

July 9, 2003

MEMORANDUM

TO: Dr. Larry Turner, Associate Director of Cooperative Extension

FROM: KFBM Futuring Committee – Eddie Melton, Curtis Hancock, David Heisterberg, Colby Blair, Craig Infanger, Carl Dillon, Jack McAllister, and Jimmy Henning

SUBJECT: Our Report and Recommendations Regarding the Kentucky Farm Business Management Program's Future

On April 25th you appointed the committee to address four questions about the KFBM Program:

1. How well is the KFBM program meeting the needs of all four partners?
2. How can we meet the needs of all partners within current and expected budget constraints and have an appropriate cost share?
3. How should the new Program Coordinator position be structured?
4. What is the optimal balance between the program's service mission to farmer-members and its research and educational mission within the College?

As a Committee, we have held three days of meetings with farmers, county agents for agriculture and natural resources, KFBM specialists, ag lenders, and faculty in the following locations:

- June 5, Madisonville: 29 farmers, 7 county agents, 4 ag lenders, 7 KFBM specialists
- June 23, Elizabethtown: Dr. Snell (current KFBM State Coordinator), 4 farmers, 5 county agents, 1 KFBM specialist
- June 24, UK Campus: Dr. Robbins, 1 farmer, 6 county agents, 7 faculty

In addition we have received numerous phone calls, e-mails, and letters from farmers and ag lenders who are very supportive of the program. All committee members have had personal conversations with KFBM participants and others who have provided input and suggestions on this effort.

Based on our formal and informal input, this Futuring Committee is providing you with the following responses to your four questions plus supplying some recommendations for actions to be taken which, we think, will improve the performance of the KFBM Program.

How well is the KFBM program meeting the needs of all four partners?

The Committee considered the four partners to be: (1) farmers, (2) KFBM specialists, (3) the Department of Agricultural Economics, and (4) the College, including the Administration, the Extension Service, and the Experiment Station.

How well is KFBM meeting the needs of the farmer-members? Based upon discussions and input received from participants at our formal meetings in Madisonville, Elizabethtown, and Lexington, the KFBM program is clearly meeting the needs of farmer participants. Letters and email received by Committee members echoed the same sentiments as those expressed in the meetings.

Listed below are representative quotes from farmers that support our conclusion:

- “We believe it to be the best Extension program for farmers that exists today.”
- “I can honestly say that I don’t know if we would still be farming if it had not been for the advice and encouragement of my farm analysis specialist.”
- “I know of no other service or organization that has been more important in the success and growth of our business than Farm Analysis.”
- “The program is for analysis - tax records are a by-product”.

It is quite apparent that the farmer cooperators willingly defend the KFBM Program and have a strong desire to see that it continues as they have come to know it. Whether there is a willingness by farmers to continue participation at substantially higher cost is not known. Clearly, some farm operations of substantial size can afford to pay higher dues. Some of the smallest operations cannot. Although not explicitly stated, conversations with some KFBM members leave no doubt that substantial increases in the fee structure will not be accepted without additional services and/or benefits.

How well is KFBM meeting the needs of farm analysis specialists? There is intense sentiment that the needs of this KFBM partner are not being met. Most of the specialists feel “caught” between two authorities – the farmer and the university. Specialists struggle to serve these two separate, often conflicting, lines of guidance. While specialists generally operate as employees of the UK and the Department of Agricultural Economics, there is a perception by UK faculty and the farmers that the specialists are *de facto* employees of the Farm Management Associations.

Many of the specialists feel an incredible demand on their time, especially as farmers request more one-on-one consultations in addition to the regular farm and office visits. For example, specialists must juggle the demands of being a bookkeeper, data analyst, and business consultant for the cooperator, while also acting as the area association office manager and working with the Department on the farm database and general farm management extension education. Some of the specialists find this stressful and unmanageable, leading to the current exhibition of low morale. These time conflicts need to be rationalized for the good of the program and to provide some relief to specialists.

It seems apparent to this Committee that the specialists have a major need for positive support and program direction. Failure over many years to provide clear delineation of responsibilities and authority in an effective management structure is manifest in the current situation. This absence of pro-active leadership has proven detrimental to the program. A full-time coordinator of the KFBM program could provide much needed leadership and direction. Without this leadership, it will not be possible to address specialists' concerns. In addition, the impending retirement of three long-serving specialists may be the greatest crisis the program will face if the current dilemma can be overcome. Experienced, skilled, long-serving specialists are the lifeblood of a successful program.

How well is KFBM meeting the needs of the Department of Agricultural Economics?

One of the major justifications for KFBM has been the generation of annual farm-level production and financial performance data. However, although active membership is 432 farms, the number of "usable farm records" has declined to only 154 sole proprietorship and 77 partnership records for 2001. While these usable records constitute a database which has value to the extension program at UK, there is a broad consensus that these data have limited value for the research program. Only one research faculty with a farm management appointment finds the data of some use in supporting on-going research. Two other research faculty have made limited use of KFBM data in the past two years.

The potential for research based almost entirely or exclusively upon KFBM data is approaching nil, because of the type of research required by most agricultural economics journals and critical problems with the KFBM database. These problems include a lack of the type of data needed (e.g., production or management practices associated with the financial outcomes), a lack of an accessible historical database, inadequacy in number of observations as disaggregation by category occurs, and insufficient supporting details to correct for data associated with uncontrolled experiments. The supposition that the data from diverse farms is unusable is incorrect, the above factors coupled with inadequate detail to differentiate causality are the difficulty in using the data from farms with diverse enterprises. An understandable reluctance on the behalf of specialists to collect the relevant data has occurred in the past but faculty also have been reluctant to meet with specialists to develop the experimental design needed to fill this data gap. The lag of time before data would be available, uncertainty of the ability to complete a valuable research project and perceived time/ effort input versus potential payoff are some reasons behind these reluctances. Consequently, while there is value to KFBM data in extension and possibly to a limited extent in teaching and research, it is a mistake to attribute more than insignificant value to KFBM data for research when justifying program expenditures. There is, however, limited use of select data for portions of economic models and the expert opinion of KFBM specialists has been valuable to some research and teaching faculty.

The KFBM program, at over \$400,000 net UK expense and with nine area specialists, represents the single largest extension program in the Department of Agricultural Economics. The department benefits by having the program, but faces the frustration of managing the program while seemingly having limited authority or control over budget and specialists. There is a valid question as to whether or not the current KFBM program represents the highest and best use of funds for the existing structure of KFBM given the blend of benefits for the service mission to farmer cooperators versus the role of extension, research and teaching. Do the

department, college and university get any public relations value from KFBM? To what extent is this value diminished from a lack of association of the program to the department, CES and UK College of Agriculture versus associating with a given specialist or the KFBM program as a separate entity?

How well is KFBM meeting the needs of the College of Agriculture? The KFBM program is clearly helping the College fulfill its extension mission. The profile of the KFBM program varies across the state. Roughly one quarter of the participants in the program farm east of I-65. Thus the profile of the program at the local or area level would seem to be highest in the west central to western part of the state. The publication of the annual summary and enterprise studies as well as the availability of farm-level financial data contribute significantly to general extension education programs at the county, area and state level. These publications could potentially raise the profile of KFBM. However, these publications are routinely late and there is still no annual summary published for 2001 or 2002. The Committee believes it is absolutely critical that timely publication of these reports is necessary (i.e., within three months of year-end record completion) and would improve the value of the summaries and encourage their use in extension programming. In addition, the use of KFBM reports needs to be promoted among state specialists outside agricultural economics and dairy where they seem to be most heavily used now.

Can KFBM continue to meet the needs of the extension mission in the College of Agriculture? This will depend upon whether or not the Department and the Farm Analysis Specialists begin to exert effective leadership. Hiring a new KFBM Program Coordinator could play a big role in improving the performance of KFBM and raising its status within the Department of Agricultural Economics and among other state extension specialists in other departments. Specific examples are the need for more strategic liaison with the growing emphasis on beef and forage production in Kentucky, the growth of commercial horticulture and forestry and the emerging goat, viticulture, and aquaculture sectors. KFBM should be able to help these sectors estimate the cost of production and other enterprise details for new practices and production technology. KFBM could benefit other aspects of Kentucky agricultural and natural resource sectors with educational assistance on management decision-making, tax management, and related topics.

How can we meet the needs of all partners within current and expected budget constraints and have an appropriate cost share?

The Committee realizes that the fiscal situation at UK is tight and will remain that way for the foreseeable future. KFBM is a cost-share program for which the goal has been a 50-50 sharing of overall costs between the farmer-members and UK. We have examined the fee structure and cost situation for the five KFBM Associations and UK. The basic budgetary situation is summarized in the following table:

	Bluegrass - 1	Lincoln Trail - 2	Ohio Valley	Pennyroyal	Purchase - 4	Total
Number of Specialists	1	1	2	4	1	9
Active Farmer Membership	50	52	85	205	40	432
Association Expenses:						
UK Administrative Fee	\$ 17,960	\$ 16,026	\$ 35,920	\$ 71,840	\$ 17,552	\$ 159,298
UK Personnel Reimbursement	\$ 6,174	\$ -	\$ 24,077	\$ 37,207	\$ 28,177	\$ 95,635
Direct Hired Labor	\$ -	\$ 200	\$ 2,132	\$ 33,373	\$ 615	\$ 36,319
Utilities	\$ 1,840	\$ 1,399	\$ 3,358	\$ 6,035	\$ 1,997	\$ 14,630
Insurance	\$ 297	\$ -	\$ 93	\$ 460		\$ 850
Miscellaneous	\$ 1	\$ 555	\$ 11	\$ 1,975	\$ 1,102	\$ 3,644
Repairs & Maintenance	\$ 1,161	\$ 3,784	\$ 525	\$ 4,630	\$ 603	\$ 10,703
Travel & Meetings	\$ 2,472	\$ 2,104	\$ 4,077	\$ 10,988	\$ 2,374	\$ 22,016
Supplies, Postage, etc.	\$ 1,081	\$ 2,034	\$ 2,869	\$ 8,448	\$ 3,215	\$ 17,648
Dues & Subscriptions	\$ 1,119	\$ 1,132	\$ 1,920	\$ 1,609	\$ -	\$ 5,780
Louisville Expense Share	\$ 8,439	\$ 8,191	\$ -	\$ -	\$ -	\$ 16,630
Non-Member Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	\$ 1,109	\$ -	\$ -	\$ 3,261	\$ -	\$ 4,370
Gross Association Expenses	\$ 41,653	\$ 35,425	\$ 74,983	\$ 179,825	\$ 55,635	\$ 387,522
UK Expenses:						
Salary & Benefits - 3	\$ 53,559	\$ 53,559	\$ 107,118	\$ 214,236	\$ 53,559	\$ 482,032
Travel & Meetings	\$ 1,256	\$ 1,784	\$ 2,889	\$ 5,366	\$ 3,609	\$ 14,904
Rent	\$ 12,163	\$ 4,800	\$ 9,975	\$ 30,570	\$ 9,690	\$ 67,198
Utilities	\$ 445	\$ -	\$ -	\$ -	\$ 1,950	\$ 2,395
Administrative Overhead	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 7,500
Support Staff Labor & Benefits	\$ 8,938	\$ 34,215	\$ 24,077	\$ 37,207	\$ 28,177	\$ 132,613
Gross UK Expense	\$ 77,860	\$ 95,858	\$ 145,559	\$ 288,879	\$ 98,485	\$ 706,641
Personnel Fees Paid to AEC	\$ 6,174	\$ -	\$ 24,077	\$ 37,207	\$ 28,177	\$ 95,635
Administrative Fees Paid to AEC	\$ 17,960	\$ 16,026	\$ 35,920	\$ 71,840	\$ 17,552	\$ 159,298
Net UK Expense	\$ 53,725	\$ 79,832	\$ 85,562	\$ 179,832	\$ 52,756	\$ 451,708
Total Program Cost	\$ 95,379	\$ 115,257	\$ 160,545	\$ 359,658	\$ 108,391	\$ 839,230
UK Share	56%	69%	53%	50%	49%	54%
Association Share	44%	31%	47%	50%	51%	46%
UK \$/Member	\$ 1,075	\$ 1,535	\$ 1,007	\$ 877	\$ 1,319	\$ 1,046
Association \$/Member	\$ 833	\$ 681	\$ 882	\$ 877	\$ 1,391	\$ 897
Total Program Cost Per Member	\$ 1,908	\$ 2,216	\$ 1,889	\$ 1,754	\$ 2,710	\$ 1,943
Fee Structure						
Record Book	\$ 500	\$ 465	\$ 860	\$ 680	-4-	\$ 626
Check Accounting	\$ 325	\$ 570	\$ 207	\$ 360	-4-	\$ 366

1. Includes 50.7% of beginning year Louisville Association expenses as a reflection of transferred members.
2. Includes 49.3% of beginning year Louisville Association expenses as a reflection of transferred members.
3. Includes 75% of salaries and benefits, 1/9th of adjusted salaries applied to each specialist position.
4. Hourly rates are billed.

With 75% of the KFBM specialists' salaries allocated to KFBM (and the remaining 25% being charged to general farm management extension education), you can see that we are close to attaining the goal of a 50-50 cost share on a program-wide basis. The Committee recommends that the general goal of a 50-50 cost share be maintained but that the administrative fee be standardized at \$20,000 per specialist and indexed. This arrangement should allow each Association to continue to implement its own dues structure and undertake cost controls. Thus,

under current budgets, KFBM can continue to operate and possibly grow modestly with no additional funding from the College.

Assuming the new Program Coordinator is hired with existing funds as outlined by Dr. Robbins, then the budgetary situation with a new Coordinator in place would increase the Net UK Expense to \$505,797 and the cost-share ratio would be 57%-43%.

How should the new Program Coordinator position be structured?

The Department of Agricultural Economics has failed to keep KFBM focused on its twin goals of farm financial management and farm management research and education. The Department must exercise more leadership and commit more effort to KFBM program administration, promotion, and coordination with overall AEC extension programs. This can be accomplished if the Department moves immediately to hire a full-time Program Coordinator whose major job responsibility is KFBM. This is not a “new” position but a re-working of the area specialist position which became vacant after the merger of the Louisville Association into the Lincoln Trail and Bluegrass Associations in mid-2002. The basic salary resources are already in the College budget so this would not require new budget resources. In addition, the KFBM State Board may supply \$10,000 one-time startup funds from their resources for this position.

The new Program Coordinator must have at least a Master’s degree and a strong farm management background, including farm-level recordkeeping and management. There are strong but differing opinions about where the Coordinator should be officed. One opinion argues that since the majority of the KFBM membership and Association offices are located west of I-65, this person should be officed at the Princeton Substation or a County Extension Office with the expectation that he/she would expect to spend five working days a month on campus. The other opinion argues that the issues with the database, publications, and program coordination indicated that the Coordinator should be officed within the Department with regular travel out to the field.

The Program Coordinator would have overall responsibility for KFBM program management and should report directly to Dr. Robbins. The primary specific job duties would include: (1) Implementing quality control and timely management of the KFBM data and reports, including year-end averages, comparative analysis, the Annual Summary, regular enterprise cost & returns studies, and other reports as necessary; (2) General coordination between the State Board, the five associations, the nine specialists, and the Department to insure that the goals of KFBM are attained; (3) Achieve recognition and visibility for KFBM with farm organizations, ag credit agencies, and State Government; (4) Coordinate the work of KFBM with Extension regional programming priorities, the Department’s research and education programs, and the AEC extension programs; and (5) Training and mentoring of KFBM specialists.

What is the optimal balance between the program’s service mission to farmer-members and its research and educational mission within the College?

Ample evidence has been provided by KFBM specialists to document their participation in what would be considered as general extension education programs in their areas of expertise.

This includes: (1) presentations and teaching at county, area and state meetings and workshops; (2) KFBM annual, association, and enterprise summaries and (3) newsletter articles. Documentation from KFBM specialists indicates considerable variation across specialists in the time involved in general extension education programming.

The general goal for a balance between the service and educational responsibilities for specialists should be 75% of time devoted to KFBM and 25% to general farm management extension programming. But the Committee recognizes that conflicts, real or perceived, between these two functions arise primarily from competition for specialists' time. Given the Kentucky approach of an emphasis on one-on-one work with cooperators, there are inevitable conflicts for the specialists' time. The Program Coordinator and the Department Chair are responsible for implementing the general balance between service and educational work. This may mean that some farmers will not receive the same level of one-on-one consultations as specialists adjust work routines to meet the expected balance.

attachment: [KFBM Futuring Committee Recommendations](#)

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