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What Will the 2014 Farm Bill Mean for Midwest Agriculture?

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The Agriculture Act of 2014, better known as the 2014 Farm Bill was signed into law on February 7, 2014. The process of getting to a new farm bill was difficult, spanning more than two years. Many specific provisions of the farm bill will depend on how the United States Department of Agriculture interprets provisions of the bill and implements the programs. Indications are that initial signup for new farm commodity programs may not take place until at least September for crops to be harvested in 2014.

The new farm bill is a major overhaul of commodity policy in the United States. This article provides an overview of those changes, introduces some of the decisions Midwest farmers will be making, and considers the continuing evolution of U.S. agricultural policy.

Calling the farm bill a law about “farming” has long been a misnomer since the majority of the spending is not directed toward production agriculture. The long economic recession and the high farm prices over the past six years resulted in a significant shift in farm bill outlays. The 2008 farm bill was projected to have about seventy percent of spending dedicated to nutrition assistance programs. However, economic conditions resulted in dramatic increases in benefits for programs such as the Supplemental Nutrition Assistance Program (SNAP), while farm commodity spending shrank due to high prices which triggered smaller commodity based payments.

High spending on nutritional programs, the fact that farmers were receiving direct payments when the sector had record high farm incomes, and the need for budget control and deficit reduction led Congress to consider reforms in the farm bill. This made both nutrition spending and the fixed direct payments major targets. With rural agricultural interests trying to protect agricultural spending and urban interests fighting to maintain SNAP benefits the farm bill became one of the most contentious in history. As a result, budget reform pressure split the rural-urban coalition that has traditionally passed farm bills.

In 2013, the House Agricultural Committee’s proposed a comprehensive farm bill but that was rejected by the full House vote. This action was closely followed by a set of maneuvers to split the bill into two pieces; one covering production agriculture and the other covering food assistance. Eventually, the House was forced to rejoin their separate

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farm and food bills in order to conference with the Senate.

What resulted was a farm bill that allocated spending similarly to what has transpired over the past five years, with the Congressional Budget Office (CBO) projections estimating that 80% of the outlays would flow to food assistance programs (see Figure 1). Production agriculture would receive benefits through crop insurance (8% of estimated outlays) and commodity programs (5% of outlays). They would also receive some of the benefits under conservation programs (6%). All other programs such as trade, credit, rural development and Extension and research represent only 1% of outlays combined.

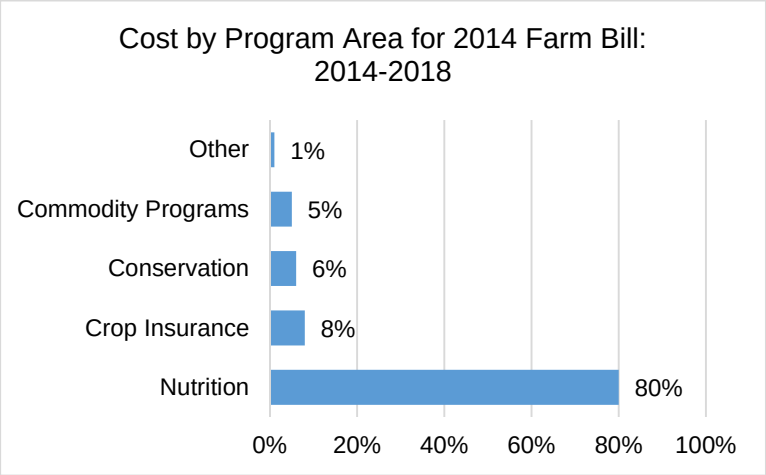


Figure 1. Spending allocation in the 2014 Agriculture Act
Source January 27, 2014 CBO Estimate of Conference Report Budget Impacts.

Farm Program Choices

The way outlays are made to the agricultural production sector will be quite different as the 2014 farm bill represents the most dramatic change in farm programs since the 1996 move to fixed direct payments. The new bill wipes away direct payments that represented a constant revenue source of about $5 billion dollars per year. Direct payments, counter cyclical payments (CCP), and the average crop revenue election (ACRE) programs have been replaced by a menu of programs that farmers can choose among to provide safety net protection and to complement crop insurance on their operations.

Farmers will choose among three alternatives when commodity program enrollment begins through USDA's Farm Service Agency (FSA).

- Price Loss Coverage (PLC): Is a price support program that triggers payments when national marketing year average prices fall below fixed reference prices set in the bill
- Agricultural Risk Coverage-County (ARC-C): Is a revenue support program with payments triggered by county revenues per acre falling below county benchmark revenue levels
- Agricultural Risk Coverage-Individual (ARC-I): Is an alternative to ARC-C with payments triggered by the individual farm's revenue per acre falling below their individual farm's benchmark revenue

Table 1. New Reference Prices Compared to Old Target Prices

Commodity	Old CCP Target Price	PLC Reference Price	Percent Increase
Corn	$2.63	$3.70	41%
Grain Sorghum	$2.63	$3.95	50%
Soybeans	$6.00	$8.40	40%
Wheat	$4.17	$5.50	32%

Source: USDA Farm Service Agency farm program guidelines, 2008 and 2012

The PLC program can be viewed as a straightforward updating of the old CCP target prices, but now called "reference prices." For Indiana's primary crops the price protection of the new PLC program relative to the old CCP is an increase of about 1/3 to 1/2 (see Table 1). Both corn and soybean reference prices are around forty percent higher in the new farm bill with payments that trigger when national marketing year average prices fall below $3.70 per bushel for corn and $8.40 for soybeans. This price protection is in place beginning at the reference price and the amount of the payment increases until the loan rate floor price for the commodity is reached.

The ARC program will use recent yields and prices to establish a benchmark revenue level per acre. These benchmark revenues per acre are established by the preceding five years' information on prices and yields either for the county (ARC-C) or the individual farm (ARC-I) depending on the option. If revenues fall below 86% of the calculated benchmark revenue per acre, then payments are triggered. Per acre payments increase with steeper declines in revenue up to a maximum of 10% of the benchmark revenue per acre. The five year average benchmark revenue is calculated as an Olympic average, with both the lowest and highest yield and the lowest and highest price removed from the calculation.

Additional Considerations

The program enrollment choice farmers make this year will require analysis of the farm's performance and expected payout under all three alternatives. They also will need to take into account the following provisions:

- The enrollment in any of the options is permanent for the five year life of the farm bill
- Failure to enroll in 2014 places a farmer automatically in the PLC program beginning in 2015 with no payment eligibility for the 2014 crops
- If choosing either PLC or ARC-C, a farmer may enroll in different programs commodity-by-commodity. As an example on the same FSA farm, the corn base acreage could be enrolled in PLC while soybeans are enrolled in ARC-C
- If choosing the ARC-I program all base acres on that FSA farm must be enrolled in the ARC-I program
- Base acreage can be reallocated to be in the same proportion as the actual planted crops during 2009 to 2012. This will be an elective as each farm can stay with the current base, or reallocate.
- Those electing PLC can update their FSA yield base to 90% of that farm's yields from 2008 through 2012. It is likely that most electing PLC will also want to update their yields.

A companion article offering a first look at the commodity programs and how they compare in terms of payments is available in this issue for those interested in beginning the process of analyzing the three alternatives.

Dairy represented one of the most contentious issues in the farm bill, with supply control proposals receiving broad support and strong resistance from House leadership. The final program represented a compromise that averted supply management but does provide limitations to help smaller scale operations remain more competitive. While there is no specific commodity support for livestock producers in the bill there are provisions for a disaster program to assist producers affected by weather and drought conditions. The severe impact of the 2012 drought and devastating weather in the mountain west were both strong political motivations that helped move the farm bill to final passage despite many lawmaker's reservations about the lack of spending cuts.

How Has Ag Policy Changed?

Farmers have dealt with more than two years of uncertainty surrounding the commodity program system that influences farm decision making. The elimination of direct payments has been a known factor throughout the process meaning that some $5 billion of annual payments that had no influence over on-farm decisions were going to be eliminated and replaced by a set of payments that are tied to market outcomes. Farmers will be able to choose among three programs regarding how to best establish a safety net for their farm and offset some of the risk of farming. Since the bill is now law, farmers can begin the process of learning about program alternatives and collecting FSA yield and acreage bases for each of their farms. They can also begin to evaluate how government programs integrate with their crop insurance protection. However, final details of the program will likely not be defined by USDA until this summer, and then farmers will have time to learn about, and evaluate the alternatives for their farms.

In the long process of getting to a new farm bill, several "big ideas" were floated. Most notably was the separation of farm programs and food assistance into separate legislation. Whether this is an idea that gains traction for the next farm policy debate or falls to the wayside remains to be seen. The process of the 2014 farm bill was begun in the fall of 2011 as reaction to the budget reform agreement passed that summer. In the end, most of the proposals to achieve budget savings fell by the wayside and the majority of spending was preserved. The new farm bill offers farmers more options and variety to match the government safety net program to their operation and their management style. However, the same bill could cause government spending to rise dramatically if crop prices fall precipitously. In addition, the individual farm program choice (PLC versus ARC) could impact whether individual farms have an effective safety net and whether there will be demands for additional emergency funding to fill in gaps. Greater farm program expenditures could inflate current budget deficit issues already faced by the federal government.

Beginning to Evaluate Choices in the Farm Bill

Roman Keeney, Associate Professor

The 2014 Agricultural Act was signed into law on February 7, 2014. Farmers will need to make an important set of decisions about which program alternatives they will elect. Many of the specific program details and rules still need to be determined by the United States Department of Agriculture. The sign-up period will probably be in the fall, so farmers should have plenty of time to learn about the program and to evaluate their choices. Those choices will be locked in place throughout the full five year bill which covers the 2014 to 2018 crops.

The way in which farmers may receive payments for commodity programs has changed. Direct, countercyclical, and ACRE payments are gone and are replaced with three program alternatives that farmers will choose among:

- Price Loss Coverage (PLC): Is a price protection program that triggers payments when market year average prices fall below target levels now called "reference prices"
- Agricultural Risk Coverage County (ARC-C): Is a revenue protection program that triggers payments when the county revenue per acre falls below a benchmark revenue guarantee per acre set for the county
- Agricultural Risk Coverage Individual (ARC-I): Is a revenue protection program that triggers payments when there is a revenue per acre shortfall on the individual farm that falls below a benchmark revenue guarantee per acre for that farm

There are some additional points that need to be considered as well:

- Famers electing PLC or ARC-C can enroll a farm

commodity-by-commodity. This means a farmer could enroll corn in ARC-C and soybeans in PLC as an example. If the ARC-I is chosen, then all base acres of crops on that farm must be in ARC-I

- Base acreage can be reallocated to be in the same proportion as the actual planted crops during 2009 to 2012. This will be an elective as each farm can stay with the current base, or reallocate
- Those electing PLC can update their FSA yield base to 90% of that farm's yields from 2008 through 2012. It is likely that most electing PLC will also want to update their yields
- Those electing PLC will also be eligible for some additional crop insurance coverage known as Supplemental Coverage Option (SCO), but not starting until the 2015 crop.

The calculation of PLC and both types of ARC payments will be familiar to farmers who have participated in the counter-cyclical payment (CCP) and average crop revenue election (ACRE) programs. PLC is a price protection program that makes payments when the U.S. average farm price falls below set references prices. ARC, on the other hand is a revenue protection program that uses five year Olympic moving average prices and yields to calculate benchmark revenues per acre. Table 1 outlines some of the differences in the program features.

Table 1. Features of New Commodity Programs

Feature	PLC	ARC-C	ARC-I
Payment Acres	Payments made on 85% of Base Acres	Payments made on 85% of Base Acres	Payments made on 65% of Base Acres
Enrollment	Commodity-by-commodity	Commodity-by-commodity	Whole farm only
Payment Trigger	Set Reference Price	Olympic Moving Average Revenue Guarantee set at 86% of benchmark revenue	Olympic Moving Average Revenue Guarantee set at 86% of benchmark revenue

<u>How to Calculate PLC Payments</u>

Farmers are anxious to do calculations for their farms. What are the payment calculations? What data will they need? How can they compare the results of different programs? Those questions will be answered keeping in mind that the exact calculations and details will not be confirmed until USDA releases final rules later this year.

The most notable adjustment in the PLC program relative to its predecessor CCP is the across the board increase in reference prices to better reflect the market prices for commodities and input costs that have emerged in more recent years. Both corn and soybean reference prices are some 40% higher than the former CCP target prices, with a corn reference price of $3.70 per bushel (formerly $2.63 in CCP) and a soybean reference price of $8.40 per bushel (formerly $6.00 in CCP). Wheat, represents one of the smallest increases over the most recent CCP rate increasing from $4.17 to $5.50, up 31%.

Our example calculation of a PLC payment uses corn as the crop and a set of assumptions designed to illustrate differences in the PLC and ARC programs. The PLC program represents an updated version of the counter-cyclical program that has been available to farmers for the past twelve years. The PLC calculation uses the historic FSA acreage base for the farm and the historic FSA yield base for that farm. The reference price for corn is $3.70 per bushel. If the

national market year average price received for corn drops below $3.70 for any crop year, then a PLC payment will be made. The steps for calculating a payment are shown in Table 2 and assumes a national market year average price of $3.50; assumes the farmer updated payment yields to 90% of the 2008-2012 actual proven yield which is 162 bushels per acre; and the farm has a 100 acre FSA corn base.

The first step is to compare the national market year average price to the reference price to determine whether the crop is eligible for payments in that year. If the national market year average price is lower, the payment rate per bushel is equal to the difference and is then paid on 85% of the farms base acres using the FSA base yield for the farm.

Table 2. Corn PLC Payment Example

Name	Factor	Explanation
Reference price	$3.70 per bushel	Set by statute
Market year price	$3.45 per bushel	Assumed for example
Payment Rate	*$0.25 per bushel*	*Reference price minus market price*
Payment yield	*162*	*90% of 2008-2012 yield*
Per acre payment	*$40.50*	*Payment Rate multiplied by Payment Yield*
Base Acres	100	Assumed example
Payment Acres	*85*	*Eighty-five percent of wheat base acres*
Total farm payment	*$3,442.50*	*Payment Acres x Per Acre Payment*

Calculating ARC-C Payments

The ARC program results from a more complex calculation similar to the former ACRE program that was heavily criticized for its lack of transparency. The main criticisms of the ACRE program was the double trigger requirement where both the state, and the individual farm, had to experience a revenue shortfall. That has shifted to a single trigger either at the county level for ARC-C or the farm level for ARC-I.

The first step in the ARC-County calculation is to calculate the benchmark revenue per acre for each crop as shown for corn in Table 3. The most recent five years prices and yields are shown. The Olympic average means that the high and low years are eliminated (as shown by the strikethroughs) and the remaining three are averaged. The benchmark revenue per acre is calculated as the Olympic price times the county Olympic yield. In this example $5.30 * 171 = $906.30 per acre is the benchmark revenue.

The new farm bill begins protection at 86%. Thus the revenue guarantee per acre is 86% of the benchmark or .86 * $906.30 = $779.42 per acre. An ARC-C payment is triggered when the actual revenue for that crop year drops below the revenue guarantee per acre. What would the actual revenue per acre be if the U.S. average price was $4.00 and the county yield was 170 bushels per acre? The actual revenue would be $4.00 * 170 = $680.00 per acre.

Table 3. Example Calculation of Benchmark Revenue (County) for Corn for Year 6

	U.S. Price per bushel	County Yield/bu.
Year 1	~~$3.55~~	155
Year 2	$5.18	174
Year 3	$6.22	~~185~~
Year 4	~~$6.89~~	~~125~~
Year 5	$4.50	184
Olympic Average	*$5.30*	*171*
Olympic Benchmark Revenue	*(Price x Yield)*	*$906.30*
ARC-C Revenue Guarantee	*(86% of Olympic Revenue)*	*$779.42*
Actual Revenue	*$4.00 * 170 bu. County Yield*	*$680.00*
ARC-C payment rate per acre	*The smaller of $779.42 - $680.00, or 10% of ARC-C Benchmark Revenue*	*$90.63**
Payment acres	*100 * .85 =*	*85*
Corn payment $	*Payment rate * payment acres*	*$7,703.55*

*Important Note: The payment rate is limited to 10% of the ARC-C Benchmark Revenue for all ARC-C enrolled crops.

The ARC-C payment rate would be $779.42 - $680 = $99.42 per acre---However, the payment rate is limited to 10% of the county benchmark guarantee. In this case, 10% of $906.30 is $90.63 per acre. The payment rate is made on 85% of the 100 FSA base acres in this example which is on 85 acres. The farm would receive corn payments of $90.63 per acre * 85 acres = $7,703.55.

Calculations for the ARC-Individual program is somewhat more complicated and requires the farm to go into ARC-I on all crops. That explanation will be covered in a later article.

How should farmers approach analyzing this complex program? The first step is to evaluate potential payments in the two basic alternatives of PLC and ARC-C shown here. Then, ARC-I calculations can be done for the whole farm and compared to see if the increased payments from using the farm's individual information is enough to offset the additional 20% of acres that become ineligible for payments.

<u>Comparing the Safety Nets in PLC versus ARC-C</u>

After farmers learn more about these programs they will begin to evaluate the advantages and disadvantages of each using data from their own farms.

Given recent years of high prices that are used in the ARC payment calculations, it is likely that ARC payments will begin at higher price levels than the relatively low reference price for corn, soybeans and wheat (at least for the next few years). Farmers will likely see this as an advantage for ARC. One of the disadvantages for ARC is that per acre payments are limited to 10% of the benchmark revenue per acre. This means that as prices fall, the maximum payments are reached and then ARC provides no more protection with further price declines. On the other hand, PLC payments continue to grow until prices move down to the very low loan levels.

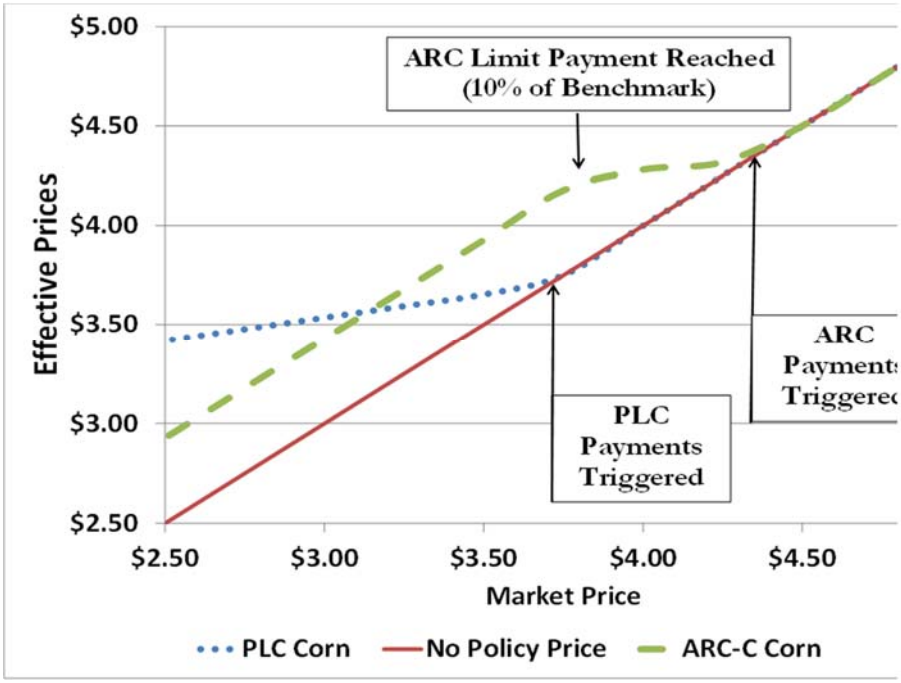


Figure 2. Effective Price Comparison of PLC versus ARC Programs, Corn Example

These relationships are shown in Figure 2 for the corn PLC and ARC-C examples used here. The lines combine the market price for corn and the government payment additions to revenue under each program to calculate an "effective" price received (dividing payment receipts by actual yield). In the PLC program a U.S. corn price of $3.45 would translate to an effective price of $3.64 per bushel. The ARC effective price would be $3.85. This result will tend to hold for as long as the 5 year Olympic prices are well above the references prices as is the case now due to high prices seen over the past five years. Five year Olympic average prices for corn and soybeans are some 40% higher than the PLC reference price and with wheat showing a nearly 20% increase over the PLC reference price.

ARC payments hit the 10% limit when actual revenues fall below 76% of the benchmark and no more ARC payments are made. This point is marked on the graphic. If prices continue to fall, then PLC can become the superior program at low enough prices. Figure 2 compares the PLC and ARC program over an extended range of market prices showing the effective market price when accounting for payment revenues. This graph is offered as an example of the pattern of protection that exists in comparing the PLC and ARC-C for a single commodity. The gap that exists and length of price space over which ARC-C has larger payments than PLC will depend on specific county or individual farm yield information that sets the target revenue.

These evaluations point out that another factor that will be important in making the program decision will be the individual farmer's five year price outlook. The more optimistic they are about the price of a crop, the more likely they are to favor ARC. If a farmer believes low, or very low prices could occur, they may look more favorably toward PLC.

Producers will also need to think about their own financial ability to withstand low revenues that could result from low, or extremely low prices. In addition they will want to consider how their

government program choice intersects with their crop insurance program to help them manage financial risk.

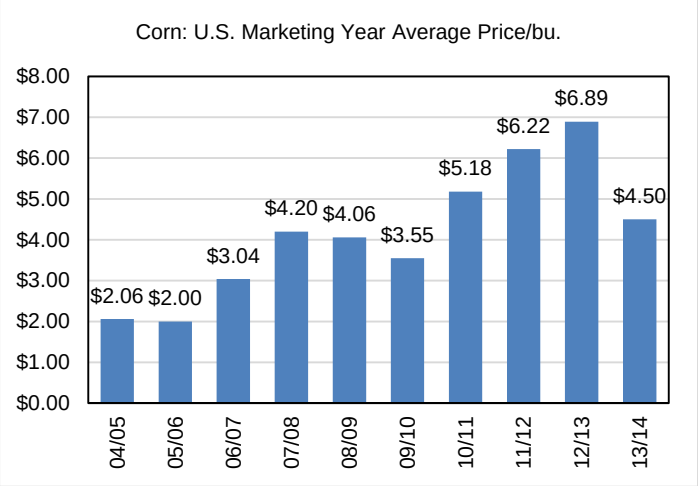
Enrollment Decisions

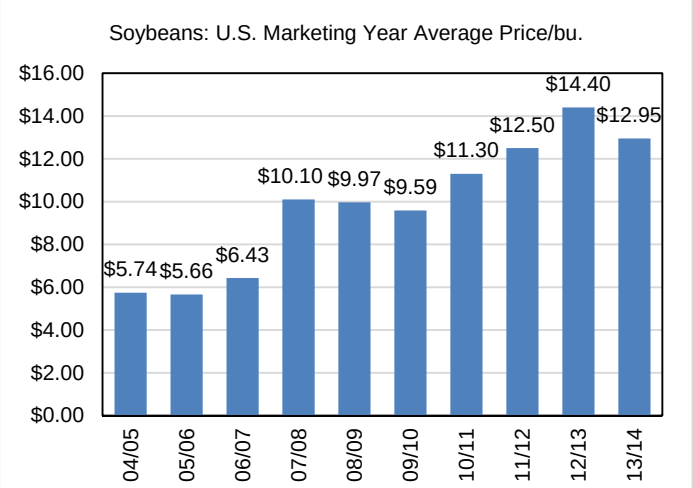
Farmers will be faced with a complex set of decisions that begins with comparison of the PLC and ARC County program on a crop-by-crop basis. Both of these programs allow for enrollment on a commodity basis so that for any FSA farm, the operator may make use of both the PLC and ARC county program for different crops. Then, they will need to compare those outcomes on a commodity-by-commodity basis to the whole farm choice that exists in the ARC Individual program which uses individual farm yields. Benchmarks and actual revenues in ARC-I use a different calculation than the county ARC and is based on a weighted crop revenue per acre for all crops on that farm. In addition the ARC-I program only pays on 65% of the farm base acres rather than 85% in ARC-C. Farmers who do not elect a program option in 2014 will automatically have all base acreage enrolled in the PLC program by default and have no eligibility for payments on 2014 crops.

Farmers will also need to examine whether to stay with their historic acreage bases or reallocate their acres to a more recent time period. Once a farm is enrolled in a program it is locked into that choice for the life of the farm bill through the 2018 crop. Those who chose PLC have an additional consideration to purchase Supplemental Coverage Option (SCO) which is a shallow loss insurance program with premiums subsidized at a 65% rate. This SCO offering is not available until the 2015 crop and is only offered for crops enrolled in PLC. The effect of the SCO will be to limit the difference in payout between the ARC-C and PLC for the range of prices where

Marketing Year Prices:

The U.S. marketing year average price will be one of the factors determining the revenue guarantees under the ARC program choices in the new farm bill. The marketing year for corn and soybeans is from September 1 through August 30 of the following year. Here are those prices for the last 10 years. Keep in mind that 2013/14 are preliminary at this point.





ARC-C generates higher payments.

Farmers will also need to consider a host of other factors in their decision including their outlook for prices over the next five years, and how their government program choice integrates with their crop insurance program and how these programs combine to provide a financial safety net.

Recent indications are that USDA will not be prepared to accept enrollments until at least September of 2014. This means that farmers will be able to make their decision with considerable information already in-hand about the status of the 2014 crop and will have ample time this summer to study the alternatives and implications. Decision tools will likely emerge from USDA and Land Grant Universities. Farmers will also want to pay close attention to official updates from USDA-FSA about establishing yields in the program, making update decisions and declarations on yields and bases, as well as information regarding the signup period.

Note: The information presented here is the best available at this time. USDA-FSA is still working on the final rulings, then they must decide on the exact data to be used for each farm, and also develop the calculations for the way payments will be made. We have used our "best judgment" of the way the program will work, and therefore could have some inaccuracies relative to the final. Decision makers will need to review evaluations of their farms after USDA sets the final guidelines.

Goals of Small Rural Midwestern Businesses

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Goals for family businesses are very important and are related to actual performance. Strategic management begins when business owners set goals. Goals motivate and keep business owners focused on relevant performance activities. Goals help owners to "stick with it" when things become challenging (Lee & Marshall, 2013). Goals can effect business performance as they impact the owners' direction, energy, persistence, and desire to seek more knowledge.

What are the goals of family businesses? As women take on increased management roles in small businesses does this alter the primary goals of the business? While business performance is generally evaluated in monetary terms, money is certainly not the primary goal of all businesses. Family businesses, in particular, are likely to have other goals (Dunn, 1995; Fitzgerald & Muske, 2002; Chrisman et al., 2003). In this article, we explore the primary business goals of farms and other small businesses in Illinois, Indiana, Michigan, and Ohio. We also explored whether the goals of the primary owner are different for women, men, or couples.

Goals by Gender and by Couples/Singles

We first consider how goals are different between male owners and female owners. Past studies have shown that women generally emphasize social goals, while men focus on economic goals (Holmquist & Sundin, 1989; Brush, 1992). We also evaluate goal differences between copreneur couples (couples working together, both in management), non-copreneur couples (couples with only one involved in management), and single individuals. Copreneurs are considered to have different goals than non-copreneurs, and past literature suggests that they are looking for a particular way of life in their business, rather than profit maximization as a primary goal (Chell & Baines, 1998; Fitzgerald & Muske, 2002; Muske & Fitzgerald, 2006).

For our evaluation, data was collected in The 2010 Intergenerational Farm and Non-Farm Family Business Survey which involved a 30 minute telephone survey of rural family businesses. There were 2,097 small and

medium sized farms from Illinois, Indiana, Michigan, and Ohio surveyed; as well as a random sample of 1,059 small Indiana businesses. The majority of the survey were farm businesses with the farm sample having 641 complete responses and the non-farm 80 complete responses. The overall response rate was 34%, with the farm sample at 44% and the non-farm Indiana sample at 12%.

Survey respondents were ask to select from these five primary goals:

1. Maximizing the profit of the business.
2. Generating a positive reputation with customers.
3. Ensuring the survival of the business.
4. Keeping the business in the family.
5. Creating the opportunity to work with family.

With regard to gender, there were 427 male respondents (59%) and 294 female respondents (41%). Survey results confirm that men and women have different primary goals as managers, but not as great as one might expect rom mass media and general culture. Figure 1 shows the goals of male business owners while Figure 2 shows the goals of female business owners.

Women are more likely to choose positive reputation with customers as a primary business goal (44% compared with 38% for male owners). Men are more likely to choose profit as their primary business goal (23% compared with 20% for female owners). This seems to concur with popular media, culture, and some of the research literature as it suggests that men are somewhat more focused on monetary goals, while women are more focused on social goals. Men are also more likely to choose the goal of keeping the business in the family (11% compared with 9% for female owners). While there are some gender

Figure 1. Goals of Male Business Owners

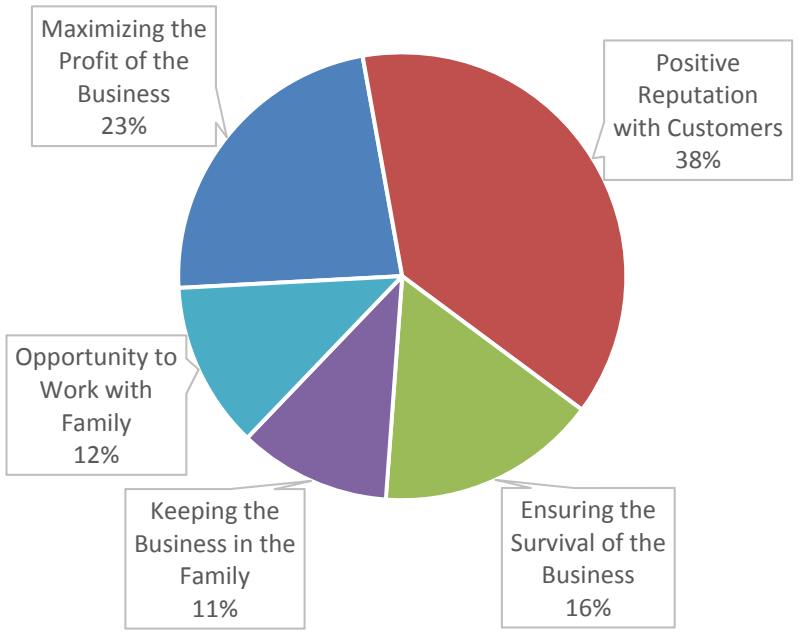
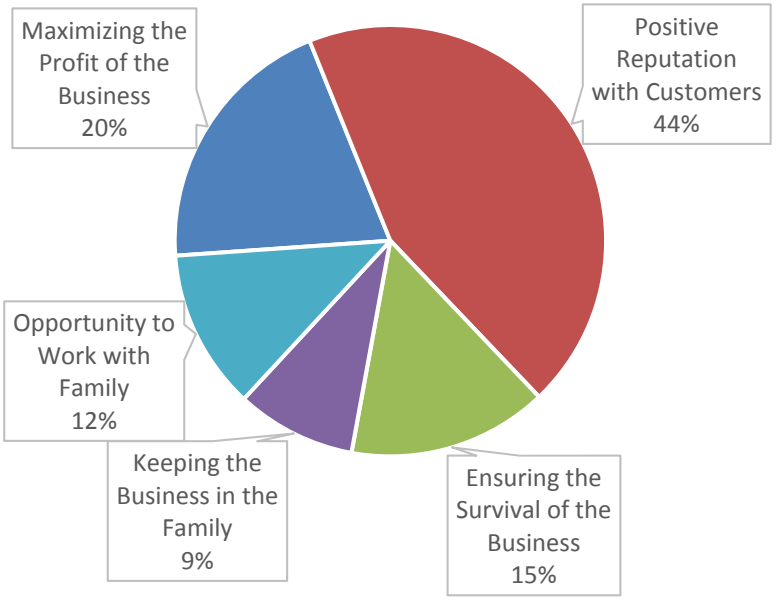


Figure 2. Goals of Female Business Owners



differences, it is worth noting that there is still a great deal of similarity of goals between genders. Finally, the goal of having the opportunity to work with family and the goal of ensuring the survival of the business had nearly identical results.

In addition to the goals, we also asked about the perceived success in achieving these goals with results in Figure 3. These indicate little difference between how male and female business owners perceive their success. The majority of males and females believe they were either “somewhat successful” or “very successful” in achieving their primary stated goal. Further, it suggests that, regardless of gender, these small business owners believe that they are successful in goal achievement. We next consider copreneurs (couples working together, both in management), compared with non-copreneur couples (couples with only one involved in management) and single individuals (those who responded to the survey as not presently married). In the sample there are 484 copreneur respondents (66%), 215 non-copreneur respondents (29%), and 37 single respondents (5%). The goals of the three groups are compared in Figure 4 where we see some differences. Copreneurs, are more likely to choose a positive reputation with consumers as a primary goal (43% compared with 32% for single individuals and 35% for non-copreneurs). The opportunity to work with family was more important for copreneur couples (13% compared with 8% and 9% respectively for individuals and non-copreneurs).

Figure 3: Perceived Achievement of Male and Female Business Owners

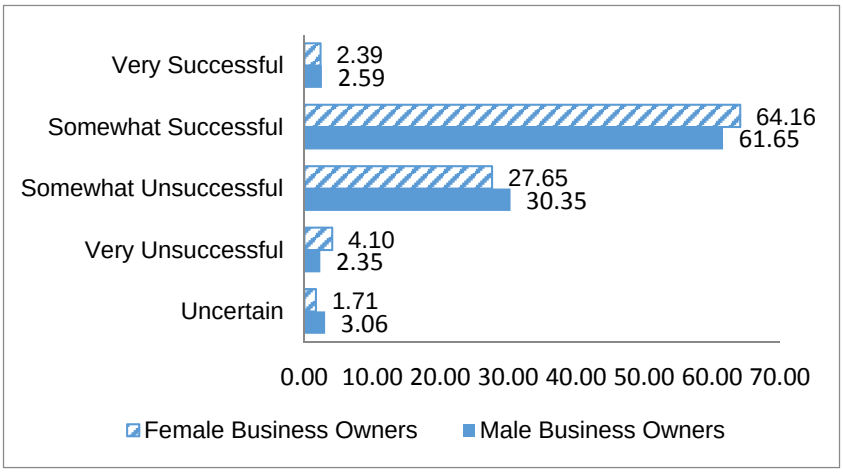
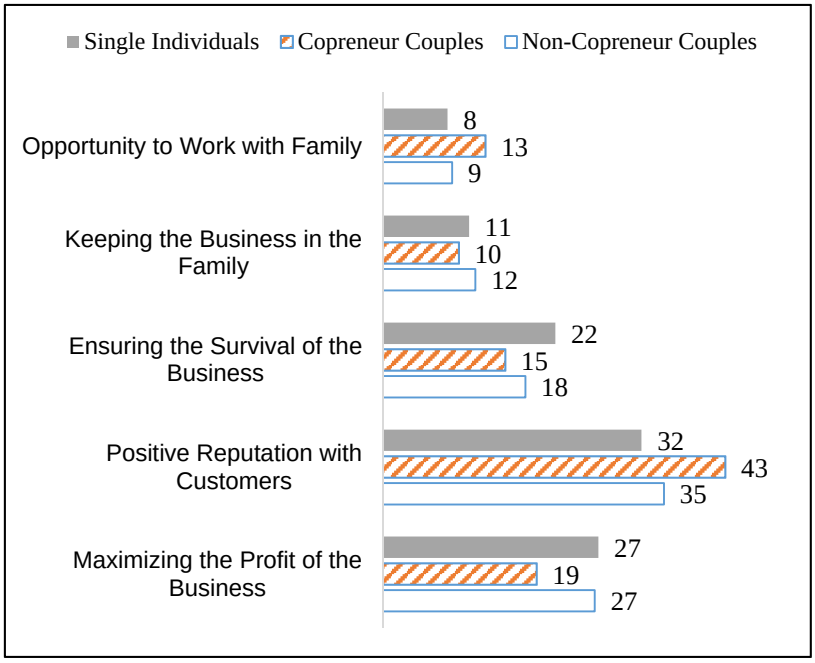


Figure 4. Primary Business Goals

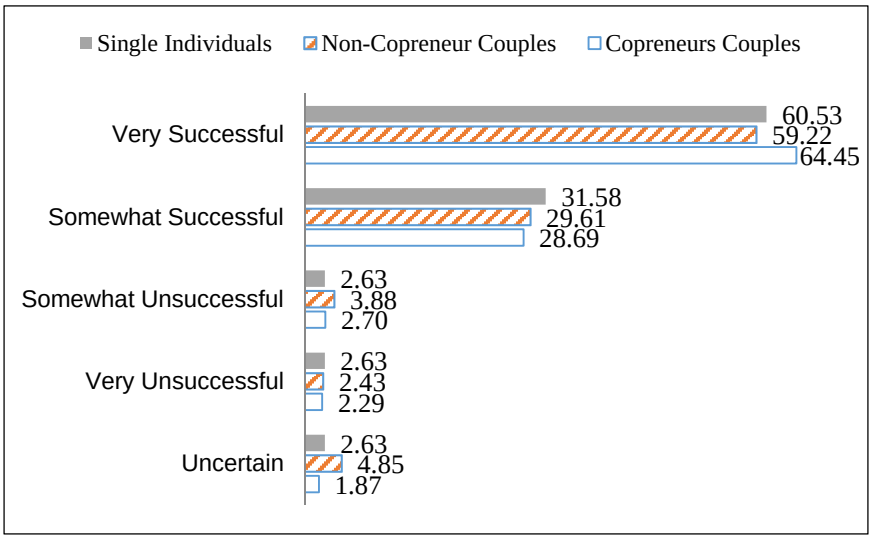


Conversely, copreneurs had a weaker tendency to have the primary goal of maximizing profits (19% compared to 27% for both non-copreneurs and single individuals). Similar to findings in past literature, copreneurs tend to have other goals beyond maximizing profits, while more traditional managers may be more focused primarily on generating profit. Survival of the business is more important to non-copreneurs and single individuals (18% and 22%, respectively), than to

copreneurs (15%), which again suggests that the goals of copreneurs may be different than those expected traditionally in business. Finally, the goal of keeping the business in the family, is approximately the same for all three groups.

We also consider the perceived achievement of these primary goals. Figure 5 shows the perceived achievement of their primary goal and all groups tended to feel very successful or somewhat successful. It is worth noting, however, that copreneurs couples are more likely to perceive themselves as "very successful" than non-copreneur couples and single individuals.

Figure 5. Perceived Achievement of Primary Business Goal



Identifying Midwestern Small Business Goals

Setting goals is an important step in successful strategic business management. The setting of goals tends to have a positive impact on the actual business performance. This article reports on goals of small Midwestern rural businesses that includes farms and non-farm businesses. Evaluation of goals is examined between female and male business owners, as well as copreneurs, non-copreneurs, and single individuals. The differences in goals between men and women are relatively minor particularly when compared with the copreneurs and non-copreneurs. Differences in the latter group are much larger, with non-copreneurs bearing a greater resemblance to single individuals, than to copreneurs. Further, all groups believe that they are generally successful in achieving their primary goal.

Although these results do not tell us everything that we might want to know about differences between these management groups, particularly in terms of management style or ultimate outcomes, it does suggest that different management types have different initial goals. Acknowledgement of these varied goals, and perceived successes, could be beneficial in making suggestions for management techniques to various small family businesses. Small businesses should be encouraged to establish goals and to develop and implement a business plan to work strategically toward achievement of their objectives.

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