American Sheep Industry Association

Let’s Grow Committee

2016-17 Project Report

Date: September 11, 2017

Project Title: Business Tools for Success

This project resulted in a Financial Needs Assessment Survey of sheep producers and those interested in the sheep industry being conducted in the fall of 2016 to discern the best modes to present financial management educational material to producers. Respondents were pretty evenly split between online presentations, self-directed online courses, and in-person presentations or field days. There was a clear consensus that, if the educational opportunity was offered online, respondents preferred a series of 2-week modules spread out over a longer period of time rather than a single 10-week course covering the same material. On December 6, 2016, this project also resulted in The Foundations for Better Business Management webinar being offered online to a live audience of 31 people (61 people registered). Topics covered were common financial data sources for better business management, application of this data in business performance measures, and enterprise analysis. A two-week follow up learning module was offered online to webinar participants. Ten webinar participants registered for this two-week module and all of them participated to some degree but only two individuals followed through and completed the quiz at the end of the module. Finally, as a result of this project, two editions of RightRisk News prominently featured articles directly related to the project objectives. The June 2016 edition focused on determining business worth for a sample sheep operation and the January 2017 edition focused on the results of the Financial Needs Assessment Survey. The project team met in late May and early June 2017 to further analyze the results of this project and begin using them to design two more Let’s Grow financial management learning modules to be offered later in 2017 on a subsequent Let’s Grow project.

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Report Narrative

Business Tools for Success

This project started with a Financial Needs Assessment Survey of sheep producers and continued on with the Foundations for Better Business Management 2-week online lesson in December of 2016.

Financial Needs Assessment Survey

The survey was designed to determine the best modes to present financial management educational material to producers. RightRisk team members met several times over the summer of 2016 to develop the survey and made it available online during the fall of 2016. It was advertised in the ASI Friday newsletter and sent out by email to past Let’s Grow webinar participants.

A total of 211 people responded to the survey. Of those, 152 respondents were classified as active sheep producers. On average, the responding producers had 22 years of experience in agricultural production and indicated their intention was to remain active in agricultural production for an average of 23 more years. The producers who responded were also fairly well educated with 72% holding a 4-year college degree and 42% having completed a graduate degree.

In terms of production inventories, 139 producers responded indicated an average of 401 head of sheep and lambs or 55,693 head total. Within that group, 132 producers responded indicating an average of 216 head of breeding stock ewes one-year or older or 28,479 head total. We also asked producers about dairy sheep. A total of six producers responded indicating an average of 48.5 head or 291 head total. A total of 46 producers indicated they had hair sheep (5,185 head total; 113 head average).

In terms of other livestock inventories, 23 producers indicated they had meat goats (345 head total; 15 head average) and 12 producers indicated they had dairy goats (290 head total; 24 head average). A total of 57 producers indicated they had beef cattle (3,978 head total; 70 head average) and 20 producers indicated they had swine (1,651 head total; 83 head average).

The key reason for conducting this survey was to determine how people preferred to receive financial management education. When asked if they had ever taken a financial management course, 51.3% of respondents said yes but an even larger percentage (62.5%) indicated they would likely participate in an online financial management lesson if it were offered.

There was a fairly even split between online presentations, self-directed online courses, and in-person presentations or field days in how people preferred to receive their directed learning opportunities. A more general question asked how they preferred to receive information. This too resulted in a fairly even split with the top four responses each garnering positive responses from around 10% of the respondents. Most responded that they preferred workshop/meeting/field days (10.7%) over electronic newsletters (10.4%), email (9.4%), and print (9.4%).
Another key survey question asked whether people preferred a single online course offered over 10-weeks or a series of 2-week modules that covered the same material spread out over a longer period of time. The producers who answered the survey indicated an overwhelming preference (79%) for the series of 2-week modules format. This information was extremely important in the design of two more Let’s Grow business management modules to be offered in the fall of 2017 covering specific financial management topics around investing in a growing operation and providing incentives to the labor force.

**Foundations for Better Business Management 2-week online lesson**

The Foundations for Better Business Management webinar was offered on December 6, 2016. The webinar was announced in the weekly ASI electronic newsletter and email advertisements were sent out to all who responded to the Financial Needs Assessment Survey. There were 61 people who registered for the webinar and 31 people who attended the live presentation.

RightRisk Education Team member Jeff Tranel covered common financial data sources for better business management during the first half of the webinar. This included a look at the financial information contained in a Schedule F tax form and tips on how to use it for financial analysis. In the second half of the webinar, RightRisk Education Team member John Hewlett covered data application. This included a survey of business performance measures, a short discussion of cash costs versus economic costs, and a look at enterprise analysis using example data from the U.S. Baseline Lamb Cost of Production Model. RightRisk Education Team member Jay Parsons moderated the webinar including the question and answer session that followed the presentations.

A two-week follow up online lesson module was offered to all webinar participants. This module included a discussion forum titled Ideas to Build On, an opportunity to share strategies and management tips in a moderated Tips for Success discussion, an opportunity to complete two brief assignments on what was discussed in the webinar and receive feedback from the instructors, and a short quiz that could be completed to check understanding. Ten webinar participants continued on to register for the two-week module. All of the module registrants participated to some degree by viewing materials including the recordings of the webinar and discussion forums. Unfortunately, active posting and completed assignments were pretty limited with only two doing more than one activity. However, both of those individuals followed through and completed the quiz at the end of the module.

**RightRisk Newsletter Articles**

Two editions of RightRisk News prominently featured articles directly related to the project objectives. The June 2016 edition focused on determining business worth for a sample sheep operation and the January 2017 edition focused on the results of the Financial Needs Assessment Survey. Both of those newsletters are attached to the end of this report along with the advertisement flyer for the Foundations for Better Business Management learning module.
How Much Risk is Right for You?

Let’s take a look at Barney Rubble’s market value balance sheet for his registered sheep flock as of January 1, 2016:

- First, Barney determines that his current assets (those things with a life expectancy of less than one year) consist of $8,376 in the checking account; 100 bales of hay valued at $1,000; and $200 worth of grain,
- Second, Barney identifies the non-current assets (those items with a life expectancy of more than one year): 125 ewes valued at $300 each, 3 rams worth $600 each, and 2 prized rams worth $3,500 each; a $19,500 tractor and $5,000 of miscellaneous equipment; a lambing shed worth $2,000 and a combination shop, barn, and feed storage building valued at $22,900; and 52 acres of land valued at $8,000 per acre,
- Third, he lists his current liabilities (financial obligations due over the next year) as an operating loan of $15,250 and property taxes of $5,200 due in February. He also lists the $18,750 of principal for the next payment on his loan for the land and big barn, and
- Fourth, he lists his only non-current liability (debts that will be paid in future years) as $356,250 owed to the bank for the land and big barn.

Barney Rubble

<table>
<thead>
<tr>
<th>Current Assets</th>
<th>January 1, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checking Account</td>
<td>$8,376</td>
</tr>
<tr>
<td>Feed (100 bales of hay)</td>
<td>$1,000</td>
</tr>
<tr>
<td>Feed (grain)</td>
<td>$200</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>$9,576</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-Current Assets</th>
<th>Non-Current Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>125 ewes @ $300</td>
<td>Loan – land/big shed</td>
</tr>
<tr>
<td>3 rams @ $600</td>
<td></td>
</tr>
<tr>
<td>2 rams @ $3,500</td>
<td></td>
</tr>
<tr>
<td>45 hp tractor</td>
<td></td>
</tr>
<tr>
<td>Misc. machinery/equipment</td>
<td></td>
</tr>
<tr>
<td>Lambing shed</td>
<td></td>
</tr>
<tr>
<td>Big barn</td>
<td></td>
</tr>
<tr>
<td>Land (52 acres @ $8,000)</td>
<td></td>
</tr>
<tr>
<td>Total Non-Current Assets</td>
<td>$511,700</td>
</tr>
</tbody>
</table>

| TOTAL ASSETS | $521,276 |
| TOTAL LIABILITIES | $395,450 |
| NET WORTH | $125,826 |

Most people are interested to know the net value of their business. What is all their hard work worth? The answer to this question is very important when trying to obtain a loan to buy a new vehicle, breeding livestock, etc.

A balance sheet is the financial statement which shows the value of business assets and the amount of money owed others on a specific date. It is also known as a statement of net worth. One way to think about net worth is to consider how much the business would have after all assets were sold and all liabilities repaid.

A balance sheet lists the value of one’s property (assets), the amount of money owed others (liabilities), and the net of those two values (net worth or equity). Both assets and liabilities are further broken down into current and non-current categories.

There are two ways to value assets and, thus, two types of balance sheets. Book value is an estimate of the value of an asset based on the cost of acquiring the asset (purchase price) minus any depreciation taken to date. Market value is an estimate of asset value based on the price at which the asset could be sold today.
What Is Your Business Worth continued from pg. 1

Just as a person’s blood pressure, body temperature, heart rate, and blood chemistry are indicators of physical health, numbers on a set of financial statements are indicators of financial health. While there are hundreds of different financial ratios – each indicating a different aspect of financial health – smart business managers focus on a few that are key to the success of their businesses.

One measure of liquidity, or the ability to meet short term debts using current assets, is the current ratio. It is computed by dividing current assets by current liabilities. Barney Rubble’s current ratio of 4.1 ($39,200 / $9,576) suggests he would have a problem if he needed to pay off all his current liabilities. However, Barney knows that his loan payments are not due until after he sells his lambs.

A measure of his ability to meet all his financial obligations (called solvency) is the “debt to asset ratio.” It is computed by dividing total farm liabilities by total farm assets. Mr. Rubble’s debt to asset ratio is 0.76 ($395,450 / $521,276). While any debt to asset ratio above 0.7 is considered high, he is a young operator. Hopefully, over time and with good management his financial health will improve.

A balance sheet can be a useful tool for discovering the financial health of a business and for measuring progress over time. To help people better understand how to complete a balance sheet and other financial statements, RightRisk has three Getting on Track courses available at www.rightrisk.org.

Highlighted Course

Producing quality, up-to-date financial statements is a key to success in any agricultural business. These statements allow analyses of alternatives and sound management decisions. Producing accurate, well-organized financial statements benefit operations of all sizes and scales.

The academic professionals at RightRisk have developed an online course entitled Getting on Track: Better Management through Basic Financial Statements. The interactive course relies on an example couple looking at several alternative enterprises for their operation and how they learn to use financial statements to make decisions.

To access the course see: http://RightRisk.org > Courses > Getting on Track: Better Management Through Basic Financial Statements.

RightRisk helps decision-makers discover innovative and effective risk management solutions.

RightRisk News is brought to you by the RightRisk Team

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**RightRisk News**

**Needs for Financial Management Education Among Sheep Producers**

The American Sheep Industry - Let’s Grow Committee recently commissioned a survey of its members for their interest in financial management education. Responses offered by primary operators, secondary operators, family employees and non-family employees provide valuable insights into their thoughts about financial management education.

Responding producers reported an average history of 22 years in agricultural production. Operators expressed their intention to continue their involvement in agriculture for 23 years on average. The most commonly expressed operator age category was 55-64 years, followed by 45-54 years. In total 72 percent of respondents reported holding a 4-year college degree, with fully 42 percent reporting a graduate degree.

**Learning Alternatives**

When asked if they prefer an online ten-week course or a series of two-week online lessons, the majority responded that they would prefer the series of lessons (86.8 percent).

Most respondents indicated a nearly even split for the top preferred learning alternatives, including live one-hour webinars (23.3 percent), live online presentations followed by interactions with instructors and peers (23.1 percent), self-directed online courses (22.3 percent), or in-person meetings/workshop/field days (23.3 percent). Other preferred learning alternatives suggested by write in comments included YouTube videos, actual in-person course, magazine format, a mix of self-directed learning with complimentary online seminars, two-day conference, small group collaboration, and written course materials.

When asked how they prefer to receive information, most responded that they prefer workshop/meeting/field days (10.7 percent), over electronic newsletters (10.4 percent), e-mail (9.4 percent), or print (9.4 percent). Conversely, respondents indicated that they had received information over the past 2 years most often by email (13.8 percent), followed by webinars (13.3 percent), electronic newsletters (12.8 percent), and print (12.1 percent).

When asked if they had ever taken a financial management course, most responded that they had (51.3 percent). In addition, the majority felt it was likely that they would participate in an online lesson (62.5 percent), whereas others were unsure (18.4 percent).
Agricultural Operations
Survey respondents indicating that they utilized either owned or leased land reported 468 acres of irrigated and non-irrigated pasture in production on average for the current year production. Further, they reported 2,054 acres of leased pasture for the current year.

In describing their cropping activities, operators reported 103 acres of alfalfa or alfalfa/mixture hay in production on average for the current year, along with 78 acres of grass/mixture hay. Livestock activities were described as 401 head of sheep and lambs, and 70 head of beef cattle in production on average for the current year.

RightRisk helps decision-makers discover innovative and effective risk management solutions.

How much risk is right for you and your operation?
Foundations for Better Business Management

A Module offering business tools and techniques to make better decisions, communicate with lending officers, and implement good business management practices.

This module is brought to you by the Let’s Grow Committee of the American Sheep Industry Association and the RightRisk education team.

Learning Objectives:
(1) Gain an understanding of enterprise accounting within financial management;
(2) Learn an approach for accurate enterprise financial assessment (net return or breakeven); and
(3) Learn about industry estimates for sheep enterprise profitability (industry budget).

TWO PARTS
WEBINAR - Join us for a webinar on December 06, 2016 at 8:00P Eastern/7:00P Central/6:00P Mountain/5:00P Pacific.

ONLINE COMPONENT - Following the webinar, an online component will build on the concepts discussed in the webinar, offering the chance for participants to learn and apply the skills needed for better business management.

To Register:
Follow the link to register for the module. After registering, you will receive confirmation emails containing information about joining the webinar and how to access the online component. There is no charge for participating.

https://attendee.gotowebinar.com/register/8744032624654378497