Colorado State University Cooperative Extension programs are helping Colorado producers

- increase knowledge and skills related to managing a farm or ranch in today’s agricultural risk environment;
- understand and use various risk-management tools available to them;
- maintain viable and profitable agricultural enterprises.

The Costs...

- The Colorado Agriculture Statistics Service reported that statewide farm debt in 2000 was $3.8 billion, an increase of 16% from 1995. U.S. farm business debt exceeded $200 billion for the first time at the end of 2003, and is expected to rise 3% in 2004, exceeding $205 billion by the end of the year.
- Despite positive national farm forecasts, Colorado was hit hard the last few years by environmental and economic forces that caused stress for state agricultural producers. The western U.S. drought and the state’s depressed economy affected Colorado’s livestock, crops, feed grains and forage resources. Last year, the state harvested its smallest wheat crop since 1968 with an average yield of only 22 bushels per acre; corn acreage decreased with acres transferred to less water-demanding crops and potato production was critically affected in the San Luis Valley. Limited rangeland and resources forced 20% of the state’s breeding cows to be sold off, which will require years of recovery efforts.
- USDA’s Economic Research Service showed that in 2002, 46% of U.S. farm households had annual incomes below their expenditures – a disproportionate share of which are midsize farms and retired farmers for whom farm-derived income is often negative (averaging a loss of $13,000).

Helping Agricultural Families Reduce Operational Risk and Build Resilience

The business environment that agricultural producers operate in today puts the responsibility to manage risk squarely on their shoulders – it truly is the producer’s “freedom to farm or fail.” Price and income support programs are no longer the centerpiece of U.S. farm policy. The 1996 Farm Bill put into motion a plan to move agriculture to a market orientation, which increases risk exposure for farmers and ranchers. In addition to traditional sources of agricultural risk, such as weather, insect and disease problems, and other production issues, farmers now face increasing risk from market forces of supply and demand. Agricultural producers must take a strategic approach to managing risk in order to achieve long-term success in their operations. Risk management programs define five categories of risk: production, marketing, financial, legal and human. To survive in today’s risk climate, agricultural operators must combine and manage all of their resources effectively. Cooperative Extension program outcomes have shown that agricultural producers who effectively manage their farm risk and increase their operational resiliency are consistently more profitable than average and are better able to preserve their farm’s integrity and enhance the land’s environmental sustainability. Cooperative Extension invests in applied research and education to assist producers in managing livestock and crops to improve management strategies, develop viable management alternatives, increase production, reduce pests and disease, and enhance the quality and competitiveness of Colorado’s food and fiber industries. Extension education also helps communities and local producers develop markets and value-added products in order to maximize return on production efforts.
In 1900 it took 35-40 hours of labor and 2½ acres of land to produce 100 bushels of corn—at about 40 bushels per acre—using rudimentary equipment. Today, it takes 2½ hours of labor and one acre of land to produce 140 bushels of corn, using high-tech equipment such as a variable-rate planter and a hundred-thousand-dollar GPS-guided tractor. Farm population is only about 2% of America’s population, but one farmer provides food and fiber for 129 people.

The food and fiber system represents 16% of the U.S. Gross National Product, and provides jobs for 17% of America’s workforce—90% of those off the farm. The majority of U.S. farms (96%) are still owned by individuals and family partnerships. (U.S. Ag Statistics Service, 2000)

Farm income and risk management are major components of keeping a long-term agricultural enterprise functioning. Both large and small Colorado producers are taking steps to improve economic viability. 60% of producers manage risk by supplementing farm income with off-farm income. Farms with more than $250,000 gross income are using more management tools to hedge risk—including grain storage, production revenue insurance, management education, price hedging, financing, personal equity, and e-commerce. (USDA Economic Research Service, 2002)

Colorado State University Cooperative Extension staff from the state’s northeast and southeast counties combined resources and expertise for a multi-discipline program titled “Positive Focus” to address issues created by the Eastern Plains’ sharp economic decline. Extension staff in family and consumer sciences, agriculture, and 4-H youth development worked with financial institutions, government agencies, commodity groups, community colleges, faith agencies, mental health professionals, advisory committees and the media to design a program to help multi-generational rural families increase resilience under a stressful environment. Included were a media campaign, creation of a Web site, and seminars held in three locations that attracted 342 people. Participants reported they learned skills to help deal with conflict, decision making and stress. Evaluation of Extension educational programs for area producers showed that 72% enhanced profitability through development of risk management tools and 56% increased knowledge about integrating production practices with environmentally sound decision-making.

A comprehensive curriculum – “Risk and Resilience in Agriculture” – created by Cooperative Extension specialists from Colorado, Montana and Wyoming, was designed to help agricultural families make a living in an increased risk environment. In northeastern Colorado, a concerted multi-year educational effort was undertaken to assist dryland agricultural producers through the program. Emphasis on a dynamic systems approach to production, grazing management, and integrating livestock and crop enterprises included creative ideas such as niche markets, specialty crops, on-farm recreation and direct marketing. Research from early adopters showed that a more profitable two-crops-in-three-years rotation system increased grain production by 75% with a corresponding increase in net-farm income of 25% to 40% while providing weed, soil and crop disease benefits.

A farm manager must work closely with a knowledgeable lender to ensure the farm maintains positive cash flow and a sound financial base. To assist in this task, Cooperative Extension agricultural business management specialists conduct annual educational sessions for lenders, insurance agents, commodity brokers, and others. Last year, 52 participants from South Dakota, Nebraska, Wyoming, Kansas and Colorado heard presentations on drought, crop insurance, legislation and risk management, and all reported increased knowledge on one or more of these topics. To help producers learn about the risk-bearing capacity of their operations, Colorado Extension staff received a grant to create “Right Risk,” a simulation designed to enhance alternative decision-making. Of 857 ag producers and land managers reached last year through Extension programs, 80% reported enhanced profitability through use of risk management tools and/or business plans.

The Payoff...

Putting Knowledge to Work

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