

Update to the

PLAN OF WORK

Iowa State University

Iowa Agriculture and Home Economics Experiment Station

Cooperative Extension Service

Federal Fiscal Years

2000-2004

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Table of Contents

I.	Planned Programs:	1
1862 Research.....		1
GOAL 1: An agricultural system that is highly competitive in the global economy.		1
Program 14.....	Agricultural Risk and Financial Management	1
1862 Extension.....		3
GOAL 1: An agricultural system that is highly competitive in the global economy.		3
Program 101.Strategic and Organizational Management Development for Iowa’s Farm Businesses		
Program 104.....	Agricultural Risk and Financial Management	6

I. Planned Programs:

1862 Research

GOAL 1: An agricultural system that is highly competitive in the global economy.

Program 14. Agricultural Risk and Financial Management

Programs 14 (1862 Research – Agricultural Risk Management) and 104 (1862 Extension – Agricultural Financial Management) have been revised as an integrated research/extension program to more accurately reflect the true nature of this effort. All resources of both former programs are directed to this new, integrated Agricultural Risk and Financial Management program.

Statement of Issue:

Risk management. The 1996 farm legislation shifted additional risk from the federal government to the farmer. Thus, there is a growing need and demand for risk management tools and alternatives in the agricultural sector. Simultaneously, structural changes in agriculture are driving integration of the food supply chains in the sector. New risk management alternatives, including insurance programs and contractual arrangements, have been and are being developed. These alternatives provide farmers with new tools but also complex decisions in selecting risk management tools and appropriate marketing strategies. To remain competitive in agriculture, Iowa producers must manage their risk effectively and efficiently.

Financial management. Effective financial management is a key component in attaining a profitable, sustainable, and competitive agricultural sector. Agricultural producers and agribusinesses face severe multi-year financial stresses, and closely-related structural issues of a longer-term nature. Financial pressures in the agricultural sector have adverse impacts on non-farm businesses, families, and the ability of communities to provide educational, medical and other essential services. Net income differences between the high and low one-third of producers show that potential gains from improved financial management are possible.

Performance Goals:

- Develop new risk management tools for producers to better deal with price, production, revenue, and financial risks of agriculture.
- Evaluate alternative strategies for managing risk in agriculture including those based on market instruments, contract and ownership design, and firm organization.
- Provide programming to encourage proactive farm/firm management based on the goals and resources presently and potentially available to the farm.
- Develop specific programming more closely matching the type of farm, e.g., part-time, multiple generation, exiting, or beginning farms.

Output Indicators:

- Basic Information
 - Development of new tools, software, and techniques
 - Evaluation and identification of results from application of new techniques

- Working directly one-on-one with producers
- Interpreting findings for the general public
- 1. Final Reports and Software
 - Number of technical reports for other scientists
 - Number of technical reports for farmers and agribusiness
 - Number of farmers assisted using financial/risk planning program
 - Participation in financial management programs designed for specific audiences including beginning farmers, multi-generation farms, part-time farms and exiting farmers
 - Participation in crop insurance, crop and livestock marketing and other risk management strategies
- Engagement
 - Number of farmers using services provided
 - Number of requests for information
 - Adoption of appropriate risk management practices
 - Participation in educational programs and utilization of information provided for financial and risk management

Outcome Indicators:

- Improved understanding of risk management principles
- Increased recognition of farm business analysis techniques to measure profitability, improved financial position, and increase sustainability
- Increased number of farm families successfully completing an intergenerational farm transfer
- Improved survival and success rates of producers

Key Program Components:

- Create and evaluate new risk management options and strategies
- Analyze contracting, incentive structures, and the farm firm
- Develop and conduct Extension programs in farm/firm financial/risk management

Internal and External Linkages:

University linkages

- Leopold Center for Sustainable Agriculture
- Pappajohn Center for Entrepreneurship
- Beginning Farmer Center
- Peer researchers at other Land Grant universities

State linkages

- Iowa Farm Business Association
- Iowa Department of Agriculture and Land Stewardship
- Iowa Bankers Association
- Private insurance companies
- Commodity organizations
- Iowa Department of Economic Development

Federal linkages

- U.S. Department of Agriculture
- U.S. Department of Agriculture Risk Management Agency
- Chicago Board of Trade

Target Audiences:

Agricultural producers, landowners, Extension faculty and staff, graduate and undergraduate students, agricultural consultants, researchers, industry representatives, and policymakers.

Program Duration:

Five years

Allocated Resources:

Year	SYs	State and Hatch funds	State and Smith-Lever funds
FY99	27.0	\$ 237,128	\$ 1,101,811
FY00	27.1	241,870	1,116,903
FY01	27.1	246,708	1,132,298
FY02	27.2	251,642	1,148,000
FY03	27.2	256,674	1,164,016
FY04	27.3	261,808	1,180,353

1862 Extension

GOAL 1: An agricultural system that is highly competitive in the global economy.

Program 101. Strategic and Organizational Management Development for Iowa’s Farm Businesses

Statement of Issue:

Production agriculture in the United States is undergoing a profound transformation. Driven by technological and organizational innovation, the entire agricultural and food sector is becoming more consolidated and coordinated. In order to be competitive in the 21st Century, Iowa’s farm managers must acquire a new set of skills. Specifically, farmers must make the difficult transition from being, for the most part, front-line managers—managing a production process or operation to being a general manager with a focus on business strategy, resource acquisition and business relationships. This need is apparent in the results of ISUE’s most recent program assessment. Farmers and the agribusiness managers with whom they work identify concerns about competitiveness, profitability, economic viability, the benefits and costs of participating in specific business relationships or the development of new managerial skills. Fundamental questions of this type can only be addressed within a strategic management framework. Strategy and organizational development is an essential function of management and is relevant to all farm operations.

Performance Goals:

- Increase strategic and organizational management skills of Iowa farm managers.

- Increase the capacity of Iowa farm families to respond positively to structural and technological change.
- Increase the competitiveness of Iowa's commercial farm businesses.

This program is designed for and directed toward farmers in Iowa. However, educational programs will also be offered for individuals and organizations working directly with farmers. This would include ISUE field staff, lenders, other agribusinesses and farm consultants and advisors.

Output Indicators:

- Management development workshops offered and the number of participants
- Educational materials such as case studies, worksheets or electronic media
- Training sessions for staff and other providers
- Integration of strategic and organizational management concepts and materials into other educational programs
- Increased demand by farmers for programming in other supporting management areas such as risk, finance, human resources, entrepreneurship
- Increased consultation by field staff and private sector partners with farmers and agribusinesses on strategic and organizational management
- Increased coverage of strategic and organizational management by the farm press and on the internet
- Number of articles, radio or TV spots and internet hits on strategic and organizational management topics

Outcome Indicators:

- Number of participating farm families who make strategic or organizational changes in their farm businesses
- Reported increase in both family and farm business income and well being as a result of participating in a strategic and organizational managerial development program
- Increased understanding and awareness among farmers and agribusiness managers of strategic and organizational management

Key Program Components:

Because this is a continuation of an established program of work, the work planned for the coming five years focuses on increasing program effectiveness and integrating strategy concepts and materials more completely across all of ISUE's programs. Specific program components include:

Materials Development

- Improve the strategy and organizational development materials with an increased emphasis on strategic response to specific developments or conditions in agricultural and food markets
- Expand materials to include strategy and organizational development for farmer-owned agricultural businesses
- Increase flexibility of materials to support a range of learning methods and opportunities beyond multi-session workshops

Staff Training and Development

- Continue to build the expertise across campus and field staff in farm business organization and strategy development
- Provide support to field staff in delivering management development programs
- Increase the ability of the field staff to incorporate strategic management concepts into their own programming activities

Program Delivery

Information and skill-building programs for farmers and related groups will be offered by the campus and field staff in a variety of ways:

- Mass media
- Workshops and other face-to-face programs
- Consultation and planning with individual farm families including follow-up with past participants
- Distance and asynchronous learning methods

Management and Recruiting Methods

- Design and conduct an ongoing evaluation of program effectiveness and the benefits from participation
- Design and test alternative methods of management development appropriate for farms and farmer-owned businesses
- Design and test alternative methods for marketing and recruiting for management development programs for farmers

Internal and External Linkages:

- Department of Economics
- College of Agriculture
- College of Business
- College of Family and Consumer Sciences
- Iowa Beef Industry Center
- Iowa Pork Industry Center
- Grain Quality Initiative
- Finance and Risk Project
- Money 2000
- Beginning Farmer Center
- Dairy Team
- Value Added Project

ISUE has already developed a wide range of industry linkages to support this program of work including all major farm and commodity organizations in Iowa, the lending community and the farm press. In the next five years, we will work with these groups to improve recruitment and financial support for the program.

Linkages with other universities offering management development programs for farmers and farmer-owned businesses will be strengthened. The primary contact will be with the agribusiness programs at Purdue, particularly their ‘Positioning Your Farm Business’ project. Additional working relationships will be explored with Michigan State University, Ohio State and Cornell University.

Target Audiences:

The primary audience for this project is commercial family farm businesses in Iowa. Strategic and organizational management is a fundamental skill that can be significantly strengthened in most managers. Secondary audiences include ISUE field staff, farm consultants and advisors and agricultural lenders. The materials and methods used in this project, however, are accessible to all interested parties.

Project Duration:

Five years

Plan for Resource Development:

Funding to support material development, related applied research, marketing and recruiting and program delivery will be sought from the major agribusiness and farm organizations that have already made long term commitments to the project.

Local organizations such as community banks, cooperatives or county-level farm organizations will be asked to sponsor workshops and support participants with scholarships, day care and other services.

Allocated Resources:

Year	SYs	State and Federal funds
FY99	3	\$ 218,505
FY00	3	222,278
FY01	3	226,126
FY02	3	230,051
FY03	3	234,055
FY04	3	238,139

Program 104. Agricultural Risk and Financial Management (see program 14 under 1862 Research)