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Developing a Comprehensive Business Planning Extension Program

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Developing a Comprehensive Business Planning Extension Program

Abstract

The Tomorrow's Top Agricultural Producer program was developed to assist agricultural producers in planning. Through the use of highly intensive classroom lectures, a case study reference guide, and mentor committees, the program assists agricultural producers in the development and implementation of a complete business plan.

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Introduction

Planning is essential for managing the production, market, institutional, human, and financial risks involved with agriculture as described by Harwood, Heifner, Coble, Perry, and Somwaru (1999). Instruction concerning the development of risk management plans is not beneficial if it is not accompanied by hands-on experience (Davis, 1993; McKeachie, 1994; Cushner, McClelland, & Safford, 1996). However, currently there is no Extension program that integrates all facets of risks faced by agricultural producers and assists in the development of operational and strategic plans that will address these risks and provide assistance in implementing these plans.

Program Design

The Agricultural Economics unit of the Texas Cooperative Extension developed the "Tomorrow's Top Agricultural Producer" program (TTAP) to:

- Provide education activities that would give participants the analytical skills necessary to evaluate their operation and potential alternatives,
- Assist in the development of a complete business plan, and
- Provide post classroom support that would assist in the implementation of the developed plan.

The specific design of the program content is described below.

Pre-Program Preparation

Prior to the TTAP program, a number of activities are completed to ensure the success of the program. These activities include:

- The development of a complete case study business plan, including typical income and expense transactions recorded into QuickBooks Pro[®] for a 12-month time period;

- Microsoft Excel® and QuickBooks Pro® leveling workshops to ensure that all program participants would enter the TTAP program with a required level of computer skills; and
- A futures and options leveling workshop to provide participants a level of understanding of these topics that are deemed necessary for the program.

Defining the Operation

TTAP program participants are first exposed to the "basics of business planning". These basics included:

- Participant personality type identification;
- Sources of risk;
- Developing a business history;
- Mission statements;
- Goals and objectives;
- Types of business structures;
- Resource inventories; and
- Identifying strengths, weaknesses, opportunities, and threats.

A classroom setting is used to discuss each item, with examples from each presentation relating to the case study operation. Time is also provided after classroom instruction for participants to work on that portion of their own business plan.

Financial Plan

Material on the use of QuickBooks Pro® to allocate current financial transaction information across activities and years and the creation of full cost financial reports is provided. Participants also learn of the role of enterprise budgets in whole farm planning and use spreadsheet templates to assist in the development of individual enterprise budgets and a monthly cash flow estimate. Participants are also instructed how to utilize their financial information to make decisions concerning topics ranging from investment analysis to lease versus purchase of machinery or land.

The information is then used to develop a strategic plan for each operation through the use of the Financial and Risk Management (FARM) Assistance program. FARM Assistance is designed to assist producers in the evaluation of their existing operation and then in the likely impact of alternatives in the future under risk (Texas Risk Management Education Program, 2003).

Marketing Plan

To assist in the development of their marketing plan, participants are first exposed to discussions of the market structure and political policy issues concerning the various commodities represented by participants. Methods of protecting product prices and increasing market share and the use of contracts are also presented. To supplement this session, several simulation sessions are provided to give participants a "hands-on" example of market price discovery.

Topics concerning advanced futures and options strategies supplemented with the use of fundamental and technical analysis to make market price projections are also presented to participants. Commodity insurance and contract issues are addressed to provide participants a complete set of guidelines necessary to make an informed decision. Finally, traditional and alternative marketing channels for commodities are discussed.

Personnel Management and Legal Issues

Given that personnel issues are a priority for most operations, the TTAP program exposes participants to various personnel management issues and the ways to deal with these issues. Legal and liability concerns that are currently faced or could be faced by production agricultural operations are also addressed. Finally, participants are presented with legal and financial issues concerning the eventual exit of the operation from the industry.

Plan Implementation

After the classroom activities and individual business plans have been completed, the TTAP program continues for 1 year with support in implementing the business plan. This support comes from designated Texas Extension Economists as well as a unique feature of the TTAP program, the mentor committee. Each participant is paired with a mentor committee chair who is an established successful producer. A second established producer and agricultural lender also serve on the committee.

The role of the mentor committee is to review the completed business plan. Secondary responsibilities include an onsite visit by the committee chair and a Texas Extension Economist to the participant's operation within 1 year of classroom completion. During this visit, participant progress towards the implementation of his or her business plan and any issues that might have occurred that caused deviation from that plan are addressed. Further responsibilities of the mentor committee are to serve the TTAP participant in the realm of answering questions, evaluating ideas, suggesting alternatives, etc.

Measurement of Knowledge Gained

A multiple-choice pre-program test is administered to ascertain the base level of knowledge of TTAP participants. This same test is taken again by participants after the program. Knowledge gained is determined through comparing the differences in scores on the two tests. Currently, a 69.8% increase in knowledge gained is being observed. Coupling this increased knowledge with hands-on experiences and post-program follow up, TTAP participants are better prepared to deal with the various risks faced by their operations.

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