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Producer-to-Producer Business School: The Importance of Peer Networks in Ranch and Farm Business Planning

By Dan Macon¹, Roger Ingram², and Cindy Fake³

Abstract

Economic viability is challenging for most small-scale agricultural producers, perhaps especially in the Sierra Nevada Foothills. Profitability, a key determination of long-term sustainability, is particularly difficult to achieve. Since 2008, we have been conducting a combination of structured business planning educational programs while supporting the creation of producer-to-producer networks to support further inquiry into production and business management topics, provide feedback on key decisions, and bring about accountability. Past participant surveys have demonstrated that these programs improve the likelihood of profitability compared with nonparticipant producers. We specifically describe two case studies, the Foothill Grazing Geeks and the Mandarin Growers Collaborative.

Key words: Economic viability, farm profitability, farmer-driven learning, peer-to-peer networking.

Acknowledgements: Funding for workshops, academies, and short courses has been provided through multiple grants from USDA Risk Management Agency and Extension Risk Management Education. Authors thank a team of farmer/rancher experts for this collaborative effort.

Introduction

The long-term sustainability of ranching and farming in the Sierra Nevada Foothills is tied directly to long-term economic viability. Rangeland livestock operations (primarily beef cattle, but also sheep and goats) tend to be relatively small and part-time in nature. For example, the average herd size for a commercial beef cattle operation in Placer and Nevada Counties is 25 head, and mostly part-time. Foothill farms are very diverse, but also small scale: 81.4% farm less than 50 acres, and 97.2% have gross sales of \$250,000 or less (USDA, 2019).

According to the last two Censuses of Agriculture, profitability is challenging for producers in Placer and Nevada Counties – 25-26% of the agricultural operations in the two counties reported a net gain (profit) in the 2012 and 2017 Census, respectively. The average annual profit per operation was nearly -\$4,000 – in other words, the average agricultural business in these two Sierra Nevada Foothill Counties lost nearly \$4,000 per year according to the 2017 Census of Agriculture. While some of the operations included in the Census may farm for

¹ Livestock and natural resources advisor with the University of California Cooperative Extension, serving Placer, Nevada, Sutter, and Yuba Counties.

² Emeritus livestock and natural resources advisor with the University of California Cooperative Extension.

³ Horticulture and small farms advisor with the University of California Cooperative Extension, serving Placer and Nevada Counties.

reasons other than profitability, producers who operate farms and ranches as businesses may be more motivated to improve economic performance.

To address this fundamental challenge, the University of California Cooperative Extension (UCCE) program in Placer and Nevada Counties has conducted farm and ranch business planning educational programs since 2008. A survey of 56 program participants conducted in 2016 indicated that 86% generated a profit for their businesses and paid themselves a salary as business owners. This data seems to indicate that training in and implementation of business planning and economic analysis can greatly improve economic performance.

These educational programs combine structured training and informal, peer-to-peer networks designed to support the economic viability of Sierra Nevada farms and ranches in Northern California. Key features of these programs are the integration of producers as teachers, as well as the support of peer-to-peer networks that support further inquiry, provide feedback on key decisions, and bring about accountability. Research has shown that if producers know and trust each other, they are more likely to adopt a practice being used by another producer (Takahashi, et al. 2015). Our experience shows that involving producers in the design and conducting of research and as trainers and experts in extension leads to more rapid information dissemination and adoption of new practices. Furthermore, by combining farming and ranching businesses in the same courses, we have found that cross-pollination of ideas and approaches to management and marketing benefit all producers.

Program Objectives

The objectives of these efforts are to improve foothill and mountain agricultural economic viability through formal and informal educational programming and to provide long-term support for producers. A key component of both objectives is the creation of and support for peer networks.

Program Steps

We have designed our educational programs to meet the needs of a continuum of experience levels, from beginning farmers and ranchers to long-term, multigenerational producers. Accordingly, we have developed a progression of structured educational programs beginning with our half-day “So You Want to Start a Farm” workshop (for aspiring farmers and ranchers) to our 2-day, 20-hour Beginning Farming Academy (for new farmers and ranchers who may or may not have already begun producing), to our 6-week, 8-session Farm/Ranch Business Planning Short Course (for existing producers), to our periodic Advanced Farm/Ranch Business Planning Workshops (for Short Course graduates).

These training programs focus on resource evaluation (land, financial, and human), marketing, economic analysis, financial record-keeping, and risk management. By creating a progression of workshops and short courses, we have created opportunities for participants to form cohorts of producers. Many producers have progressed from the “Start a Farm” level through Farm/Ranch Business Planning. By creating cohorts of participants, we have enhanced the support network available to these producers beyond the classroom.

During the last session of each short course, each farm or ranch (which may be represented by more than one individual) creates a short-term (6 month-) and long-term (5 year-) action plan, which they present to the rest of the class. To increase accountability for completing these action plans, operations are paired and asked to check in with one another over the ensuing 6 months. At the end of 6 months, one of the operations hosts a potluck to discuss progress and

challenges. This long-term follow-up has resulted in long-lasting, peer-to-peer networking and greater success in implementing business and financial goals.

Evaluation

We evaluate impacts immediately following the short course via written evaluations. We also periodically survey program participants regarding profitability and business evolution. In addition to this quantitative analysis, we check in with short course alumni via virtual and in-person meetings to discuss both success stories and ongoing/emerging challenges. These informal check-ins provide opportunity for further producer-to-producer collaboration.

Project Outcomes

Over the years of delivering Farm/Ranch Business Planning training, we have conducted surveys of graduates to understand the impacts of our educational programs and future programming needs. In 2016, 32% of survey respondents were earning at least the county median income from their agricultural operations. Over 86% of participating business owners reported being profitable *and* paying themselves a salary compared to 26% of Placer and Nevada County farms who reported “net gains” on the 2012 Census of Agriculture. While the survey population (n=56) was significantly smaller than the producer population reflected in the USDA Ag Census, it may be an indicator of our program impacts.

In 2019, two participating ranching businesses reported that they utilized the analysis tools and peer feedback provided in the Short Course to expand their most profitable enterprises sufficiently to increase profit and enable them to hire full-time employees.

Case Study: The Foothill Grazing Geeks

Beyond the success of these programs at the individual operation level, several peer-to-peer networks have created new opportunities for collaboration and continued learning. One example is an informal group of ranchers who call themselves the Foothill Grazing Geeks. This peer-to-peer group was initiated by a producer (Rob Thompson) and is comprised of seven livestock operations in Placer and Nevada Counties. UCCE engages with the group to provide structure and facilitation, but the group determines meeting and discussion topics internally.

This group has focused its collaboration on three general areas: self-education, external education (of other ranchers), and informal business collaboration/joint ventures. The group meets at a member’s ranch or in the UCCE office periodically. The host member typically poses a production or business management question to the group. For example, one member from Lincoln, California, asked for group input on grazing management and fencing design. Alternatively, the group will invite outside experts (including UCCE specialists and other ranchers) to discuss a specific topic of interest to the entire group. Generally, these internal meetings include a meal as well.

The Foothill Grazing Geeks have also participated in providing education to ranchers outside the group. Group members often participate on panel discussions about a variety of topics (from drought management to protecting livestock from predators). In 2018, the group organized a Grazing Technology Field Day in Placer County, which included presentations on irrigation systems, fencing systems, stock water systems, electronic identification, and genetic improvement.

Finally, and perhaps most importantly, the trust that has developed between group members has created opportunities for joint ventures and other business-to-business

collaboration. Several members operate grazing-for-hire businesses focused on fuel-load reduction and weed management. These members have leased livestock to one another for specific projects and regularly help each other with transportation and labor needs. Members have also purchased feed and other supplies in bulk to reduce costs for individual operations. During the dry autumn of 2019, one member provided access to forage on land he had contracted to graze to other members who were facing the prospect of selling animals due to lack of forage.

Case Study: Mandarin Grower Collaborators

A second example of a local peer-to-peer network is a group of six citrus producers. The group was initiated by UCCE in 2016 to develop and manage participatory on-farm research on citrus pruning and mulching. It has evolved beyond research into an effective information sharing network through quarterly meetings and weekly informal networking. The relationships among the participants have led not only to adaptation and adoption of improved practices, but also cooperative marketing and purchasing, and mutual aid for labor and equipment. The collaboration may be leading to a cooperative or collective business, which would have economies of scale that these small-scale producers cannot achieve on their own.

The peer-to-peer learning network has also expanded to other producers through informal peer-to-peer sharing and by mandarin collaborators providing educational workshops and field meetings. Collaborators adopted improved practices and influenced other growers to do so. According to a 2019 survey of mandarin growers (n=38), adoption of the new practices improved profitability. Sixty-eight percent of survey respondents reported increased profit from pruning, and 16% from mulching. The learning around production practices has expanded the network and improved cooperation and information sharing among local citrus producers, leading to improved economic viability for small farms.

These business-to-business collaborations among both ranchers and farmers require a level of trust and communication that goes well beyond what can typically be developed in a classroom or workshop setting.

Lessons Learned

While formal extension programming can provide an important foundation for producers to understand economic, financial, and business management principles, this program is greatly enhanced and supported by informal peer networks. These peer groups reinforce economic and business management principles, create accountability, and foster greater information sharing between producers, as well as between producers and extension professionals. Ultimately, these peer groups create a sense of community among producers, which supports further innovation, collaboration, and success at the individual business level.

Despite the progress made through organized educational programming and peer-to-peer learning, many challenges remain. Many operations remain part-time businesses, due to scale of operation and to the need for off-farm income during portions of the year. Barriers to scaling up include access to capital and access to land (through lease arrangements or ownership).

Research suggests that farmers and ranchers are more likely to adopt new practices when they know these practices have been successful for their peers (Lubell et al. 2014). We have found that productive peer groups require time to develop trust between members, and need to be an appropriate size (large enough to include diverse perspectives and operations; small enough to support honest communication between members).

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