



**Project Name:** Managing Financial Risk Through Improved Farm Financial Management

**Project Number:** RME-BPC01316

**Submitted:** 8/8/2006 9:07:03 AM Central Time

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### **Project Summary:**

Total Number of Participants: 117

Owners of farm businesses across a nine county region in western New York face a changing and challenging financial risk management environment. Average debt coverage ratios for dairy farm businesses in the region have fallen below the critical 1.0 level in three of the last six years. This project sought to enhance dairy, livestock, field crops, and fruit farm business owners' capacities to manage financial risk by enhancing their planning and control, and farm financial management skills. The project included a series of four workshops, ranging in length from one to three days, at four locations, and technical support of participants. Approximately 70 individuals realized one or more of the following changes in financial risk management behaviors: completion of a financial summary and analysis for their business; application of planning skills in problem solving, including the use of finance and economics in decision making; and implementation of changes that will improve results while accomplishing financial risk management related goals.

## Targets - What Participants Learn, Achieve, Apply

|   | <u>Target(s) that will happen by end of project</u>   | <u>Est. Number</u> | <u>Actual Number</u> | <u>How Verified</u>  |
|---|---|--------------------|----------------------|--|
| 1 | Participants increase awareness of sources of financial risk, recognize the role of sound planning and financial control in managing risks, and commit to completing a financial summary and analysis for their business. | 80                 | 75                   | Scheduling of farm visits to complete summary and analysis   |
| 2 | Participants improve understanding of basic farm financial management.  | 80                 | 34                   | Comparison of pre and post quiz scores   |
| 3 | Participants complete a financial summary and analysis for their business.  | 75                 | 66                   | Count completed financial summaries and analyses   |
| 4 | Participants begin the problem solving effort for their farm.   | 70                 | 66                   | Count copies of completed strengths, weaknesses, and possible areas for improvement worksheets and, or analyses prepared |
| 5 | Participants complete problem identification, problem diagnosis, and generation of alternatives aspects of problem solving.   | 65                 | 47                   | Phone calls, and other follow up   |
| 6 | Participants improve their understanding, knowledge of advanced farm financial management.  | 65                 | 38                   | Instructors' observations during inclass exercises, homework, and participants' evaluations.                             |
|   | <u>Target(s) that will happen after project</u>   | <u>Est. Number</u> | <u>Actual Number</u> | <u>How Verified</u>  |
| 7 | Participants evaluate alternatives, choose best or set of best.   | 65                 |                      | Farm visit for the purpose of summary and analysis for the year 2006   |
| 8 | Participants implement changes in the farm business designed to improve results.  | 65                 |                      | Phone calls  |

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## Project Steps

|   | <u>What Project Team Does</u>  | <u>What Participants Do</u>   | <u>Actual Number</u> | <u>When Measured</u> | <u>How Will You Verify</u>  |
|---|--|---|----------------------|----------------------|---|
| 1 | Publicize receipt of the grant, the project's purposes and approaches among others.  | Express initial interest  | 38                   | April, May 2004      | phone logs of project leaders, and other personal communications with project leaders -- e.g. meetings, workshops, etc. |
| 2 | Survey former Basic Finance Workshop (BFW) participants, Dairy Farm Business Summary (DFBS) participants, and Fruit Farm Business Summary (FFBS) participants – if not a former Advanced Finance Workshop (AFW) participant, then why?                               | Respond to survey   | 17                   | June, July 2004      | Survey responses  |
| 3 | Survey former Business Planning (BP) Workshop participants – if not a former BFW participant, then why?  | Respond to survey   | 17                   | June, July 2004      | Survey responses  |
| 4 | Send out program registration materials to extension enrollee mailing lists. Work with USDA/FSA, Farm Credit, Commercial Lenders, other agriservice, and agricultural college contacts to recruit participants including young and older members of farm businesses. | Request program registration materials, if necessary, and register for the program.       | 24                   | November 2004        | Registration list   |
| 5 | Conduct introductory workshops, Managing Financial Risk: An Introduction.  | Complete workshop and schedule date and time to work on a financial summary and analysis. | 24                   | December 2004        | Last day total, appointment list  |
| 6 | Send out reminders for the Basic Farm Financial Management Workshops.  | Confirm attendance  | 24                   | January 2005         | Registration list   |
| 7 | Conduct Basic Farm Financial Management Workshops.   | Complete workshop   | 34                   | January 2005         | Last day total  |

## Project Steps

|    | <u>What Project Team Does</u>  | <u>What Participants Do</u>   | <u>Actual Number</u> | <u>When Measured</u>  | <u>How Will You Verify</u>  |
|----|--|---|----------------------|---|---|
| 8  | Support participants in the completion of a financial summary and analysis for their farm business using the following: DFBS, FFBS, or Financial Statements for Agriculture, FISA (La Due, Cornell University) | Complete summary and analysis   | 66                   | February through March 2005, and February through July 2006 | Count completed summaries and analyses  |
| 9  | Conduct Summary and Analysis Workshops and, or offer participants individual opportunities to use analyses to identify strengths and weaknesses.   | Attend workshop and complete strengths, weaknesses, and possible areas for improvement worksheet, or identify via individual work with project members. | 66                   | April 2005, July 2005, April 2006, and July 2006            | Total attending, count copies of completed worksheets, or analyses identifying strengths and weaknesses |
| 10 | Follow up, monitor problem solving effort.   | Complete problem solving effort on farm through generation of alternatives.   | 47                   | May 2005 through November 2005, January through July, 2006  | Phone calls and, or visits  |
| 11 | Send out reminders for the Advanced Farm Financial Management Workshops.   | Confirm attendance.   | 65                   | November 2005   | Registration list   |
| 12 | Conduct the Advanced Farm Financial Management Workshops.  | Complete workshop.  | 38                   | December 2005   | Last day total  |

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## Progress Notes

Sunday, July 30, 2006

A no cost extension granted September 26, 2005 allowed project members to support farm business summary, and problem solving work for project participants for the period January 1, 2006 through July 31, 2006. As a result, farm business summary and analysis work was completed for the 2004 and, or 2005 years for participants via the project.

Saturday, July 02, 2005

1 July 2005

To date, approximately 65 individuals have participated in one, or more of the project's components: introductory session, basic finance workshop, financial summary and analysis and, or problem solving efforts.

Financial summary and analysis is a primary project goal for participants. To date, thirty farm business summaries have been completed via the project. Summaries completed often represent the work of more than one individual from a farm business. To date project members have worked with over 50 individuals to complete financial summaries and analyses.

Regarding the basic finance workshop offering, participants learned the value of measuring financial condition and performance using financial statements, and developed skills to construct the statements. The average score on a pre workshop quiz was less than 60 percent, while the average score for the group on a post workshop quiz was about 75 percent. On average, individuals improved their scores by about 45 percent.

The eleven fruit farm business summaries completed to date represent 21 operators, managers, and over 94 million pounds of fruit produced.

Submitted by:  
John Hanchar  
Alison DeMarree  
Project Leaders

Thursday, October 21, 2004

In addition to press releases publicizing receipt of the grant, efforts to inform the ag industry about the project included the following.

Hanchar, John J. "Regional Financial Risk Management Education Project Receives Funding ..." AgFocus. May 2004.

DeMarree, Alison. Two articles, FruitNotes.

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Since responses to a mail survey fell short of the goal, project leaders will conduct a follow-up phone survey in November 2004.

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## Schedule for Project's Educational Activities

### Managing Financial Risk to Strengthen Your Business

- November 29 and 30, 2004, A.M., LeRoy, NY
- November 29 and 30, 2004, P.M., Pembroke, NY
- December 1 and 2, 2004, A.M., Newark, NY
- December 1 and 2, 2004, P.M., Canandaigua, NY

### Basic Farm Financial Management -- three day workshop

- January 3 through 14, 2005, Four locations

### Financial Summary and Analysis for Participating Farm Businesses

- January 2005 through March 2005

### Summary and Analysis Meeting -- one day meeting

- April 2005, Four Locations

### Problem Solving

- April through November 2005

### Advanced Farm Financial Management -- three day workshop

- November 28 through December 15, 2005

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### Topics for "Managing Financial Risk to Strengthen Your Business"

Day 1, 2 hours

Understanding Agricultural Risk

Financial Risk -- What is It? How do I manage it?

Planning and Control Basics

Day 2, 2 hours

Planning -- Communication's Important Role

Planning and Control Basics -- continued

Future Educational Opportunities

## Promotional Materials

*Press release, Finger Lakes RC&D Council, Inc.*

Richard Winnett  
richard.winnett@ny.usda.ny.gov  
Material Type: Promotional Material

To announce receipt of grant.  
This material has been uploaded to the Ag Risk Library.

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*Press Release -- Managing Financial Risk to Strengthen Your Business*

John J. Hanchar  
jjh6@cornell.edu  
Material Type: Promotional Material

To announce receipt of grant and first educational opportunity. Audience was potential participants and input, service providers.  
This material has been uploaded to the Ag Risk Library.

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*Press Release -- Basic Farm Financial Management Workshop*

John J. Hanchar  
jjh6@cornell.edu  
Material Type: Promotional Material

To announce basic farm finance offerings. Audience was potential participants and input, service providers.  
This material has been uploaded to the Ag Risk Library.

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*Press Release -- Advanced Farm Financial Management Workshop*

John J. Hanchar  
jjh6@cornell.edu  
Material Type: Promotional Material

To announce advanced farm finance offerings. Audience was potential participants and input, service providers.  
This material has been uploaded to the Ag Risk Library.

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*Finger Lakes Resources Conservation and Development, Inc. website*

Richard Winnett  
Richard.Winnett@ny.usda.gov  
Material Type: Promotional Material

To provide visibility for project. Visitors to the site were the audience.  
[www.fingerlakesrcd.org](http://www.fingerlakesrcd.org)  
Click on Projects

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## Promotional Materials

### *Managing Financial Risk through Improved Farm Financial Management Project Promotion Material -- Project Description and Interim Impact Statement*

John J. Hanchar  
jjh6@cornell.edu  
Material Type: Promotional Material

Purpose was to promote and provide visibility for the project. Visitors to site, farm business owners, and input, service providers among others were the audience.

[www.nwnyteam.org](http://www.nwnyteam.org)

Click on What's New/Releases then Managing Financial Risk ... and, or Impact Statement -- Financial Risk.

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### *Brochure -- Managing Financial Risk to Strengthen Your Business*

John J. Hanchar and Alison DeMarree  
jjh6@cornell.edu  
Material Type: Promotional Material

The purposes were to announce the first educational opportunity of the project and register participants. Potential participants and those that might suggest participation were the audience.

This material has been uploaded to the Ag Risk Library.

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### *Brochure -- Basic Farm Financial Management Workshop*

John J. Hanchar and Alison DeMarree  
jjh6@cornell.edu  
Material Type: Promotional Material

Purposes were to announcement the second educational opportunity of the project and register participants. Potential participants and those that might suggest participation were the audience.

This material has been uploaded to the Ag Risk Library.

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### *Brochure -- Financial Summary and Analysis for Your Farm*

John J. Hanchar and Alison DeMarree  
jjh6@cornell.edu  
Material Type: Promotional Material

The purposes were to announce the next opportunity of the project, and to register participants. Potential participants, and those that might suggest participation were the audience.

This material has been uploaded to the Ag Risk Library.

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## Promotional Materials

### *Brochure -- Advanced Farm Financial Management Workshop*

John J. Hanchar and Alison DeMarree  
jjh6@cornell.edu  
Material Type: Promotional Material

The purposes were to announce this next educational opportunity of the project, and to register participants. Potential participants, and those that might suggest participation were the audience. This material has been uploaded to the Ag Risk Library.

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### *AgFocus article -- Regional Financial Risk Management Project Receives Funding through Extension Risk Management Education Competitive Grants Program*

John J. Hanchar  
jjh6@cornell.edu  
Material Type: Promotional Material

The purposes of the article were to announce receipt of the grant to conduct the project, and to describe the project and its benefits to participants. Readers of the NWN Dairy, Livestock, and Field Crops Program's monthly newsletter AgFocus were the audience. This material has been uploaded to the Ag Risk Library.

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### *AgFocus article -- Financial Risk Management Project – More Details, and a Request for Help*

John J. Hanchar  
jjh6@cornell.edu  
Material Type: Promotional Material

The purposes of the article were to further describe the project and to request information, including suggestions for conducting the project's activities, from potential participants via a survey. This material has been uploaded to the Ag Risk Library.

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### *AgFocus article -- Financial Performance of Dairy Farm Business Summary Program Cooperators in 2003*

John J. Hanchar  
jjh6@cornell.edu  
Material Type: Promotional Material

The purpose of the article was to encourage participation in the project by focussing on the need for measuring financial condition and performance when managing financial risk, and by presenting some financial condition and performance data for dairy farm businesses. Potential participants were the audience. This material has been uploaded to the Ag Risk Library.

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## Promotional Materials

### *AgFocus article -- Financial Performance of Dairy Farm Business Summary Program Cooperators in 2005*

John J. Hanchar  
jjh6@cornell.edu

Material Type: Promotional Material

The purpose of this article was to provide visibility for the farm business summary and analysis, and summary meeting components of the project. Readers of the monthly newsletter were the audience.

This material has been uploaded to the Ag Risk Library.

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### *Announcement -- Advanced Farm Financial Management Workshop*

Alison DeMarree  
amd15@cornell.edu

Material Type: Promotional Material

The purpose was to announce the advanced finance workshop offering. Potential participants and those that might suggest participation were the audience.

This material has been uploaded to the Ag Risk Library.

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### *Fruit Notes -- Advanced Farm Financial Management Workshop Announcement*

Alison DeMarree  
amd15@cornell.edu

Material Type: Promotional Material

The purpose was to announce the advanced finance workshop offering. Those receiving the newsletter were the audience.

This material has been uploaded to the Ag Risk Library.

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### *Fruit Notes -- Advanced Farm Financial Management Workshop Announcement, 2nd Notice*

Alison DeMarree  
amd15@cornell.edu

Material Type: Promotional Material

The purpose was to remind readers of the upcoming workshop. Those receiving the newsletter were the audience.

This material has been uploaded to the Ag Risk Library.

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## Promotional Materials

*Fruit Notes -- Managing Financial Risk to Strengthen Your Farm Business, and Basic Farm Financial Management Workshop Announcements*

Alison DeMarree

amd15@cornell.edu

Material Type: Promotional Material

The purpose was to announce the first and second educational opportunities of the project. Those receiving the newsletter were the audience.

This material has been uploaded to the Ag Risk Library.

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## Project Materials

### *Managing Financial Risk through Improved Farm Financial Management*

Alison DeMarree, John J. Hanchar  
amd15@cornell.edu, jjh6@cornell.edu  
na, na, Material Type: Notebook

Managing Financial Risk through Improved Farm Financial Management is one of two participant notebooks developed by project members for participants. The notebook contains handouts, resource materials, and material for inclass work and homework among others for the following components of the project: Managing Financial Risk to Strengthen Your Business; Basic Farm Financial Management; and Farm Business Summary and Analysis.

Project Co-Leaders, DeMarree and Hanchar will mail a copy of the notebook to the NE Center on July 31, 2006. The copy will contain a CD with powerpoint presentations and other material in electronic format, for example, spreadsheets from the notebook.

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### *Advanced Farm Financial Management from the Managing Financial Risk through Improved Farm Financial Management Workshop*

John J. Hanchar, Alison DeMarree  
jjh6@cornell.edu, amd15@cornell.edu  
na, na, Material Type: Notebook

Advanced Farm Financial Management is one of two notebooks developed by project members for participants. The notebook contains handouts, resource material, material for inclass work and homework, and blank worksheets for use by participants. Materials correspond to the workshop's coverage of the following topics: financial risk; budgeting (partial, whole farm, enterprise); time value of money; the financial calculator.

Project Co-Leaders, DeMarree and Hanchar will mail a copy of the notebook to the NE Center on July 31, 2006. The copy will contain a CD with powerpoint presentations and other material in electronic format, for example, spreadsheets from the notebook.

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## Project Comments

Describe any unexpected results of the project:

The project was designed to work with participants through the generating of alternatives aspects of problem solving. Although we expected participants to identify and make changes to financial management practices, for examples, improved record keeping and use of analyses, budgeting, some participants made further progress in the problem solving effort by working to evaluate other possible changes in the farm business, and make decisions regarding possible changes. A small number moved forward with implementation of changes. Please refer to the "Individual Stories/..." section of the final report for examples. A factor that contributed to this result was the extension of the project for a period of seven additional months.

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How would you improve the project if you were to do it again?

Plan at the outset for two years of farm business summary and analysis, and problem solving support. For some participants, much participant and project member effort during the first year of participation was spent on completing farm business summary and analysis related aspects of problem solving, including working with participants to identify changes in farm financial management practices that would allow for more efficient completion of a business summary in future years.

Design the project so that more project resources are directed toward working with participants on an individual basis. Although participants attending workshops evaluated the opportunities very favorably, project member time allocated to problem solving efforts perhaps limited progress for some during the problem solving stage of the project. The opportunity for increased individual support from project members would improve progress toward targets.

Take the following measures to improve participation: offer the Advanced Farm Financial Management Workshop early in the project to attract a wider range of participation – some farm business owners that possess basic farm financial management skills would be drawn in to the project earlier; encourage participation in the farm business summary through individual visits, and other means, including offering valuable spreadsheets to participants; give short promotional talks at major producer meetings focusing on examples of how owners have made decisions regarding possible changes based upon analysis, and applied analyses that benefit the entire industry.

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What were the keys to success for your participants?

The completion and use of a financial summary and analysis in the planning and control of the farm business were critical behavioral changes expected, and were specific goals for all participants. Successful participants commented that work at their farm, home with project members was very valuable, and much appreciated as a means to complete farm business summaries and analyses for their businesses. The opportunity to work individually with project members was key.

Regarding the understanding of financial risk management related topics, participants' comments suggest that participants benefited from: the "practical examples; very valuable exercises [opportunities in, and outside of class to apply in a "hands on" fashion tools, for example, the financial calculator];" selection of topics; limited workshop size relative to the number of participants allowed; diverse farm businesses operated by participants – field crop, vegetable, dairy, livestock, fruit, and greenhouse among others; and organized, effective manner in which topics were presented.

## Individual Stories / Examples of Success / Quotes

Changes in farm financial management behaviors, including the use of farm finance and economics in decision making, received emphasis during the project.

During the first year of farm business summary work, participants completing a farm business summary for the first time identified changes in their financial record keeping practices and, or systems that would improve completion in the future. Examples include modifying the chart of accounts to include fertilizer and lime, seeds and plants, and sprays and other crop expenses as subcategories under crop expense; and modifying the chart of accounts to allow for recording milk receipts by components among others. The individual story of one fruit grower is an example of project impact on participants shared by many of the participants that own fruit farms. Working with project members through the project, the grower is now recording and tracking apple deliveries and accounts receivable in a detailed manner using a spreadsheet developed by a project member. The grower is beginning to track yields by block. These changes in farm financial management behaviors enhance the financial planning and control capacities of the farm business.

The following quotes suggest impacts on participants related to the use of analysis during decision making. A fruit grower states: “I thought that considering the time value of money was only for big projects, now that I know how to use a financial calculator, we consider the time value of money in many smaller decisions.” “We are using computer spreadsheets and workbooks more than before, coordinating and comparing performance over a number of years. Keeping records on spreadsheets makes it easier to analyze our business. We are also projecting and monitoring cash flow on a regular basis.” Another states: “Participating in this project caused me to participate in the Cornell Fruit Farm Business Summary for the first time to measure business progress. The advance finance workshop has me digging deeper into my business finances, using a financial calculator to analyze information and make decisions.”

The owner of a dairy farm business looking for ways to improve the viability of the business utilized farm business summary and analysis, and projections developed with project members to evaluate the possible switch to organic milk production. Armed with historical farm business summary data, and projections developed for the transition years, and then for years of production and sale of certified organic milk, the owner made the decision to begin the transition to organic milk production in early 2006 as a means to achieve business and family objectives. Regarding the value of the summary and analyses developed via the project, the owner stated that the decision making process benefited from having a historical base of financial condition and performance, and from the analysis, projections developed – “... better than flying blind and hoping for the best.” The owner also commented regarding the value of sensitivity analyses that were developed as part of the projections – analyses, projections provided “piece of mind, and bolstered confidence.”

The owner of a diversified fruit, field crop, livestock farm business utilized farm business summary and analysis, and projections to reach a decision regarding a proposed change in the business. The owner decided to enhance existing pasture, and hay crop land to expand an existing livestock operation in a way that would improve financial results. Projections provided value information for the owner during the decision making process.

A target of the project was that participants improve their understanding of basic farm financial management via the Basic Farm Financial Management Workshop. The average score on the pre workshop quiz was 59 percent, while the average score on the post workshop quiz was 74 percent for an average percent change of 43 percent. Individual participants' percent changes ranged from 0 to 400 percent.

## Quotes – Basic Farm Financial Management Workshop

Selected quotes from participants, 27 completed course evaluations, regarding strong points of the course –

“Using these statements [financial] as tools. The grounded approach [using] examples that are actual.”

“... It taught me the basics, which is a good foundation.”

“Development of [terms] and understanding of topics”

“It helped me to learn more about the profitability of a business.”

## Quotes – Advanced Farm Financial Management Workshop

Selected quotes from participants, 35 completed course evaluations, regarding strong points of the course –

Understanding and using the financial calculator were mentioned by many participants as strong points of the course. Many commented similar to the following: “Learned lots of new stuff. The calculator [financial] was best;” “Excellent training in financial calculator, good enterprise budgeting;” “Hands on computation with [financial] calculator.”

“... Particularly liked the partial budgeting, enterprise analysis, and [financial] calculator instruction.”

## How did the project leverage resources?

|                                   |          |
|-----------------------------------|----------|
| RME grant funds:                  | \$60,319 |
| Other funds used for the project: | \$0      |
| Non-cash resources:               | \$6,295  |

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## Delivery area:

This project was delivered in 13 cities in New York.

Allegany, Erie, Genesee, Livingston, Monroe, Niagara, Ontario, Orleans, Seneca, Steuben, Wayne, Wyoming, Yates