

EVALUATING THE EFFECTIVENESS OF FARM FINANCIAL MANAGEMENT TRAINING

Richard L. Trimble, Michael Forsythe, Suzy Martin, and Steve Isaacs*

University of Kentucky, Lexington, Kentucky, USA

Email: rtrimble@uky.edu

Abstract

The summer of 2006 was devoted to conducting an in-depth, follow-up survey of all Farm Service Agency (FSA) Borrower Training Workshop participants. FSA Borrower Training Workshops began in February 1995 and have involved 1,004 farms and 1,500 individuals. This paper will share survey results concerning long-term workshop effectiveness. Survey results indicate participants got meaningful, useful, and profitable education from the workshops. Further, the paper will relate the effectiveness of different farm management education teaching concepts and tools used during the workshops. Evaluations conducted at the end of each workshop suggest our efforts have been successful. Participants rated the materials, instructors, and the whole educational experience as being worthwhile. Ninety-seven percent indicated they would recommend the training to other farmers. The follow-up survey was conducted to determine if the farm financial management training had lasting value to participants.

Key Words: *Evaluation, Financial, Farm, Management, Training, Effectiveness*

Introduction

In 1994, the United States Congress passed laws requiring Farm Service Agency (our lender of last resort) borrowers to participate in farm financial management training. The characteristics of this training program were considerably different from the traditional educational activities in which Extension Farm Management Specialists had been involved. First, Federal law required borrowers to participate. Secondly, the training was going to be expensive relative to the normally free Extension educational programs. Lastly, the rules required participant's efforts to be graded which had never been part of our educational programs. These characteristics made participants extremely unhappy.

University of Kentucky Farm Management Specialists designed, and developed a set of training materials specifically for this training program. Since our first training workshop in February 1995, we have conducted 82 workshops involving 1,004 farms and more than 1, 500 people. The program is ongoing.

Participant Knowledge of and Experience with Farm Financial Management

A standard part of our FSA Borrower Training Workshops has been a Financial Management Survey. The survey is conducted at the beginning of the workshop. The purpose of the survey is to obtain a better understanding of participants, the size and type of farms represented, and to establish a “*baseline*” concerning their knowledge of farm financial management.

Results of the baseline survey indicate that participants do very little tracking of income and expenses. Some three-quarters of participants used their checkbook to record transactions, while another 26% file their expenses into separate files. Fewer than 40% of participants used a system (computer, record book, or professional book keeping service) to assist in performing periodic analysis of income and expenses.

Questions about taxes also indicated a severe lack of knowledge. Only 31% of participants reported filling out a Schedule F (our Internal Revenue Service (IRS) Form on which farm income and expenses are reported). Participants indicate that tax preparers and accountants prepare their income tax returns; however, it became abundantly clear there was a lack of understanding of what a Schedule F really is.

Participant Reactions to the FSA Borrower Training Workshops

Another standard part of these educational efforts has been an Exit Evaluation. The evaluation is the last thing participants do at a workshop. It is an anonymous evaluation each participant is strongly encouraged to complete. Determining which of our efforts were successful and which need to be changed or eliminated is the objective.

The workshop included a number of management tools or concepts we wanted to impart to participants including goal setting, farm management decision making, risk management, information gathering, record keeping, enterprise budgeting, balance sheets, income statements and financial analysis. According to the Exit Evaluation, the general reaction of participants to the workshops was quite positive.

The Exit Evaluation indicated the most important things the students learned were record keeping, goal setting, and the role of the farm business manager. These were followed in importance by the income statement, managing risk, and the general role of information. Surprisingly, enterprise budgeting and balance sheets were judged unimportant by participants.

Workshop participants had many nice comments about the handout materials used during the workshop and the quality of the overheads. However, the most gratifying finding of the Exit Evaluation was the response to the question: “Would you recommend this workshop to another farmer?” Ninety-seven percent of participant respondents indicated they would recommend the workshop to another farmer.

Have the FSA Workshops Helped Our Producers?

The results of the Exit Evaluation were surprisingly satisfying. Given where the clientele group was at the start of the workshops we felt we had experienced a successful Extension educational effort; but, we wanted to do a “follow-up survey.” We wanted to know if participants had retained anything we taught them during the workshops.

General Parameters of the Follow-Up Survey

We felt the design of the survey questionnaire was critical to its success. Our desire was to have a short, simple questionnaire which would encourage participants to respond. The decision was made to limit the questionnaire to two pages with simple “yes-and-no” questions or rankings that respondents could easily check. The final survey instrument was contained on one page, front and back, including 28 questions. *(Please contact the authors directly to obtain a copy of the survey questionnaire.)*

Between February of 1995 and March of 2006, we conducted 78 FSA Workshops. These workshops have involved 969 registering farms with 1,488 people (spouses, relatives, and significant others were encouraged to attend) participating. The objective of the follow-up survey was to contact every farm that had registered for a workshop and give them the opportunity to respond.

During July of 2006, the follow-up survey questionnaire was mailed to the 969 participants. This original mailing of the survey instrument was followed by a “reminder post card” ten days after the original mailing. We suffered the normal problems with mail surveys concerning bad addresses, deceased borrower-participants, and borrower-participants that had left Agriculture and those who did not feel comfortable responding to the survey. After these problems and difficulties, 823 participants should have received the questionnaire and responded.

Our initial response rate was quite low. We were disappointed more folks had not responded. To overcome this we decided to attempt to call all participants for which we had a telephone number. *(Note: We did not have telephone numbers for all participants. A large number of telephone numbers had been lost from our database.)* The purpose of the call was to encourage participants to send the survey questionnaire back so their response could be included in the final analysis. This phone follow-up campaign seemed to help the response rate.

Survey Response Rate

We received 235 useable responses from the 823 potential respondents. This was a response rate of 29%. The response rate may seem low; however, we were pleasantly surprised by the result. Our expectations when we sent the survey were a 20% response rate, so the 29% rate was quite acceptable. Particularly since this clientele group was forced to participate in this expensive workshop they did not want to attend.

Results of the FSA Borrower Workshop Follow-Up Survey

General Characteristics of Workshop Participants

We were fortunate to receive responses from participants in every year the workshops have been conducted. As expected the largest percentage response was from 2005, which made up 23% of the total. The lowest response was for 2004 with only 4% of the total. Six percent of responses were from 1995 participants which was rather surprising.

Most of the farms were rather small in terms of acreage farmed. Thirty -three percent of participants had farms containing 101-250 acres. Only 7% of participants were farming more that 1,000 acres.

The enterprises represented were quite typical of Kentucky Agriculture. The most common enterprise was beef production, with 70% of participants. Typically, the business was a cow-calf operation with some backgrounding of stockers, but very little beef finishing. In conjunction with the beef enterprise, 59% of participants indicated they also had a hay enterprise

Many farms that produced beef also produced tobacco, which has been a traditional enterprise combination in Kentucky. Fifty percent of participants indicated that they produced tobacco on their farm. Other traditional enterprises of corn, soybeans, and wheat were produced by 33%, 26%, and 20% of participants, respectively. The dairy enterprise was part of 14% of participant's farms while hogs, poultry, and fruits and vegetables were produced equally by 4% of participants.

Management Tools and Concepts Used by Workshop Participants

Goals and Goal Setting

As mentioned earlier, a number of farm business management tools and concepts were taught during the workshops. One of the main objectives of the follow-up survey was to determine if participants learned about these concepts and tools, took them home and used them.

The first concept taught in every workshop was goals and goal setting. Many of the participants indicated that they used goals prior to the workshop. However, they had not made goal setting and writing them down a formal part of the management of their farm business. Eighty-five percent of those responding to the survey indicated they made goals and goal setting part of their farm business management. Those who did not use goals or goal setting in the management of their farm business made up 15% of respondents. These results indicate workshop participants accepted the goals and goal-setting concept as part of the management of their farm business. Apparently, they found the concept to be useful in improving the management of their farm business.

Record Keeping

The greatest amount of workshop time was devoted to record keeping. While some 40% of participants indicated they used some type of record keeping in the initial survey administered at the beginning of the workshop, it became clear many of these were rather “informal” record keeping systems. Participants needed more instruction in the use of this management tool. `

Ninety-seven percent of those responding to the follow-up survey indicated they used some type of farm record keeping. Only 3% indicated they did not use record keeping as part of the management of their farm business. Record books were used by 65% of those keeping records. Twenty-eight percent of those keeping records indicated they were using a computer while 9% indicated they were using professional consultants.

As a follow-up to the use of record keeping respondents were asked if they thought record keeping had improved their financial decision making. Eighty-seven percent of those keeping records indicated that record keeping had improved their financial decision making. Thirteen percent of those keeping records did not feel the record keeping had improved their farm management financial decision making.

Extended discussions of income taxes were often part of the record keeping workshop exercises. This often included a reference to tax-deductible items that were not used by participants because of fear of the IRS. Discussions attempted to convince participants they should claim these deductions. It was also discovered students were often getting bad advice from their income tax preparers. Again, time was devoted to trying to impress on participants the need to use tax advisors that were more knowledgeable.

To investigate this knowledge of income taxes the survey questionnaire asked participants if they had changed tax return preparers. Only 19% of respondents indicated they had changed tax preparers. However, 66% of respondents indicated that they regularly reviewed their income tax return while 34% indicated they did not review their return. This appears to be an area in which the workshop education was not successful; however, it should be recalled that only 31% of participants indicated they completed a Schedule F (our IRS Form on which farm income and expenses are reported) in our baseline survey at

the beginning of the workshop. Participation in the workshops had more than doubled the number of students that were “*at least looking*” at the income tax return prepared by their tax advisor.

Enterprise Budgets

Another tool taught as part of the workshops was the enterprise budget. It is a standard management tool we expected to be easily understood, adopted, and used by participants. During the workshops, the discussions seemed to go quite smoothly and very few problems were encountered.

Only 36% of participants indicated they had used an enterprise budget to help justify the reduction in size or complete elimination of an enterprise from their farm business. Sixty-four percent indicated they had not used the enterprise budget for this purpose. Twenty-eight percent of respondents indicated they had used an enterprise budget to expand an existing or start a new enterprise. Seventy-two percent of respondents indicated they had not used a budget for this purpose.

Balance Sheets

One of the financial statements covered during the workshops was the balance sheet. Students responded well to the presentation of the balance sheet and seemed to grasp the concept well. Eighty-four percent of respondents indicated they were better able to prepare a balance sheet after participation in the workshop. The remaining 16% did not feel the workshop had improved their ability to prepare a balance sheet.

We also asked if participants used the balance sheet to measure financial progress. Seventy percent of respondents indicated they used the balance sheet to measure financial progress. Thirty percent of respondents indicated they did not use the balance sheet to measure financial progress.

Income

A second financial statement covered during the workshop was the income statement. The students were receptive to this financial statement; however, we felt we encountered more difficulties teaching and explaining the accrual adjusted income statement used for the workshop. The instructors were not as comfortable teaching this statement and made many adjustments in their approach to and treatment of it.

The instructor’s level of comfort teaching this statement was reflected in participants’ use of it. Only 48% of respondents indicated they used workshop training to prepare an income statement. Fifty-two percent of respondents indicated that they did not use the training to prepare an income statement.

We also inquired whether the income statement was used to better determine the profitability of their farm business. Seventy-one percent of respondents indicated they used the income statement to measure the profitability of their farm business leaving 29% that did not use an income statement.

Participant’s Valuation of the FSA Borrower Workshop

In addition to trying to determine participants’ adoption and use of the various tools and concepts taught during the workshop, we were also interested in the extent to which the tools had improved their farms’ profitability.

Fifty-seven percent of students thought the workshops had helped them improve their farm’s profitability. The remaining 43% did not feel that profitability had improved. For those farms improving profitability, the increase ranged from a low of 2% to a high of 75%. The average improvement for all farms was 18%.

We also asked participants about the benefits derived from the workshop relative to its costs. Seventy-five percent of respondents believed their farm management skills had improved enough to cover the costs of the workshop. Twenty-five percent did not think their skills had improved enough to offset workshop costs.

We also inquired about increases in annual farm income. Participants responded that their annual farm incomes had increased as indicated in Table 1.

Table 1: Increase in Annual Farm Income Resulting from Workshop Participation

<u>Range of Increase</u>	<u>Percent of Respondents</u>
More than \$2,500	18%
\$1,001 - \$2,500	18%
\$501 - \$1,000	19%
0 - \$500	9%
No Change	36%

It is disappointing that 36% of participants did not think their farm income had increased. Nevertheless, it was encouraging that 64% felt their annual farm income had increased. The fact that 18% of respondents thought their annual income had increased more than \$2,500 was a surprisingly pleasant result.

Investigating the Effectiveness of Management Tools and Concepts

Further investigation of the survey data provided interesting insights into the apparent effectiveness of various management tools and concepts taught during the workshops. Table 2. presents a cross tabulation of participants' use of various management tools and concepts relative to the increased profitability of their farm business. This may not be a definitive judgment of the value of the tool or concept but it does offer some insights as to how useful it was with the education of this clientele group.

Table 2. Participants with More Profitable Farm Business Relative to Their Use of Management Tools and Concepts Taught During Workshop

<u>Tool or Concept</u>	<u>Percent of Respondents Increasing Profitability</u>	
	<u>With Management Tool</u>	<u>Without Management Tool</u>
Goals & Goal Setting	54%	3%
Record Keeping	56%	1%
Tax Return Review	44%	14%
Enterprise Budgets:		
To Start or Increase size	24%	38%
To Reduce or Eliminate	29%	36%
Balance Sheet	54%	3%
Income Statement	35%	21%

Table 2 indicates that record keeping, goals, and the balance sheets were used by more than fifty percent of the farm businesses that increased profits. Conversely, few participants (less than 3%) successfully increased the profitability of their farm business without the use of these tools. These results indicate that participants were successful in learning about these tools and concepts. They were also successful in taking them home and putting them into practice in their farm business.

The success achieved with the other tools and concepts was more questionable. This is not surprising concerning the subject of income taxes. Participants' lack of knowledge of income taxes and tremendous fear of the IRS are two obstacles that are extremely difficult to overcome.

The difficulties teaching the accrual adjusted income statement have been mentioned earlier. The results in Table 2 simply confirm the difficulties encountered with this financial statement during the workshops. The fact that 35% of participants found it useful in the management of their farm business is a surprisingly positive result. This should improve in the future as we continually strive to improve our instruction and explanation of this financial statement.

The largest and most disappointing surprise involved the enterprise budget. When this tool was incorporated into the workshop it was expected that participants would more readily understand, accept, and use this tool than many of the others covered. Further, there seemed to be a greater understanding of this tool than many others when it was taught. The fact that less than 30% of participants used enterprise budgets to help improve the profitability of their farm business was astounding! We expected much better adoption of this tool than is reflected in Table 2.

The results in Table 2 only scratch the surface of the type of information and insights that may eventually be gleaned from this evaluation survey. They do provide some information concerning the effectiveness of some of the management tools and concepts covered during the FSA Borrower Workshops. In particular, record keeping, goals, and balance sheets seemed to be well received. However, enterprise budgets proved to be a major disappointment!

Summary and Conclusions

The FSA Borrower Workshops educational program has been and continues to be successful and professionally rewarding. The workshop Exit Evaluation surveys indicated we have done a good job with the workshops. Most participants were pleased with the results.

The follow-up survey after folks had been away from the program for up to 12 years confirmed the training had lasting value to participants. The majority of respondents were able to increase both farm income and profitability as a result of workshop participation. Further, 87% of participants responding to the survey indicated they would recommend the workshop to other farmers.

Those educators typically working with larger farms involving experienced producers that are among the “brightest and the best in the industry” should remember this clientele group is from the other end of the spectrum. The marginal value of the education imparted to this group may be much greater than anything we can do with other groups.