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Willingness to Pay for One-on-One Farm Business Programs

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Willingness to Pay for One-on-One Farm Business Programs

Abstract

Extension farm business programs have maintained enhanced individualized services by using a variety of external funding strategies. These farm business programs are uniquely positioned at the intersection of public good and private benefit to the farms served. Meanwhile, there is an ongoing cultural shift among Extension professionals and farm owners who acknowledge that Extension programs cannot be sustained at low or no cost to participants. In this article, we draw on research involving a statewide survey and focus group interviews to address farm owner willingness to pay for business programs. Findings indicate an opportunity for new programs that match participant registration fees with external grant funds.

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Introduction

It has been our observation that an increasing amount of farm business education is being supported through granting organizations and private funders while base-funded Extension programs continue to decline. Program managers are successfully sourcing external grant funds to maintain one-on-one farm business outreach education programs. External funding has enabled the provision of farm business planning and business analysis support at no cost or through nominal application fees (i.e., \$75 per application). This approach differs from situations in which independent farm and ranch business education associations operate on a fee-for-service or membership basis. As predicted 20 years ago, the parameters of outside funders and the constraints of shrinking internal capacity force ongoing reassessment of a program's mission and its fit within Extension (Barth, Stryker, Arrington & Syed, 1999; Jackson & Johnson, 1999). Program leaders are increasingly voicing the challenges of maintaining external grant funding for the same programs year after year. Extension professionals must consider unique ways to sustain or adapt popular programs as the availability and logistics of funding change over time.

Meanwhile, there is a growing culture of Extension professionals who accept the inevitability that farm managers will need to pay program fees more closely aligned to the value of the benefits they receive (Stup, 2003). Researchers have documented the transition and challenges of pursuing user fees for cost recovery within public Extension programs (Bloome, 1993; Lyons, O'Neill, Polanin, Mickel, & Hlubik, 2008; Murray, 1999; Serenari, Peterson, Bardon, & Brown, 2013). Rural farmers, while accessing information in a variety of ways, still place a high value on one-on-one contact that promotes dialogue and contextual problem solving

for a particular situation (Millburn, Mulley, & Kline, 2010). Educators recognize that high-impact farm business analysis and education occurs in this individualized format. Program leaders need to understand how one-on-one programs formerly supported by base funds and grant funds can be maintained in new ways.

Farm business education programs are uniquely positioned at the intersection of public and private good. The Extension mission is based on providing meaningful education and facilitating the adoption of practices that benefit the public good. The presence of a robust agricultural economy is considered a public good that lends benefits through rural employment, economic development, food supply, and working land stewardship. The increase in farm performance and profitability, however, is a benefit that accrues privately to the farm owners served. Successful farm business programs demonstrate outcomes that include increased manager quality of life, improved decision making, improved profitability, and improved access to financing. These outcomes serve as reasonable justification that farm owners should pay an increasing portion of the costs for programs that provide an enhanced level of personal service (Miller, 2004).

We investigated demand and program pricing options for individualized farm business programs. Our research addressed how participant preferences, program outcomes, funding sources, and operating costs affect the development of programs. The findings are relevant to Extension professionals who need to adapt the design and cost recovery strategies of their programs to serve repeat participants who would like to continue working with Extension.

Methods

From 2012 to 2014, we researched the feasibility of transitioning low/no-cost business programs provided through the University of Vermont Extension Farm Viability Program to a pricing model in which a participant's payment would be closely aligned to the value he or she received. The research was completed in two phases through the combination of a survey and focus group interviews. The project did not meet the criteria to require full institutional review board oversight. We developed a draft of the survey instrument, had it reviewed by four previous program participants, and then revised it to obtain a final version. In spring 2013, the survey was sent to 300 previous participants through both postal mailings and emails containing a link to the survey online. Recipients were farm owners who had completed a business planning or financial analysis project or had maintained a dairy management team from 2006 to 2012. The survey was targeted to participants of programs featuring over 6 hr of individualized contact in 1 year.

The survey included questions about the participant's business situation, educational outcomes from the program, and business changes influenced by participation in the program. This article closely examines results from a series of questions that explored farm owners' interest in re-enrolling in business programs and willingness to pay registration fees. Proposed registration fee options were informed through interviews with National Farm and Ranch Business Management Education Association members who provide business services to farm owners. Fee options also were informed by an internal analysis of the direct expenses for existing programs. The direct expenses that were analyzed included those for salaries, fringe benefits, travel, and supplies.

Phase two of the project included focus group sessions held at five locations throughout the state. Focus group members were selected on the basis of their indication (through the survey) that they were interested in re-enrolling in programs and were willing to contribute more information to the research. Applicable

survey respondents were contacted through their preferred choice (phone or email) and invited to attend a focus group session.

Results

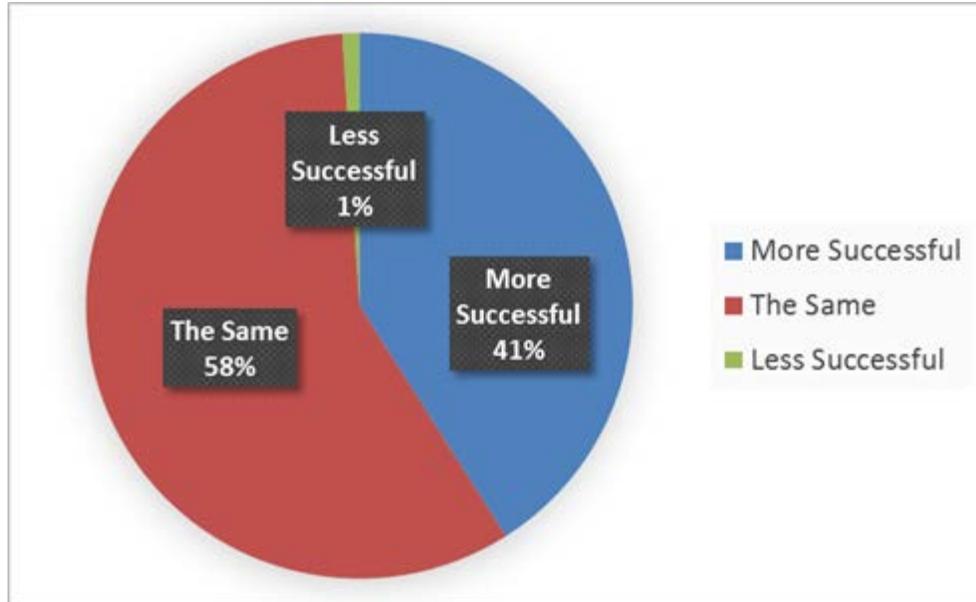
A total of 113 completed surveys were returned, producing a response rate of 38%. Of the returned surveys, four were not usable, bringing the number of usable surveys to 109 and the response rate to 36%. Seventy-one percent of the respondents were male, 27% were female, and three farm owners responded as male/female teams. The average age of respondents was 55 years. Less than 15% of the respondents were under 40 years old. Farms of participants represented a wide array of types of farming that included beef, dairy or organic dairy, diversified livestock, maple, and mixed vegetable. The average farm size was 298 ac owned plus 175 ac rented. Approximately half of the respondents (55%) earned the majority of their household income from farming.

The survey included a number of questions for measuring the impact of the programming on the respondent's business. Less than half of the respondents (41%) reported that they were more successful as a result of the program (Figure 1). Further investigation revealed that the majority of respondents who indicated that their business was "the same" were commodity dairy producers (the dairy industry faced a historic cost-price squeeze from rising feed costs during the period of the research).

Figure 1.

Responses to the Survey Question "Where Is Your Business Today as a Result of Working with the Program?"

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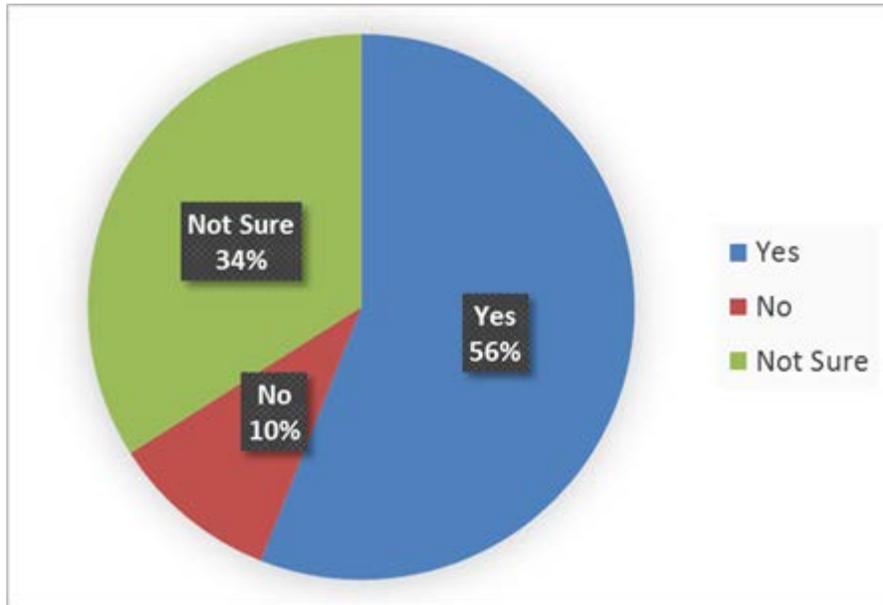
The most frequent positive outcome from working with the program, as reported by 68% of the respondents, was an increased use and understanding of financial records and financial management. Over half of the farm owners reported that they had increased their ability to maintain a cash flow (55%); likewise, over half had increased the ability of the farm to generate profits (54%). Forty-seven percent of respondents were successfully awarded loans and other financial resourcing as a result of the use of program materials and analyses completed through the program. Subsequent program evaluations revealed that the approved loans averaged approximately \$90,000 for participants who completed loan applications. Program evaluations also

demonstrated no less than a 90% loan approval rate each year.

The survey included a series of questions for exploring the participants' demand for future educational services from Extension or other providers. Fifty-six percent indicated that they would benefit from participating in the program again (Figure 2).

Figure 2.

Responses to the Survey Question "Would You Benefit from Participating in the Program Again?"

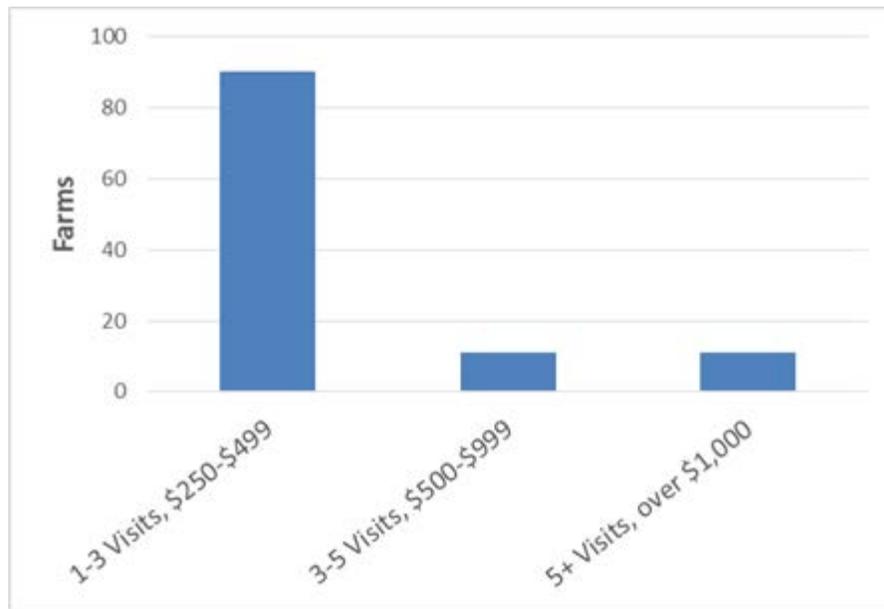


In addition to indicating whether they would benefit from participating in the program again, respondents selected the types of future one-on-one programs that would serve them best (respondents were able to select more than one choice). About a quarter to a third of the respondents indicated interest in future one-on-one programs addressing transfer planning (32%), budgeting assistance (32%), business planning (28%), and enterprise analysis (28%).

The survey included a question asking respondents about their willingness to pay more than the standard program application fee for these continued services. Response options were "Yes" (43%), "Not Sure" (38%), and "No" (20%). A follow-up question allowed respondents to indicate a preferred program option. The three options presented were based on the following parameters: at least 6 hr of annual direct contact, estimated salary/fringe of \$50 per hour (including administrative support), and a 75-mi round trip for each on-farm visit. The response options had overlap in the number of meetings because length or frequency of meetings can differ by farm adviser or participant. The majority of respondents selected the lowest cost option, which would provide one to three visits for a cost of \$250 to \$499 (Figure 3).

Figure 3.

Responses to the Survey Item "Select the Future Program Option and Fee That Best Fits Your Needs"



Following the survey phase of the research, five regional focus group sessions were organized and were attended by a total of 23 farm owners. This number represents 21% of the survey respondents and 7% of participants who received the initial survey. Focus group participants received an overview of theoretical program options. Participating farm owners identified the specific services they felt were needed and indicated the fees they would pay for such services. The three most popular services were preparation of an annual balance sheet, preparation of an annual cash flow projection, and an annual visit to establish a short-term implementation plan.

Participants indicated that technical financial analysis and generalized business coaching would have positive impacts on their decision making. Focus group participants also stated that they greatly valued having a trusted outside party (not a commercial vendor) with whom they could share ideas, concerns, and possible solutions.

Final analysis of focus group members' responses indicated that most farm owners would pay within the ranges of \$20 to \$34 per hour for hourly services and \$100 to \$150 per management team meeting (a meeting including two or three additional specialists). These findings were compared to program accounting records for invoices paid to external consultants over the preceding 4 years. Consultant billing ranged from a low of \$45 per hour to a high of \$125 per hour for business planning services. Business planning and analysis consultants were most commonly paid approximately \$70 per hour. Focus group findings were also compared to the internal direct cost estimation of the program that was set at \$50 per hour in 2013.

Conclusion

Farm business program participants demonstrated a willingness to pay more for enhanced individual services despite having paid little or no fee for such programs in the past. Farm owners who had previously participated in programs were able to articulate the importance of business planning to the success of their businesses. The acute issue at hand, however, is that the amount participants were willing to pay for hourly service was approximately half of average market rates for farm business coaching and analysis (\$70 per hour). Moreover, the amount participants were willing to pay also was less than the direct operating costs of providing the program (\$50 per hour).

These findings show that it would not be feasible for an Extension business program to be transitioned immediately to a setup reliant exclusively on registration fees. Rather, combining user fees and grant funds emerges as a reasonable approach. Our findings support a program funding structure that requires increasing participant fees from farmers to bring the overall program revenue closer to a 50/50 balance between payments from farm owner participants and other funding sources. This change could improve the recognition that farm business programs promote both private benefits and public good.

Extension program managers will face challenges to charging increased program fees for enhanced individual programs. One concern is that other nonprofit organizations will offer competing programs at no cost (100% grant funded) while Extension program managers attempt to increase fees. In addition, Extension programs no longer would be accessible to all farmers, resulting in a clear change in the Extension mission. The Extension quandary is further complicated by the knowledge that private consultants and firms already have tapped into a segment within the farmer population and are delivering services to these farm owners at rates of \$80 per hour and higher. This situation creates new questions about Extension program quality, competition with other service providers, and redefining of the target audience.

Despite these practical challenges, Extension program leaders must assess program registration fees before base or external funding dissolves. Advanced planning can facilitate the gradual increase of registration fees over time, the adaptation to program models aligned with participant willingness to pay, and even the graduation of participants to non-Extension programs.

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