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# Planning for Tomorrow - Today: Project Report - 1987

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PLANNING FOR TOMORROW - TODAY  
PROJECT REPORT - 1987

by  
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Economic Staff Paper Series No. 87-5\*\*

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## Contents

	Page
National Focus on Financial Management Programming.....	1
South Dakota's Financial Management Program .....	2
Results of 1985-86 Workshops .....	3
Calculations .....	4
Analysis By Type of Operation .....	6
General Comments About Calculations .....	8
1986-87 Program Efforts .....	8
Implications of Analysis .....	12
Program Evaluations .....	15
Summary Comments of 1986-87 Program .....	18
Future Directions of the PTT Program .....	23

Planning for Tomorrow - Today  
Project Report - 1987

National Focus on Financial Management Programming

Almost 200,000 American farm families have turned to the Cooperative Extension Service for intensive financial assistance in the last three years. Extension staff from across the country have also provided similar assistance to approximately 1,450 local government units, 8,500 community organizations, and 9,500 rural nonfarm businesses.

According to a National Extension survey conducted in 1986, most of the farms currently suffering financial stress will recover and continue farming, either on a full or part-time basis. The survey also indicated that the Cooperative Extension System will continue to accelerate its efforts in responding to immediate problems of families and communities who are facing severe economic or emotional problems. The focus of their help will be to improve farmers financial and business management skills, to identify alternative farm enterprises, to assist producers in implementing lower cost of production techniques, improve marketing skills and strategies, identify non-farm income opportunities to supplement family income, and to improve relationships between lenders and borrowers. In addition to these areas, Extension staff will also be assisting farm families in dealing with the stress created by their adverse financial condition.

One program developed to aid in the financial management process that is continuing to receive much attention is the FINPACK computer analysis program. The FINPACK computer program is being adapted and used by 80 percent of all State Cooperative Extension Services. At the Federal level, the Extension Service continues its national leadership role through the initiation,

development, and funding of activities which provide direction for Extension programs and use of new educational and communications technologies. They have continued their support for the Extension programming efforts by appropriating \$1.4 million for Fiscal Year 86. Extension Services in 40 states are either already using or are getting geared up to use FINPACK. Also, regional and state training workshops were conducted for individuals interested in using FINPACK to aid producers in financial management decisions. Over the past two years, it is estimated that one or more of the FINPACK programs have been used to improve the financial management on 60,000 farms around the country.

#### South Dakota's Financial Management Program

In Fiscal Year 1986, the South Dakota Cooperative Extension service initiated a program to assist agricultural producers with their financial management decisions. That program, Planning for Tomorrow - Today, and the initial efforts, are documented in an earlier report (Pflueger). During the winter of 1985-1986, 17 counties in South Dakota were involved in piloting the "Planning for Tomorrow- Today" program through a series of workshops. County extension staff received training in all aspects of the program in order that they could conduct the workshops. Initial program results are also reported in the earlier report.

Due to the success of the Planning for Tomorrow - Today (PTT) program, the PTT programs was expanded to a state-wide program during the winter of 1986-1987. PTT programming efforts expanded from 89 operations in 1985-1986, to over 300 operations in 1986-1987. This report contains results, findings and implications of the 1985-1986 workshops, and reports on the results of the expanded program for 1986-1987.

## Results of 1985-86 Workshops

Planning for Tomorrow - Today workshops are conducted as a series of meetings that comprise a single workshop. The final meeting of the series is conducted at the end of the business year to assist producers in assessing their business performance over the last year and to assist them with their planning for the subsequent year. The FINAN (Financial Analysis) program of FINPACK was used by farmers to analyze financial performance of their farm business during the previous year. Based on the farm's financial position at the beginning and end of the year, FINAN examined their profitability, liquidity, and solvency. The farm operations were individually analyzed. Group sessions were attempted, but program leaders found one-on-one consultations to be more efficient. Of the 89 operations that used FINPACK for planning their 1986 business year, FINAN analysis was run on 56 operations; this is a 61 percent continuation rate for the PTT program. This continuation rate is believed to be similar to other management programs conducted by other agencies. The remaining 39 percent either went bankrupt, retired, moved, died, or were consulted by county staff and not reported for consideration. The FINAN results from those 56 operations are the basis for this year-end analysis.

The following profitability measures are based on an average of all 56 farms. The high and low values for these measures are also reported so readers can appreciate the range of the measures reported.

	AVE.	HIGH	LOW
LABOR & MANAGEMENT EARNINGS	33,421	265,634	-6,362
RATE OF RETURN	10.2	43.1	-21.1
RATE OF RETURN ON NET WORTH	29.8	433.2	-146.8
INTEREST PAID	16,503	72,356	0
AVERAGE NET WORTH	158,487	799,581	-154,201
CASH % INCOME	70.4	98	32
INTEREST % INCOME	12.1	67	0
CURRENT/INTERMEDIATE DIFFERENCE	13.7	195	-27
LONG TERM L/A DIFFERENCE	1.9	95	-28
TOTAL L/A DIFFERENCE	8.5	171	-13
TOTAL L/A	64	222	0
FAMILY LIVING	22,525	181,134	1520
NET PROFIT	47,789	256,384	6964

#### Calculations<sup>\*</sup>

Labor and Management Earnings represent returns to the farm family for investing their time and management skills in the farm business. Labor and Management Earnings are calculated as:

Profit - Interest on Farm Net Worth

A six percent interest on farm net worth charge is used to arrive at labor and management earnings. This measure of profitability is most useful to a highly labor oriented business.

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\*Discussion of calculations is paraphrased from the FINPACK users manual. Readers are directed to that manual for a more thorough description of these calculations.

Rate of Return reflects a measure of rate of return on farm investment. This measure of profitability is used by those producers who are highly capitalized. The calculations for this measure again start with profit to which is added farm interest paid to arrive at returns to labor, management, and total farm investment. The value of operator's labor and management is then subtracted to arrive at return on farm investment. This return is divided by average farm investment and expressed as a percent.

Rate of Return on Farm Net Worth represents the percentage return earned on the operators' equity capital invested in the farm. The calculations for this measure are:

$$\text{Rate of Return on Farm Net Worth} = \left( \frac{\text{Profit} - \text{Value of Operator's Labor and Management}}{\left( \frac{\text{Beginning Farm Net Worth} + \text{Ending Farm Net Worth}}{2} \right)} \right) \times 100 = \left( \frac{\text{Return to Farm Net Worth}}{\text{Average Farm Net Worth}} \right) \times 100$$

Interest Paid is the total of all interest paid by the farm operation. This measure is the sum of interest paid on operating as well as term debt.

Average Net Worth is calculated as (beginning farm net worth plus the ending farm net worth) divided by two. This measure can be used to get an indication of the amount of business net worth present during the year.

Cash % Income is a measure of the cash expense as a percent of income. This measure is calculated as the total farm expense divided by total farm income. The remainder is available for living expenses, savings, taxes, principal payments and reinvestment.

Interest % Income is a measure of the interest expense incurred by the operation and is found by dividing the farm interest expense paid by total farm income.



The measures Current/Intermediate Difference, Long Term L/A Difference, and Total L/A Difference all reflect changes in the debt position of the operation over the last business year. This measure is found by subtracting the end of year value from the beginning of year value. A positive(negative) value indicates that improvement(deterioration) in the debt position of the operation was found.

Total L/A is a measure of the total liability to asset position of the operation. This measure is based on the values reported at the end of year.

Family Living reports the level of family living expenditures reported by the operators of the businesses included in the analysis.

Net Profit is a measure of operating income to the business. This measure is calculated by adding total inventory change to net cash farm income. This measure takes into account inventory changes to provide an accrual measure of net profit.

#### Analysis By Type of Operation

The 56 producers were categorized by main farming enterprise, either dairy, grain, swine or beef. The following financial information was taken from the FINAN statements, as broken down by operation. Most of the operations included in this report and used for this analysis are located in the northeast region of South Dakota. The application of these figures to other regions of the state is not intended, nor was the report written for this type of comparison to be made.

	RATE OF RETURN			RETURN ON NET WORTH		
	AVE.	HIGH	LOW	AVE.	HIGH	LOW
DAIRY	11.5	41.2	-21.2	58.7	433.2	-11.6
GRAIN	7.8	22.3	-5.4	17.6	125.8	-73.9
SWINE	6.6	12.9	1.8	15.1	37.0	5.0
BEEF	11.4	40.3	-4.7	-27.1	50.0	-146.8

	INTEREST PAID			AVE. NET WORTH		
	AVE.	HIGH	LOW	AVE.	HIGH	LOW
DAIRY	20,025	72,356	1,236	144,447	416,093	8,241
GRAIN	14,560	63,800	2,320	171,071	799,581	-21,824
SWINE	12,001	36,024	1,482	466,894	791,775	64,539
BEEF	16,594	47,329	607	46,791	268,567	-154,201

	CASH % INCOME			INTEREST % INCOME		
	AVE.	HIGH	LOW	AVE.	HIGH	LOW
DAIRY	70.9	92.0	54.0	13.8	67.0	1.0
GRAIN	68.4	90.0	46.0	11.8	32.0	3.0
SWINE	66.5	79.0	57.0	5.5	11.0	1.0
BEEF	73.7	98.0	32.0	12.4	32.0	1.0

	TOTAL L/A DIFFERENCE			TOTAL L/A		
	AVE.	HIGH	LOW	AVE.	HIGH	LOW
DAIRY	7.6	28.0	-3.0	65.1	106.0	3.0
GRAIN	3.2	14.0	-10.0	60.6	116.0	9.0
SWINE	7.0	10.0	5.0	21.5	58.0	1.0
BEEF	26.3	171.0	-13.0	91.5	222.0	29.0

	FAMILY LIVING			NET PROFIT		
	AVE.	HIGH	LOW	AVE.	HIGH	LOW
DAIRY	21,107	43,877	3,527	55,177	227,645	10,870
GRAIN	17,025	43,655	1,520	30,190	92,763	7,638
SWINE	15,920	25,486	3,623	54,074	81,004	39,857
BEEF	41,283	181,143	13,226	61,028	256,382	6,964

General Comments About Calculations

These figures show only that producers who participated in the Planning for Tomorrow - Today program, on average, improved their financial position during the 1986 operating year. The data base on which these calculations are based was collected by various individuals involved with the program. No attempts were made to insure that consistent data reporting was done by every individual. The great dispersion of farm types and beginning financial position of these operations precludes any definitive answers based on these figures. Operating environment issues are reflected within these values and thereby render the values to be of limited usefulness. It is the intention of the PTT program committee to continue to collect this data and develop trends which are more indicative of financial progress within the agricultural sector.

1986-87 Program Efforts

During the 1986-1987 PTT program year nearly every South Dakota agent worked with their clients; most clients had been either referred by their lender or by one of the South Dakota Department of Agriculture Financial Counselors. A significant number of these types of client were assisted, especially with FINFLO and to a lesser degree with FINLRB. Some agents are

working closely with clients and lenders on a quarterly basis to monitor cash-flow projections. This is being done only on a very limited basis and with some 'problem' operations. However, not all PTT participants were classified as distressed farmers. Many simply elected to get involved in the program out of curiosity and to find ways to increase profitability.

Data was collected and is reported in the next section that examines the differences between participants current situation, and the best alternative for their operation. Participants were assisted through the PTT program in determining alternatives for their operations. These alternatives were analyzed through the use of FINLRB (FINancial Long Range Planning). The following tabulation shows the extent of PTT program participation by county. The completion rate\* for the PTT was greater than 91 percent. The completion rate should not be considered as a drop-out rate due to several reasons why producers may not have completed the program. These reasons include: county staff conducting the individual consultation instead of the area staff, participants who move or have decided to retire, and participants who do not continue the program due to farm sale or related events. Data for the northeast area was not included in this calculation due to the retirement of the area agent thus making this information unavailable. Additional assistance to producers outside the workshop setting could not have been provided in as complete and timely a fashion nor to the extent shown had not the county and area staff had the program materials to use.

FINLRB is a computerized procedure for comparing the long range profitability and debt repayment capacity of up to three, alternative farms plans. It allows an individual to compare the financial strength of the current

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\*The completion rate, as defined here, reflects the number of participants who started the program whom were consulted by Area Farm Management Agents, thereby "completing" the first phase of the workshop.

farming operation with two alternative plans involving new enterprises, new resources, different sizes or combinations of current enterprises, changes in efficiency, or changes in debt structure.

FINLRB is the first analytical program run for PTT program participants. In the workshop it is emphasized that every farm business has a number of alternatives open to it at all times. One such alternative is to continue as is. If a continuation of the current operation meets the program participants objectives, and is a plan that they are comfortable with, then no changes would be recommended or need be explored. However, many producers consider making changes in their operations, if only out of curiosity. Such changes may involve major alterations in farm organization, investments and enterprises. Producers realize that it is far better to analyze the impacts of change on paper before implementation rather than reality afterward.

The following are selected financial ratios of farm operations comparing their current situation, to the best viable alternative, according to FINLRB averages. The current situation is labeled as CURRENT and the values for a selected alternative are labeled as PROJECT. The differences between these values for a particular financial measure show the improvement (deterioration) in the operation if the projected plan is implemented.

	MNGT. EARN.	RATE OF RETURN	ROR	NET WORTH
CURRENT	17,047	12.8		30.9
PROJECT	25,365	4.4		173.5
	PROFIT MARGIN	TURNOVER RATE	INT. ON NET WORTH	
CURRENT	17.5	50.5		5,802
PROJECT	26.3	83.4		5,822
	INTEREST PAID	VALUE LABOR	RET. ON INVEST.	
CURRENT	14,933	12,844		24,860
PROJECT	15,229	14,673		31,818
	TOT. NET WORTH	VALUE PRODUCTION	CASH % INCOME	
CURRENT	96,709	147,992		75.6
PROJECT	96,278	105,156		67.8
	INT. % VAL PROD	CUR/INT L/A	LT L/A	
CURRENT	17.1	73.8		76.9
PROJECT	13.48	73.1		76.9
	TOTAL L/A	FAMILY LIVING	NET WRTH CHNG.	
CURRENT	67.3	7,696		16,200
PROJECT	67.3	7,696		22,352
	NET PROFIT	TOTAL INV.	RET. NET WORTH	
CURRENT	22,849	272,264		10,005
PROJECT	31,182	274,907		16,519

### Implications of Analysis

The above values, while drawn on a larger sample of participants and collected by fewer program staff, still can only be discussed in general terms. These values again range across a wide geographic and major enterprise base for the operations included. However, the values do indicate some very positive findings regarding the Planning for Tomorrow - Today program efforts.

First, the values indicate that producers who participated in the PTT program were able to find an alternative for their operation that resulted in approximately \$8,000 additional money available to the firm. The operators were able to add approximately an additional \$6,000 to their net worth each year under the revised plan. These financial improvements occurred as the result of lower value of production. lower percentage of cash expenses as a percent of income, and lower interest expense as a percent of the value of income. Producers were able to find alternatives that allowed them a higher turnover rate on their investments and thereby reduce either the level of, or the length of time, operating capital was needed.

Such improvements within the agricultural community, even if in general terms, should not be viewed lightly. While the financial situation of the agricultural sector of South Dakota has received much attention over the past few years, economic development for the state has now moved into the spotlight. However, these values point to the benefit of extension financial management programming. If agricultural producers are able to increase available capital to their operations, they will be in stronger position to enter the market for goods and services. These goods and services are generally provided by rural communities whose economic viability is closely tied to that of the agricultural sector. Therefore, as agriculture is the predominant industry within South Dakota, any program or effort that helps to revitalize rural South Dakota should be supported and expanded.

The Planning for Tomorrow - Today program, and especially the FINPACK program, have obvious advantages for South Dakota and its producers. It allows a producer to see projections of profits and other vital financial data on paper, before investing the time, energy and money into a new venture. The results of the projections should indicate whether each alternative will ever be profitable, if it will service the farm debt load in a typical year, and if future growth in net worth can be expected of the plan is implemented. The results also provide insights into the riskiness of each alternative. Therefore, costly mistakes can be avoided by first analyzing a new enterprise, investment, or reorganization on paper. Some individual projections show tens of thousands of dollars improvement in farm profitability if producers do in fact follow through; as opposed to doing things the way they have been organized to date.

As the numbers indicate, overall, there is a better, more feasible and profitable venture waiting for almost every producer, whether it be a large operational change, or merely implementation of different management techniques. Perhaps the greatest advantage of FINLRB and the entire FINPACK program is its impact on profits. In nearly all cases, net profits increased, along with returns on investment, while keeping the liability to assets ratio constant. This increased income can't help but eventually revitalize 'small town America'. It is quite evident that when the farmers are doing well, so do the farming communities. Although the impact would not be immediately noticed, a revitalization process would undoubtedly occur.

Another advantage of the program to South Dakota and its producers is that it forces farm managers to keep more accurate and comprehensive records. Through this record-keeping process, farmers can better prepare themselves for meetings with their lenders. Farmers that walk into a lender's office and set down a list of comprehensive, accurate plans and records are in a much better



position for a loan, than is a farmer who merely scratched a few numbers and ideas on the back of an envelope. With the tough times behind us, and the projections for the future, it is imperative that South Dakota producers and their lenders work together more closely. Better cooperation between banker and farmers can open up both sides for better negotiations and thereby reduce the need for any state interest buydown, mediation, or intensive assistance program for agriculture.

As more farming operations complete the FINPACK program, they will be able to better analyze their situation and find ways to keep their operations turning a profit, thus thwarting the many bankruptcies we are seeing today. A producer that follows the plans, and aims for projected month-to-month and yearly profits can take immediate action when actual performance declines. Whereas a producer without plans, projections and goals may not realize that the money is coming up short until it is too late.

Along with better financial well-being-being for farmers and their communities comes better mental health. It is evident that when farm families are not constantly plagued with financial troubles and burdened with day-to-day operation worries, their emotional and mental health drastically improves. To recognize the magnitude of the emotional problems of families facing severe economic problems, Congress provided 1.2 million dollars in fiscal year 1987 to the National Institute of Mental Health to establish four state demonstration projects. These will foster cooperation and coordination among mental health providers, Extension, and other groups to improve service to rural residents suffering emotional and behavioral problems. Forty-three states have programs to help families cope with stress problems; another four states plan to offer such programs. Eighteen states reported that 299,890 people participated in programs designed to help families effectively cope with economic and social

stress. The FINPACK program is one way to help alleviate some of the stress they are under in trying to keep their operations above water during these hard agricultural times.

### Program Evaluations

A summary evaluation of PTT participants indicated that 71 percent of those attending the workshop were male and 29 percent were female. Information on the type of operations indicated that 45 percent operated under a partnership setting, and that 40 percent were sole owners of their operation. The remainder were involved in a different form of business organization.

The participants learned of PTT workshops from a variety of sources. The predominate sources of information on the workshops came from the County Extension staff, which accounted for 65 percent, while 25 percent of the participants learned about them from newspaper articles. Thus, the results indicate that the Extension staff did an excellent job in promoting the PTT workshops.

Along with the demographic survey, PTT participants were asked to rate the effectiveness of the workshop sections, on a scale from 1 to 5; 5 being the best. Following is a summary of the responses to the various components of the Planning for Tomorrow - Today program:

Self Assessment Exercise: 3.8

Completion of the  
Financial Statement: 4.2

Completion of the  
FINPACK Data Banks: 4.2

Developing a long-range  
management plan (FINLRB): 4.0

Goal Identification: 4.3

Prioritization of Established Goals:	3.7
Developing a goal- directed mgmt. plan:	4.1
Developing a cash flow:	4.6
Importance of record keeping:	4.6
Individual consultation sessions:	4.6

When asked how any of the above sections could be strengthened or improved, here is how the participants responded:

"More one on one consultations"

"Self-assessment: until you know where you are at, it is hard to know what direction you should head"

"Goals and prioritization should be stressed more so long range plans can be developed."

When asked which sections were most beneficial or helpful, this is how the participants responded:

"The discussion of goals and the importance of record keeping, and realizing that more accurate input results in better output, and the consultation sessions"

"Goal identification. This is one area we really needed."

"Completion of cash-flow for yearly planning."

"Developing a cash flow and giving us a ray of hope."

"The importance of record keeping in order to know the cost of production, and the individual consultations session, because it was an unbiased assessment of our situation."

"Being able to see how your projected profit would be changed by making various changes in our operation."

"Developing the various budgets. This process caused me to really study our ranch operation."

Workshop participants were also asked how much time they devoted to the following sections of the workshop. Here are the averages:

	<u>Planned</u>	<u>Actual</u>
Self Assessment Exercise:	60 min.	31 min.
Goal identification:	60 min.	36 min.
Prioritization of Established Goals :	60 min.	28 min.
Developing a goal directed management plan :	*	39 min.
Completion of Financial Statement:	30 min.	90 min.
Completion of FINPACK Data Banks:	30 min.	145 min.
Developing a LR management plan:	*	100 min.
Developing a cash flow plan:	120 min.	125 min.
Importance of keeping records:	30 min.	90 min.
Individual consultation session:	120 min.	120 min.

\* Included in the first three sections.

The overall reaction to the Planning for Tomorrow-today workshop was quite favorable. Participants responded to the following categories in the indicated percentages.

Very beneficial, gained a lot:	20%
Very useful information to plan for the years ahead:	40%
Good program-would encourage friends to attend:	40%
Feel I wasted my time-knew all this before:	0%

Participants were also asked to indicate the extent the PTT workshop (family communications and self-help group portion) has affected how they deal with rural economic stress and change, how they practice good non-blaming communication, express their feelings, are a good listener, and have helped themselves through self-help groups. In all cases, participants said that the situations have improved, to an extent, after completing PTT. The scale is the same as above.

Learning new ways to cope:	3.6
Learning about non-verbal communication:	3.8
Learning about the importance of family communication :	3.9
Information provided through video-tape:	2.3
Learning about non-blaming communication:	3.4
Learning how to express your feelings:	3.4
Learning how to be a good listener:	3.7
Learning new ways to help myself or others:	2.9
Learning about self-help groups:	3.1

#### Summary Comments of 1986-87 Program

If there is a shortcoming in the FINPACK program, it is that the producers do not have the resources (records) needs to really 'fine-tune' their projections. However, after knowing this, it is believed that the majority of farmers are now keeping better records which will aid them in developing future projections through FINPACK. It was very apparent to workshop leaders that the producers needed a better set of records in order to contend with the business requirements of the modern farm.

An overwhelming majority of producers have indicated to their extension agents that they were going to make some changes in their operation because of the FINPACK workshops. Some of these changes were as simple or minor as a change in the record keeping system to something as major as using the information in developing a plan needed for bankruptcy proceedings.

One couple Filed for Bankruptcy and the lawyer they contacted reduced his normal 'up-front' fee substantially, because they essentially had much of the work already finished with regards to a projected farm plan, as required by the bankruptcy chapter under which they filed.

Another couple has elected to reduce his holdings, reorganize major debts, rent out his farmstead and crop acres to separate renters and take a job out of state.

As a result of planning, two farms decided to quit farming. Four farmers requested restructuring of debt with a request of setaside a portion of the real estate dept. One farm from the FY86 program negotiated on operating loan forgiveness during 1986.

An overwhelming majority of PTT participants (93 percent) indicated that the workshop was everything they expected to be. here are some of their responses as to why:

"I liked the informal atmosphere and the ability to ask questions."

"It was very good. I did not expect to spend time on goal identification or self assessment. But those parts are important to management also."

"It put figures in front of your eyes to help us look more accurately at our overall situation."

"It took into account my total operation very well, and enabled me to use alternatives."

"It gave us information we wanted and expected. It also gave us guidance in determining certain factors."

"We've always had good financial records. I was hoping more for direction in management areas. i.e., where should we be on our balance sheet, what is the 'ideal' financial statement."

In addition to these quotes from producers, the following case examples typify the results and benefits producers experienced through the Planning for Tomorrow - Today program.

Case 1.

A younger producer and his wife owned a small acreage dairy operation, where they purchased most of the feedstuffs. Their debt load was relatively high, and they were on a monthly payback system.

The couple was well-pleased with FINFLO projections, as they can work their way out of debt in a relatively short time, assuming a moderately stable milk market. The wife had considered off-farm employment. However, she decided against it as the farm paid her more per hour than the postal service job.

Case 2.

A younger dairyman and his family had undergone extreme family and financial stress, due to a child's illness. They were very optimistic and were able to work out a much more favorable land lease payment schedule. They also leased additional cows for quicker cash flow. Their child is undergoing the last of a two year major surgery reconstruction program. Things are appearing to be turning around for them. The couple is extremely grateful for the PTT program, as it has allowed them to convince their major lender (FmHA) to stay with them.

Case 3.

An agent was disappointed in not being able to project a \$5,000 or more increase in net income, as a result of going through PTT. The couple keeps immaculate records. They were able to project about a \$2,500 net increase though considering some alternatives. The agent was able to increase net

profit by about \$3,000 or more, so they were all pleased. They said that the cash flow alone is worth the \$50 PTT charge and their investment of time, as they can use it with FmHA. The wife is presently working in town. They are looking forward to the time when she can quit working, and the farm income alone will support them. They are diversified, with sheep flock, hay sales, alfalfa and grass seed production. They may be able to consider adding land through a lease option in another year or so, through the use of PTT.

#### Case 4.

This couple operate a farm unit in South Dakota from October-March, and harvest salmon in Alaska during the rest of the year. They are tremendously successful with an orphan lamb raising program, which they will expand, and recently built a new house on the farm. The couple ran the PTT program to see if they could someday justify just farming. They were tremendously grateful that "we would take them on as clients," when they weren't full-time farmers.

#### Case 5.

After being hired help in the past, this family has farmed on their own for just three years. The wife works in town to supplement their income and help pay the bills (to minimize borrowed capital). Her "tips and wages pay for baler twine and haying repairs." They ran additional FINLRB to consider a lease with option to buy on another unit, as the place they are on is quite limited. They are fast establishing a reputation in the purebred sheep industry. However, they may need additional land in order for their operation to grow so that the wife can discontinue working in town. The couple decided that FINPACK is the best procedure for considering these alternatives.

#### Case 6.

This is another case where the unit is not large enough to support the family, especially during the economic crunch. They lamb about 200 ewes. However, they cannot produce enough feedstuffs for that number, so they must buy some. The wife works off the farm as a teacher (was back to college under Rural Renaissance program to qualify as special education teacher--as husband was "house husband" to two ). The agent spent considerable time running FINLRB'S on other ranch units available in the area. The producer decided to make annual payments and remain on their current farm. He is getting established in the cottage industry type wood-working enterprise to supplement their income. "The timing was ideal, as he didn't know whether to make payments and



stay there or to move to another ranch unit, or to leave farming. He will try to reorganize financing and stay--with help from off-farm income."

#### Case 7.

In this farm unit, a producers son and wife run lambing to market operations for his dad on shares, and also have a unique vegetable operation. They raise potatoes along with tomatoes ("with very antiquated equipment"), along with raising edible beans. They have grassland to utilize, so they have started "breeding up" Belbvieh cattle and plan to go purebred, eventually. "Taking PTT was very timely, as we're getting ahead enough to where we no longer need to lamb on shares. We need to know how well we are doing." In order to net more of the total proceeds from the sheep, the father is considering selling off aging ewes and establishing himself in the lambing operation.

#### Case 8.

A younger single dairyman was farming on a very limited acreage operation--buying most of the feedstuffs. He wanted to know if he should consider farming to produce more of his feed-or to expand dairy and buy all feeds. After cash flowing, his banker surprised him by advising him to contract his hay needs through the next season (hay prices are very favorable right now). His banker also advanced him the money to do so. From the home economists program on family goals, it turned out that he has a seldom-seen son in Alaska--and can now take off some time to go see him!

#### Case 9.

Another family went through the dairy buyout program to clean up their debts. This left them without very much to plow back into another operation. The couple, as well as the man's bachelor brother farm together. The husband works off the farm milking cows at an area dairy. He had past experience in swine operations, so he proposed a farrow to feeder pig operation. The couples teenage son (FFA member) received a loan for swine breeding stock through the Department of Agriculture youth loan program. The couple can't get FmHA funds until the fall. FINLRB and FINFLO helped them change cropping programs to increase profits and to plan ahead for swine feed. The couple was surprised that we would spend "so much time working and reworking the different alternative budgets. Cash flows will be just what they will need for FmHA."

Case 10.

This younger couple recently moved into the area from Minnesota. Last winter's mild conditions and depressed corn prices resulted in them not being able to sell their principle cash crop. They took PTT to ascertain just where they were at, and to determine if they can continue farming. They were somewhat familiar with computers from having run a hardware store. They would have liked to have borrowed the money to buy some cattle to feed the corn to. However, after contacting a number of agriculture leaders (some with agents assistance--going along to explain FINFLO) they cannot borrow the funds. Their debt to asset ratio was over 50 percent. They speak very highly of the PTT program. Their bankers contacted them and said, "they really appreciated the excellent cash flows generated--but bank policy prevents them from extending loans to those over 50 percent indebted."

#### Future Directions of the PTT Program

As has been shown, in general terms, the Planning for Tomorrow - Today program has been very successful. Agricultural producers within the state of South Dakota have emotionally and financially benefited from this program. Program efforts have increased, or have shown producers how to increase, their net profit from their operations. As has been pointed out within the paper, an increase in the financial viability of the agricultural sector of the South Dakota economy is the first step in furthering economic development in the state. The success of this program indicate a need to continue the program. It is the intention of the Cooperative Extension Service of South Dakota State University to see that program efforts are continued and greater numbers of producers are reached with this program.

Additionally, the future Planning for Tomorrow - Today program will involve other supporting programs, i.e. record keeping, and work with other agencies within the state such as the Department of Agriculture and the Bankers Association. Integration of this program with other departments of the University is also planned. It is the intention of the PTT program staff to

involve specialists from Animal Science, Plant Science, Communications, 4-H, and Counseling. The future success of this program will depend upon continued funding and staffing support to meet the demands of the program clientele.

The map on the following page indicates the number of potential clientele within each extension cluster. Also shown are the number of clientele the county extension plan to reach over the next four years. This data is based on indications from four-year plan of work plans submitted by county extension staff. Not all clusters provided annual or four-year contact intentions. As these figures indicate, county extension staff believe in this program and are willing to place major emphasis on this program over the next years.

25

