioning additional acreage; and absentee landowners and part time farmers transitioning land that was previously fallow or enrolled in the Conservation Reserve Program.
- Research on the cost and opportunities of new technology has shown that providing relatively small residual herbicide rebates (up to four dollars per acre for soybean) could increase the use of residual herbicides in the Roundup Ready cropping system by up to 40 percent, but substantially larger rebates will be required to get additional increased in residual herbicide use.
- Analysis of agricultural credit risk has been used by Farm Credit System bank to adapt alternative methods to assess their credit risk exposures and risk migration. The findings have influenced the loan portfolio strategies and methods of analysis in the Farm Credit System and are beginning to have a positive impact on small banks.
- The online FINBIN database includes benchmark data from seven states and 3,447 farms. Producers and agricultural professionals can search and query actual farm data for whole entity and enterprise benchmarks. The U of M developed program, FINBIN is considered one of the largest, most accurate and consistent databases of farm financial benchmarks in the world.
- The digital Ag Risk Education Library has had more than 2 million individual users since its beginning in 2001. It was accessed by over 20,000 individual users per month in 2012.

Through educational events, consultations and media resources, **Extension** Agricultural Business Management programs will provide education about tax, management and business options in order to protect businesses vital to rural Minnesota. Two program initiatives were the primary efforts of 2012. Healthcare Planning workshop helped small farm, ranch and business owners consider how to prepare for the possibility of long-term health care. The Farm Transition and Estate program helped businesses prepare for an effective transfer of business assets to the next generation. A program addressing long-term health care and its threat to business finances was developed in 2011, and was delivered and evaluated in 2012.

Research foci will be on review of policy that relates to agricultural business management, the farm bill, commodity crops and precision agriculture. Key research studies will include the following:

- Research to support improved decision-making in farm planning and financing for farmers and lenders.
- Research to support improved decision-making in financing for agricultural business owners.
- Research on the economic interrelationships in both the domestic and foreign food and agricultural industries.
- Development and maintenance of an analytical support system that facilitates research and analysis on food, agricultural and trade policy issues.
- Evaluation of supply, demand and policy factors in the U.S. and abroad that influence both short-term and long-term trade prospects and patterns.
- Information to help public policy participants and decision makers evaluate issues and increase public understanding of these issues.

2. Brief description of the target audience

The Agricultural Business Management programs work collaboratively with sponsoring organizations in order to reach farm and ranch families, producers, and small business owners. Due to the nature of this program, a primary target is those preparing their farms and estates for the future when health concerns and end of life can put family assets at risk.

Other target audiences for research include farmers and researchers interested in crop, livestock and organic cropping systems, food processors, food retailers, food system professionals, policy makers, national and international food and trade analysts, and scholars interested in food systems, rural financial institutions and microfinance institutions and policymakers.

3. How was eXtension used?

eXtension was not used in this program

V(E). Planned Program (Outputs)

1. Standard output measures

2012	Direct Contacts Adults	Indirect Contacts Adults	Direct Contacts Youth	Indirect Contacts Youth
Actual	3069	43650	12	0

2. Number of Patent Applications Submitted (Standard Research Output)

Patent Applications Submitted

Year: 2012
 Actual: 0

Patents listed

3. Publications (Standard General Output Measure)

Number of Peer Reviewed Publications

2012	Extension	Research	Total
Actual	0	25	25

V(F). State Defined Outputs

Output Target

Output #1

Output Measure

- Educational events will deliver agricultural business management content. (Target expressed as the number of events.)

Year	Actual
2012	65

V(G). State Defined Outcomes

V. State Defined Outcomes Table of Content

O. No.	OUTCOME NAME
1	In post-program surveys, farm owners will report increased net in farm income as a result of actions taken. (Target expressed as an average net income increase for outcomes of any program intervention.)
2	Participants of the Agricultural Business Management (ABM) program workshops/classes and conferences will achieve significant learning gains regarding research-based agriculture business management knowledge and skills. (Target expressed as the percentage of participants who achieved significant learning gains as a result of attending ABM program workshops/classes and conferences.)
3	Participants of Agricultural Business Management (ABM) workshops/classes and conference sessions intended to improve participant agriculture business management practices will significantly improve their management practices as a result of attending the program. (Target expressed as a percentage of participants that significantly changed one or more of their agriculture business management practices as a result of attending workshops/classes and conference sessions intended to improve participant management practices.)
4	Family agricultural businesses will protect their assets by putting a plan for long-term care in place. (Target expressed as dollar amount of family business assets protected because of educational programming.)
5	Farm business owners and managers will know and comply with employment policy, and improve their employment practices.

Outcome #1

1. Outcome Measures

In post-program surveys, farm owners will report increased net in farm income as a result of actions taken. (Target expressed as an average net income increase for outcomes of any program intervention.)

Not Reporting on this Outcome Measure

Outcome #2

1. Outcome Measures

Participants of the Agricultural Business Management (ABM) program workshops/classes and conferences will achieve significant learning gains regarding research-based agriculture business management knowledge and skills. (Target expressed as the percentage of participants who achieved significant learning gains as a result of attending ABM program workshops/classes and conferences.)

2. Associated Institution Types

- 1862 Extension

3a. Outcome Type:

Change in Knowledge Outcome Measure

3b. Quantitative Outcome

Year	Actual
2012	97

3c. Qualitative Outcome or Impact Statement

Issue (Who cares and Why)

One example of a successful workshop with evaluated learning gains was a workshop called "What is a Fair and Profitable Rental Agreement?" With over 30 percent of Minnesota's farmland owned by non-operating landowners, rental agreements make up a strong portion of the farm economy. A fair market among landowners and renters requires fair access to information about considerations in rental pricing, especially in the current "boom" market.

What has been done

The "What is a Fair and Profitable Rental Agreement" workshop was offered twenty times throughout Minnesota in 2012. Over 1,300 participants attended. One-third were renters and the rest were owners.

Results

The workshops received an average evaluation score of 4.22 on a scale of 1-5 with 5 being the highest and one the lowest. The highest category score was 4.24 for "I better understand farmland rental rates and where to find the information." The lowest was 3.95 for "I better understand how to use a flexible farm rental agreement." When asked "What was the value of today's workshop to attendee?", the average stated value was \$139. One farmer attendee with 15 landlords said the value of the workshop was priceless to him.

4. Associated Knowledge Areas

KA Code	Knowledge Area
602	Business Management, Finance, and Taxation
603	Market Economics

Outcome #3

1. Outcome Measures

Participants of Agricultural Business Management (ABM) workshops/classes and conference sessions intended to improve participant agriculture business management practices will significantly improve their management practices as a result of attending the program. (Target expressed as a percentage of participants that significantly changed one or more of their agriculture business management practices as a result of attending workshops/classes and conference sessions intended to improve participant management practices.)

2. Associated Institution Types

- 1862 Extension
- 1862 Research

3a. Outcome Type:

Change in Condition Outcome Measure

3b. Quantitative Outcome

Year	Actual
2012	70

3c. Qualitative Outcome or Impact Statement

Issue (Who cares and Why)

The complicated nature of farm/ranch transfer and personal estate planning combined with the complicated nature of family dynamics, often cause families to avoid planning for the transition of their business and personal assets to the next generation. The future of the family farm/ranch relies upon careful planning. The rising value of land complicates this transfer and increases the risk to farm/ranch families.

What has been done

Extension offers workshops and workbooks to provide information to families that need to develop or update their business transfer and personal estate plan. These are typically offered in collaboration with local businesses and finance organizations whose constituents can benefit from planning for the future.

Results

Six months following the final workshop, surveys were mailed to all farm/ranch business units with members participating in the program. Participants were asked to indicate if they had started to develop or update their transfer and personal estate plans. Participants reported a change in action because of the program: 1) 47.6 percent had completed 75 percent or more of the business transfer process; 50.6 percent had completed 25-50 percent. 2) 50 percent had completed personal estate plans; the remaining 50 percent had completed 25-50 percent of the process. These outcomes imply that assets protected through these actions are valued at \$153 million -- an average of \$529,421 per farm/ranch family completing the follow-up evaluation process.

4. Associated Knowledge Areas

KA Code	Knowledge Area
601	Economics of Agricultural Production and Farm Management
602	Business Management, Finance, and Taxation
603	Market Economics
604	Marketing and Distribution Practices
610	Domestic Policy Analysis

Outcome #4

1. Outcome Measures

Family agricultural businesses will protect their assets by putting a plan for long-term care in place. (Target expressed as dollar amount of family business assets protected because of educational programming.)

2. Associated Institution Types

- 1862 Extension

3a. Outcome Type:

Change in Condition Outcome Measure

3b. Quantitative Outcome

Year	Actual
2012	2970000

3c. Qualitative Outcome or Impact Statement

Issue (Who cares and Why)

Long-term health care now threatens ag business families more than tax issues. One in two over the age of 65 will need long-term care; one in ten over 65 will have nursing home stays of more than 5 years. And 40% of those in long-term care are under the age of 65. In Minnesota, the average annual cost of care ranges from \$40-\$85,000. Many think that they can simply give away business assets and go onto Medicaid to pay for long-term care. This is illegal in Minnesota. Nor are there shelters for assets such as irrevocable trusts, real estate, wills, etc.

What has been done

Extension offers long-term health care planning programs for farm/ranch/small business families. The program informs participants about how current public programs work, and warns that any amount of business assets will most likely disqualify them. We outline methods they can use to protect business assets, especially if they have an heir for their business. These items include self-pay, self-insure, but most importantly long-term care insurance.

Results

Four months following each workshop we conduct a follow-up evaluation to determine how many acted on their new knowledge and the result of that action. We are also interested in the self-reported net worth that was protected as a result of the plan and whether workbook materials were helpful in developing the plan. Almost 74 percent of those reporting completed the process of developing and implementing a long-term health care plan. They self-reported a total of \$29.7 million in assets protected due to having a plan in place.

4. Associated Knowledge Areas

KA Code	Knowledge Area
602	Business Management, Finance, and Taxation

Outcome #5

1. Outcome Measures

Farm business owners and managers will know and comply with employment policy, and improve their employment practices.

2. Associated Institution Types

- 1862 Extension
- 1862 Research

3a. Outcome Type:

Change in Knowledge Outcome Measure

3b. Quantitative Outcome

Year	Actual
2012	0

3c. Qualitative Outcome or Impact Statement

Issue (Who cares and Why)

Farm business owners and managers hire both family and non-family labor to support their operation. This makes these small business operations accountable to rules and laws as employers, and also requires farm owners to understand how to work with employees from different cultures as the low-income labor force in rural Minnesota changes in demographics. Farm owners, operators, managers and agricultural professionals have requested information and education about employment and supervision to deal with current changes.

What has been done

"Employment Skills for Today: Planning for Success" is a U of M Extension educational program for farm business owners and managers. Workshops are four hours in length and include workbook materials. Key educational topics include: 1) assessing whether hired labor is required; 2) effecting hiring processes; 3) cultural issues for employees and employers; 4) cross-cultural communication; 5) conflict management; 6) employee compensation plans; 7) legal issues; and 8) federal and state tax requirements.

Results

A four-point scale was utilized to report knowledge increases. Regarding the educational points described above, the pre-post mean difference achieved a level of significance of at least .05 for each topic. Greatest gains were made regarding federal and state tax and labor requirements, developing and implementing an employee compensation plan, and Minnesota's employment laws. Participants reported an intention to use this information to create better job descriptions, to effectively comply with tax laws and other legal requirements, to formalize hiring processes and more.

4. Associated Knowledge Areas

KA Code	Knowledge Area
602	Business Management, Finance, and Taxation

V(H). Planned Program (External Factors)

External factors which affected outcomes

- Competing Programmatic Challenges

Brief Explanation

The program team addressed two topics of great interest -- the threat of long-term health care to the future livelihood of family businesses and the booming rental market for farmland. These efforts supplanted past planned efforts to help farmers manage profitability decisions. These programs were formerly reported as Outcome #1.

V(I). Planned Program (Evaluation Studies)

Evaluation Results

All offerings of the Agricultural Business Management program evaluate learning perceptions after the workshop, and ask participants to state their intentions to use the

information in changing their business or finance practices as a result of the information presented. Often, the team follows up with four-month surveys to determine what percentage of participants acted on their intention. The degree to which the programs improved practices is aligned with the number of acres of farmland business affected or protected by the program.

In 2012 this examination regarding health care planning and farm transition workshops resulted in a total Minnesota impact of \$282.7 million.

Key Items of Evaluation

The Agricultural Business Management program provides ongoing education so that farm businesses have access to information that helps them act in the best interest of their business, their family and their local economy. In 2012, the team responded to new economic forces and threats, including looming long-term health care costs and a boom in rental property. As a result, the educational programming changed behavior that will support healthy business decisions for \$282.7 million worth of property in Minnesota.