



National Farm & Ranch Business Management Education Association, Inc.

... Teachers delivering knowledge that works to North America's Farm and Ranch Families

NUTS & BOLTS

Spring 2018 President's Message by Bruce Fowler, 2017-18 President

March 22, 2018

The box had a symbol on it that seemed to indicate I should wear gloves.

My wife and I live in the house I grew up in. That would tell some people it is an old house, but the reality is the house is actually much older than that. I'm not sure, but I think electricity and indoor plumbing were improvements added to the house after it had been lived in for a while.

The box I referred to earlier contained a range hood, the latest improvement we were working on for our house. We had a range hood, one that actually worked some of the time. We decided we wanted one that worked all the time, which gets us to this point.

Installing that range hood really wasn't that big of a deal, nobody got seriously hurt, and the new hood actually functions now just like it ought to. For me, the big difference is I now know what my breakfast looks like while I am cooking it every morning. I didn't realize just how golden brown the hash browns look as they cook, or how dark they get when I burn them just a little. My new normal in this situation is I think I do a better job cooking my breakfast because I can see it better. I did not realize there could be a difference until there was one.

We all encounter "new normal". Thankfully, it isn't on a daily basis, but change is the only true constant in our lives. Most of the time, the question is not whether or not there will be change, but rather how will we react to it? Will we adapt and look for opportunities to improve our situation, or will we fight and resist??

A while back I had reason to recall my early days as a farm management educator. I remember getting pretty good at using a nine-key calculator with a tape, and wearing out ever-sharp lead pencils entering farm financial data on paper data-entry pages. I also remember mailing those pages to the office in Columbia that I now work out of. I am so glad I do not have to run that calculator now, and also glad I get data digitally now rather than through the mail!

This issue of "Nuts & Bolts" is dedicated to the idea of your new normal, and how to help make change positive for you, your family, and the farmers you work with. I hope you will find the articles useful and encouraging as you work through your "New Normal"!



I also hope you will make plans to attend our National Farm Business Management Conference in Harrisburg, PA June 10-14, 2018. Conference information can be found at www.nfbm-conference.org/2018/. The tentative agenda looks full of interesting speakers and topics, great tours, and bunches of things to see and do while you are there.

Oh, by the way, I didn't wear the gloves. My hand is pretty well healed up now!

We'll see you in Pennsylvania!!

BRUCE

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The New Normal- Are You Lucky?

By David Gillman, FBM Instructor, UBATC, Roosevelt, UT

When thinking about what is the “New Normal”, I thought about how things have changed. In agriculture there have been changes in technology, markets, weather trends, policies, and politics. Some changes come gradual and we can see them coming. Others come fast and unexpected. Sometimes when changes come that we don’t expect, we may just call them luck.

One of my favorite books about business management is “*Great by Choice*” by Jim Collins and Morten T. Hansen. I feel the subtitle of the book, “*Uncertainty, Chaos, and Luck- Why Some Thrive Despite Them All*”, describes what we deal with in agriculture. There are several ideas in this book that can be helpful to someone managing a farm as they deal with rapid changes. My favorite chapter in the book is titled “*Return on Luck*”, where the authors analyzed whether the top companies in their study were successful just because they had more good luck. This led them to an analysis of what is luck and how much of it did the companies have. They defined a luck event as one that meets three tests: (1) some significant aspect of the event occurs largely or entirely independent of the actions of the key actors in the enterprise, (2) the event has potentially significant consequence (good or bad), and (3) the event has some element of unpredictability.

First they found that Luck happens a lot, both good luck and bad luck. Also the data showed that all companies in their study had basically the same amount of good luck and bad luck. So if all of the companies in the study had the same amount of good luck and bad luck, what was the difference? It was what they did with their luck. Collins and Hansen developed the idea of Return on Luck (ROL). They identified four possible ROL scenarios: (1) Great return on good luck, (2) Poor return on good luck, (3) Great return on bad luck, and (4) Poor return on bad luck.

To get a great return on good luck you need to recognize the opportunity when it presents itself and take actions to get a good return. With a poor return on good luck you may recognize the opportunity but fail to take the necessary actions, or you may fail to even recognize the opportunity when it is there.

Getting a great return on bad luck can be a defining moment for the enterprise. It may require drawing on reserves that have been built up in the past. It requires analysis of the event and the courage to make changes. The authors quoted Nietzsche, who wrote, “What does not kill me makes me stronger”. A poor return on bad luck can make it difficult to survive. It may require the decision to end the enterprise.

Getting a great ROL mainly depends on how you respond to events when they happen. A farmer needs to manage in a way that they can analyze events when they happen and be able to adjust to changes. Next time you hear yourself or someone else say that an event is good luck or bad luck, think: “*how can I get a great return on that luck?*”

I recommend the book “Great by Choice”. I enjoyed Jim Collins’ enthusiastic reading on the audio book.

Here by the River, Life is Good

By Lori Tonak, FBM Instructor, Mitchell, SD

Life has changed here as 2017 unfolded. I was getting more calls from farmers/ranchers that were struggling financially and more bankers calling to see if I could take on more students. Farmers showed more signs of stress with every visit and that added to more sleepless nights in my world. More and more I was reminded of my first years of teaching in the 80’s, when I helped the parents of my secondary students write resumes to seek off-farm employment. Those memories pressed me to work harder to try to “save” the people in my program.

My daughter, who always helped me stop and smell the roses, no longer resides at home and has a significant other in her life which lead to less time with mom. Without her to stabilize my work ethic, I found myself working all hours of the day and night. Many of you may have been in this situation! After one more sleepless night, I decided I needed to do something to turn this around, but what?



I came across my answer one day as I was driving the Missouri River hills. Prayer! It may not solve the problem of the students I worked with, but it helped to relieve my anxiety about their situation. And with the miles and hours I spend in the car, I have lots of time for prayer! Now my days are filled with prayer, and singing loudly to whatever song is playing on the radio, which has helped with many things in my life. I still work too many hours most days— according to my friends— but I now can put my files away at the end of the day and sleep through the night.

As I finished up the closeouts for 2017, I found many of the farms/ranches I work with ended the year in a much better position than we anticipated. That does not mean they are out of the woods as far as financial stability, but have made progress in the right direction. Maybe an answer to the many prayers!

Importance of Building Character as a Beginning Farmer Today

by Tina LeBrun, FBM Instructor, Southcentral College

Recently, I was lucky enough to participate in a few events that centered on beginning farmers. One, on a personal level involved my good friend who married a young farmer (trust me, I warned her till I was blue in the face), and another was an agricultural educational event for all farm producers, that provided a reception afterwards which enticed many area beginning farmers to convene. Both events very different environments and settings, yet similar company. Each time I found myself reflecting on mirrored conclusions. It was one of those moments I realized my blinders have been on. My realization to reality of what's occurring in today's farm environment was clouded by our day to day work load and very own struggles of being a beginning farm. Daily farm operations often cloud big picture epiphanies if you don't get the heck off the farm on occasion! One question kept resurfacing in my head as I replayed all of the recent events. Have you ever consider all the ways you could improve yourself? Or better yet, have you considered all the ways your character could be holding back the success of your farm operation?

[Read Tina's full blog post here ...](#)

2018 Farm and Ranch Income Tax/Estate and Business Planning Seminar/Webinar

by Bob Rhea, NAFBAS Exec. Director

This seminar has been planned as a connector to our National Farm Business Management Conference in June 2018. The dates are Thursday and Friday before our NAFBAS/NFRBMEA event begins on Sunday in the same general location, Harrisburg, PA. For those seeking CPE and more in depth tax presentations, this Tax/Estate and Business Planning seminar/webinar (live simulcast over the web) may be valuable. Then spend the next few days learning more about Pennsylvania and current agriculture issues with a focus on farm analysis and economics at the National Farm Business Management Conference at the Hilton in Harrisburg.

To encourage NAFBAS & NFRBMEA members to take advantage of the seminar in Shippensburg on June 7-8, they are offering a group discount to us. If 50 register for the two-day conference, they will offer a registration fee of \$325 for both days or \$220 for any one day. They would like each state to provide a spreadsheet of all required information for their particular attendees along with a check. This will be on a first-come, first-served, space-available basis. Once on-site seating is filled, registrants will still be able to attend the conference online. Please see the flyer in this issue of NUTS & BOLTS for more information.

Success and Impacts of Farm/Ranch Business Management Education in Central Utah

by Jay Olsen & Kendra Sagers, Agriculture/FBM Program, Snow College

Farm/Ranch Business Management (FBM) education has been available in the Snow College service area of Central Utah since 1989. Snow College has three FBM instructors, each splitting their time between teaching college agriculture classes and FBM. Since 1989 almost 500 Central Utah farm/ranch families have participated in the FBM program.

Agriculture training programs delivered to farmers and ranchers are many and varied in their purpose, delivery method, length of training, and measurable impact. Empirical evidence suggests that there is value to the FBM model of agriculture education, that uses, confidential and regular face-to-face teaching visits in the farmer's/rancher's home or business office.

Over the past eight years Snow's FBM program has been awarded consecutive grants from USDA Extension Risk Management Education (ERME) and USDA Benchmarking. In response to a desire of Snow's FBM faculty to quantify the value of FBM from the perspective of the participating farmers and ranchers and to show a benefit Return on Investment (ROI) to grant funds, a ten question survey was mailed or emailed to 32 enrolled producers. The major purpose for the survey was to evaluate each producer's implementation of business skills taught and the possible economic benefit and impact on their individual farm or ranch businesses. [Read full article here ...](#)

Membership Update

by Deb Pike, NFRBMEA Communications Director

Here are our current membership numbers compared with this time last year:

	2017-18	2016-17
Regular	64	83
Affiliate	6	9
Honorary	1	1
Total	71	93

To UNSUBSCRIBE, [click here](#).

Questions or comments? E-mail us at comments@nfrbmea.org

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February 16, 2018

2018 Farm and Ranch Income Tax/Estate and Business Planning Seminar/Webinar

Washburn University School of Law presents the two-day seminar "Farm and Ranch Income Tax/Estate and Business Planning Seminar" on Thursday, June 7 and Friday, June 8, 2018 at **Shippensburg University in Shippensburg, Pennsylvania**. This program is appropriate for agribusiness professionals, attorneys, certified public accountants, enrolled agents, and tax practitioners

This program may be attended either in person or online.

In-person attendance is limited to 100 individuals.
(see "Information for Online Attendees" in the sidebar).

Cost

Registration Fee:

Paid Through Thursday, May 24, 2018

- » \$405 both full days
- » \$275 Thursday only
- » \$275 Friday only

Paid After May 24, 2018

- » \$455 both full days
- » \$300 Thursday only
- » \$300 Friday only

[See registration form.](#)

See [Washburn W-9](#) (taxpayer ID)

Program fee includes **materials in electronic form.**

Schedule and More Information

Visit our [website](#) to learn more and see the full schedule.

Register for this Event

Date / Location

Thursday, June 7, 2018

Friday, June 8, 2018

Location (in-person attendees):

Shippensburg University

[Conference Center](#)

(49 on the [campus map](#) (272 KB PDF))

500 Newburg Road

Shippensburg, Pennsylvania

[Get Directions and Maps](#)

Free parking is available next to the conference center.

Information for Online Attendees

This CLE will be streamed using Adobe Connect, a Flash-based product. Some institutions/agencies block Flash-based products on their network.

Registration Deadline:

Registrations will be accepted until all seats are full.

Attendees must pay the registration fee prior to start of the program.

Presenters



[Roger A. McEowen](#), Kansas Farm Bureau Professor of Agricultural Law and Taxation, Washburn University School of Law



[Paul Neiffer](#), CPA, Agribusiness Group, CliftonLarsonAllen

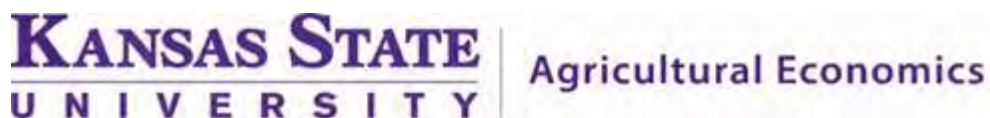
There is no charge to use Adobe Connect. [Return to this page](#) on the day(s) of the CLE and click the link that appears on the page; the link will also sent to online attendees via email.

Online attendance at this program falls under the Kansas Continuing Legal Education Commission's Nontraditional Programming Limitation. Nontraditional programming is limited to a *maximum of 6 hours of credit per compliance period*.

See [Rule 806 \(I\)](#) at the [Kansas CLE Commission website](#) for more information.



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NFRBMEA INC.

6540 65th Street NE
Rochester, MN 55906-1911

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Success and Impacts of Farm/Ranch Business Management Education in Central Utah

(Jay Olsen, Kendra Sagers – Agriculture/FBM Program, Snow College)

Farm/Ranch Business Management (FBM) education has been available in the Snow College service area of Central Utah since 1989. Snow College has three FBM instructors, each splitting their time between teaching college agriculture classes and FBM. Since 1989 almost 500 Central Utah farm/ranch families have participated in the FBM program.

Agriculture training programs delivered to farmers and ranchers are many and varied in their purpose, delivery method, length of training, and measurable impact. Empirical evidence suggests that there is value to the FBM model of agriculture education, that uses, confidential and regular face-to-face teaching visits in the farmer's/rancher's home or business office.

Over the past eight years Snow's FBM program has been awarded consecutive grants from USDA Extension Risk Management Education (ERME) and USDA Benchmarking. In response to a desire of Snow's FBM faculty to quantify the value of FBM from the perspective of the participating farmers and ranchers and to show a benefit Return on Investment (ROI) to grant funds, a ten question survey was mailed or emailed to 32 enrolled producers. The major purpose for the survey was to evaluate each producer's implementation of business skills taught and the possible economic benefit and impact on their individual farm or ranch businesses.

To set the foundation the survey asked the participants to indicate the number of years they've been farming or ranching. Figure 1 indicates that just over 80% have been farming more than ten years. Figure 2 shows that 44.4% of the responding producers have been participating in face-to-face confidential FBM education for more than ten years, with an equal percentage (27.8%) participating 1-5 years and 6-10 years respectively.

Figure 1

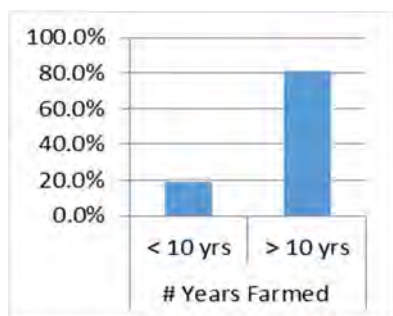


Figure 2



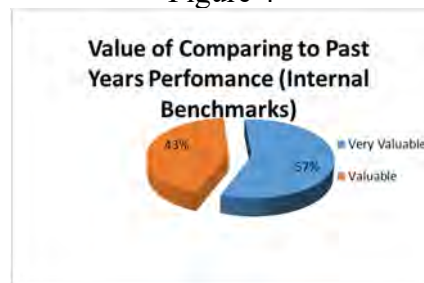
For the past two years of grant work we have focused on educating farmers and ranchers in Management Accounting and Benchmarking. Farmers responded to two questions relating to Management Accounting and Benchmarking; 1) Who as adopted Management accounting in their financial record keeping? 2) How easy has it been to accuratly assign income and expenses to the appropriate profit or cost center (enterprise) for accurate management accounting? Three quarters of the participants are doing management accounting with 63.2% feeling comforatable that they are accurately tracking/assigning their costs to the appropriate cost center, with 36.8% feeling it is challenging to assign their expenses to the correct cost center, Figure 3.

Figure 3



Over the past eight years Snow’s FBM team has been teaching farmers and ranchers the value of benchmarking financial and production numbers and trends to their own previous years data (Internal Benchmarks), as well as to cohort groups, local, state, and national (External Benchmarks). All participants found value in internal benchmarking. Forty three percent indicated internal benchmarking to be valuable and 57% found internal benchmarking to be very valuable, Figure 4.

Figure 4



When it comes external benchmarking data shown in Figures 5 and 6 indicate that 26.3% and 47.4% of the participants find that external benchmarking their yield and production data to other farms to be very valuable and valuable respectively. Fifteen point eight percent indicated that external benchmarking was only somewhat valuable and 10.5% seeing no value to external benchmarking, Figure 5. Similar trends are seen in external benchmarking of financial performance benchmarks. Twenty one percent indicated that external financial benchmarking was very available, 42% valuable, 21% somewhat valuable with 16% expressing that there was very little value in external financial benchmarking, Figure 6.

Figure 5

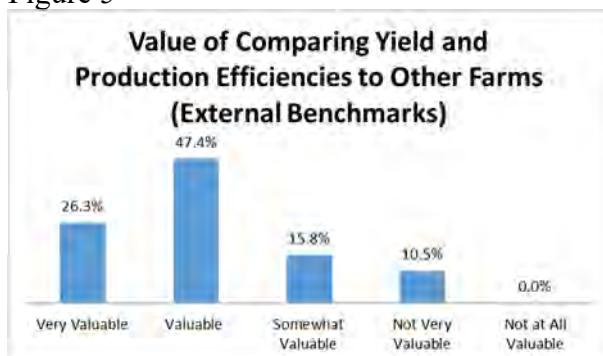
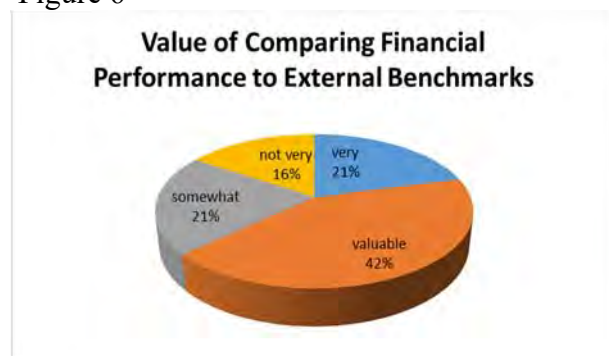


Figure 6



All educators involved in training and educating farmers and ranchers hope that their training efforts will result in participants implementing what they’ve learned. The survey asked

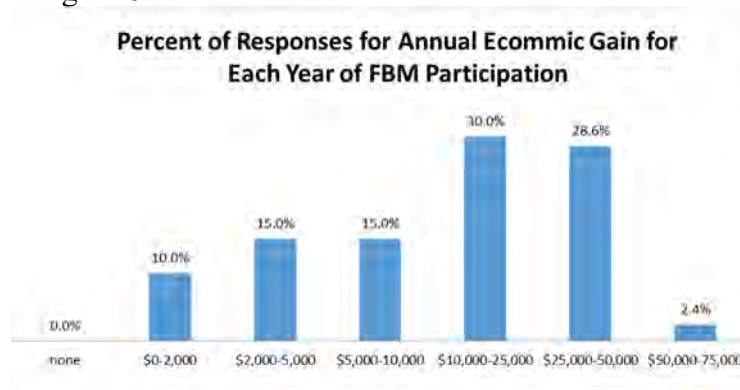
participants if they have implemented strategic business management decisions as an outcome of the training. Data in Figure 7 indicates that 85.7% of farmers and ranchers participating in FBM have made strategic management decisions based on their FINAN analysis and RANKEM report ranking. FINAN is a tool in the FINPACK financial software package for agriculture producers created and supported by the Center for Farm Financial Management at the University of Minnesota. RANKEM is a Benchmarking ranking software tool also created and supported by the Center for Farm Financial Management.

Figure 7



Responses to the last survey question asked participants to quantify their perceived annual economic gain from participating in the FBM program. The size of the economic gain was unanticipated. Participants were asked to select a range of annual economic gain, either \$0-\$2,000, or 2,000-\$5,000 or \$5,000-\$10,000, or \$10,000-\$25,000 or \$25,000-\$50,000. Ten percent of the farmers/ranchers indicated they felt they benefited up to \$2,000 per year, 15% benefited up to \$5,000, 15% benefited up to \$10,000, 30% benefited up to \$25,000 and 28% benefited up to \$50,000, with 2% estimating up to \$75,000 gain, Figure 8.

Figure 8



For conservative evaluation purposes the low dollar value in each range was used to analyze the average annual economic gain per farm, accumulative economic gain and the ROI to budgeted grant funds. For example if the \$2,000-\$5,000 range was selected \$2,000 was used for the analysis, if the \$5,000-\$10,000 range was chosen the \$5,000 was used in the analysis, and so forth through the upper \$50,000-\$75,000 range.

The average economic gain per year for FBM participation is \$13,476 Table 1. Extrapolating these responses out to 38 farms, the average number of families participating in FBM each year, one year's economic gain totals \$512,095 in Snow College's Central Utah service area.

Table 1

# of Survey Responses	Selected Economic gain category	Reported Annual Economic	
1	\$50,000	\$50,000	
6	\$25,000	\$150,000	
6	\$10,000	\$60,000	
3	\$5,000	\$15,000	
3	\$2,000	\$6,000	
2	\$1,000	\$2,000	
21 Ttl. Responses		Ttl. Annual Gain \$283,000	
	Average Economic Gain per FBM Participant		\$13,476

With \$62,151 as the seven year average benchmarking grant amount and \$512,095, the average economic gain on 38 farms, the return (ROI) on USDA Benchmarking grants is 8.24 times more than the average grant award (\$512,095 divided by \$62,151), Table 2.

Table 2

Average Annual Economic Gain per Farm per Year	\$ 13,476
Average Number of Farms/Ranches in FBM Each Year	38
Average 1 Year Gain for 38 farms	\$512,095
Average Budgeted USDA Benchmarking Grant Funds per Year	\$62,151
Average Return on Benchmarking Funds per Year	8.24

Snow College's Farm Business Management program is approximately 40% supported by grant funds. Quantifying the annual economic gain annual we computed a seven year return to grant funds. The cumulative average economic gain for 38 farms over 7 years of grant work is \$3,584,667 and the accumulated 7 year's USDA Benchmarking Funds awarded to Snow College is \$435,058, a 8.24 times return on USDA Benchmarking funds, Table 3.

Table 3

Total Economic Benefit of FBM work over 7 Years	\$ 3,584,667
7 Year's USDA Benchmarking Funds	\$435,058
Return on Benchmarking Funds	8.24

With a significant number of producers being involved in Farm/Ranch Management for a number of consecutive years the survey data provided an opportunity to calculate a correlation coefficient between years of FBM participation and annual economic gain. The calculated coefficient of correlation, Pearson R Value, is a significant .71 indicating that the greater the number of years a farmer or rancher participates in the FBM the greater the annual economic gain.

In conclusion, farmers and ranchers value FBM education that is specifically targeted to them and their specific goals, is confidential, occurs face-to-face and one-on-one in their home or farm office, happens regularly throughout the year, is available for consecutive years of participation,

and provides opportunities for both internal and external benchmarking. Producers indicate that they are more willing and much more confident in making strategic management decisions and strategic plans when they have regular consultations with their FBM advisor. Many producers value this ongoing education as evidenced by continuous enrollment for many years. They also recognize that they experience significant annual economic gain with each year of FBM participation.

Producers were invited to add comments at the end of the survey. The following are a sample of their comments.

“FBM is huge benefit to having the data to share at staff meetings; we can all be on the same page when it comes to cost management. My banker uses FINPACK and is impressed and complementary of our FINPACK Balance Sheets.”

“I know where I'm at financially. The banker likes the reports and the knowledge I have of how my farm stands financially.”

“Without this FBM program we would never be on time getting our operating loans done. This program has helped our business out tons! Thanks”

“It has helped me think about what we are doing and are there things that we can do better and easier.”

