

Good Afternoon Mr. Chairman and members of the Committee,

Thank you for providing the time to talk about the Farm Management Education program

My name is Kyle Olson. I run the Farm Management Education Program at the Bismarck Campus of Bismarck State College. I am one of 14 instructors across the state in 5 different educational institutions.

BSC located in Bismarck and Dickinson; Dakota College at Bottineau located in Bottineau, Rugby, Minot and is now in a new additional location in Williston; Lake Region State College located in Devils Lake, Langdon, and Carrington; ND State College of Science located at Wahpeton, Fargo, and Jamestown, and finally Glen Ullin Public School located at Glen Ullin.

Instructors, at these institutions, work one on one with active agricultural producers on financial and production recordkeeping in order to generate and accrual-based income statement for their specific operation. Instructors aid in developing a projection for the upcoming year derived from past financial and production performance.

New producers / students are introduced to bookkeeping software to track cash income and cash expenditures. Yes, I have had students begin the program with a shoe box full of receipts. One even came into my office with a laundry basket full of paperwork. We help set up the software specifically for their operation and the different enterprises they participate in. We also set up this software to track loan advances and payoffs throughout the year. With returning students, we review the input and look for entry errors or misinterpretations they have entered previously. This data is the foundation for the accrual adjustments made in the income statement.

In addition, we provide methods to track production. This is typically done with spreadsheet software.

We provide guidance in filling out balance sheets to accurately represent what is owned and what is owed. This is accomplished with either spreadsheet templates or FINPACK which is a computer program developed decades ago by the University of Minnesota, Center for Farm Financial Management. It is specifically designed for agriculture.

With these two activities completed, we can start developing the accrual-based income statement also referred to as the analysis or closeout.

We effectively balance out the beginning balance sheet and the ending balance sheet. Almost 40 different accrual adjusted categories of expenses are review. It's an involved process that is accomplished using FINPACK.

Now with these three activities completed, the producer and instructor allocate these accrual-based incomes and expenses to a specific enterprise, let's say Wheat, Sunflowers, or Cow/Calf.

The next step is building the projection for the coming year. We use the information gathered in the analysis to look forward to the potential profitability of the next time period, usually the next calendar year. If we have 3 years of history, we use a 3-year average. If we have 5 years, we use a 5-year average. Every projection is based on past performance.

The top end, or highest level, for students in the program is when they can complete all the tasks I just talked about on their own, develop a break-even forecast price for each crop and livestock enterprise, and develop a marketing plan based on that forecast.

What happens next? Data generated from the individual analysis of farms and ranches is pooled and sent to NDSU Extension in Fargo where those numbers are combined to produce the regional and state averages. There are both private and public entities that utilize these averages in business and economic research.

Are there any questions at this point?

Now I would like to focus on the impact of the program. As a group, the program instructors surveyed producers enrolled in the program and I want to focus on one question that 93 of the survey respondents answered.

Producers were asked -- **What is the annual economic gain of participating in the Farm Management program for your farm/ranch?**

Please refer to the slide.

The weighted average of the response to this question is \$19,885.

There were 494 students/producers enrolled statewide last fiscal year.

Last biennium the State of North Dakota appropriated \$947,000 dollars annually for the Farm Management Education program and state got a return of economic activity for their investment.

When I was putting this presentation together, I originally thought that I could utilize the survey numbers, come up with an economic multiplier, and give a series of positive statements about what the Farm Management Education is returning to the state. I got into it a little way and realized that the last time I dealt with economic multipliers was 30 plus years ago for a class project in college. Not really my area of expertise.

Minnesota and Utah Farm Management Education programs have surveyed their producers with a very similar question. The results were a \$12,000 gain for producers in Minnesota and a \$13,000 gain for producers in Utah.

Please take some time, in the near future, to review some of the other information derived from the survey.

Over the last three years, an average of 18% of total students are brand new to the program.

Many of the new students are young and just starting in production agriculture.

We have contracts with the ND Department of Agriculture to help with Credit Counseling and Mediation when workload allows.

The Farm Management Education program provides Borrower Training for producers required to do so by the Farm Service Agency.

Several programs across the state coordinate marketing clubs focusing on commodities marketing with producers. I work alongside both Burleigh and Morton County Extension to coordinate these meetings in the Bismarck area.

Part of the goal within these Farm Management Education programs is to have a diverse group of producers with a diverse group of enterprises. Young producers just starting out, mid-career producers with some years behind them, and older producers who have experienced many diverse years. Enterprises like irrigated crops and beef backgrounding are also important to the program due to limited financial information about these enterprises.

In my program specifically, I have a lot of mechanics. Those who graduated high school, went to State College of Science and received their Diesel Mech degree. They worked in that career for 3 to 10 years and then, when presented with the chance to enter production agriculture, they jumped at the it.

These individuals were never been exposed any finance or bookkeeping methods. That's where the Farm Management Education program comes into their situation. The same could be said for agronomy or animal science graduates. They have limited knowledge of financial methods. The same could be said for those coming straight out of high school and entering a crop or livestock operation.

The bottom-line goal for North Dakota Farm Management Education is education. Teaching the critical thinking it takes to make sound business decisions.

With that, I would love to answer any questions you have.