



LOREN OLDENBURG

STATE REPRESENTATIVE • 96th ASSEMBLY DISTRICT

Assembly Bill 524

Relating to: farmer tuition assistance grants and making an appropriation

Assembly Committee on Colleges and Universities

October 17, 2019

Good Morning, Chairman Murphy and committee members. I want to thank you for your willingness to hear Assembly Bill 524.

Over the past few months it has been my honor to serve as a member on the Speaker's Task Force on Suicide Prevention. I enjoyed my learning experiences while traveling across Wisconsin to hear more about how suicide has affected people from all across the state, and discussing what we can do in the Legislature to help. A main priority of mine was focusing on my community, the farming community.

It's no secret that the farming community has been having a tough time, but it's as important as ever to recruit young farmers so that we can keep Wisconsin, *America's Dairyland*. I've said for a long time, if you're a farmer, you're not just a farmer; you are an entrepreneur, accountant, CEO, manager, maintenance worker and so much more. Wearing all these hats, and still running a successful farming operation is a lot to take on, and that's why it is so important that we educate young people who are interested in becoming farmers.

Assembly Bill 524 will allow the Department of Agriculture, Trade and Consumer Protection to make farmer tuition assistance grants. These grants will give farmers the opportunity to have all or part of their tuition covered for courses at a technical college. These courses will provide them with invaluable knowledge on topics like farm, business, and production management. Having access to training that can help farmers have a better understanding of farm practices as a whole. Not only is this education important, but the support system of other farmers that these students will create while taking these courses will continue to be a benefit to them for years to come.

Thank you again for hearing Assembly Bill 524, a bill that will help educate and prepare farmers to run a successful farm and allow them to be equipped to deal with all aspects of the farming business.



Luther S. Olsen
State Senator
14th District

TO: Assembly Committee on Colleges and Universities
FROM: Senator Olsen
DATE: October 17th, 2019
SUBJECT: Testimony for Assembly Bill 524

Thank you Chairman Murphy and members of the Assembly Committee on Colleges and Universities for holding a hearing and allowing me to testify in support of Assembly Bill 524 (AB 524). This legislation is part of the package released from the Speaker's Task Force on Suicide Prevention.

Over the last year or so, I have been discussing with many of my constituents the concern of suicide among farmers. It has been a growing issue, and one that needs to be addressed. The price of milk has decreased over the years, which has caused many farmers to lose money and some have even gone bankrupt. This has also shown an increase in suicide among farmers.

With this issue continuing to rise, as well as challenges with cost for farmers to often succeed, I have heard from many constituents that it is difficult for young people to want to enter into farming. Therefore, I was pleased to see legislation like this farmer tuition assistance grant bill come out of the Speaker's Task Force on Suicide Prevention.

AB 524 allows the Department of Agriculture, Trade and Consumer Protection (DATCP) to make grants to assist with farmer tuition. These farmer tuition assistance grants would biennially be taken from GPR in the amount of \$50,000. I believe that these grants will create a support system to better assist young people to want to enter into farming, and hopefully keep the younger generations growing in Wisconsin's farming industry.

I want to thank the members of the Speaker's Task Force on Suicide Prevention for all of their work. Also, thank you for holding a hearing today. I ask for your support on AB 524 and I would be more than happy to answer any questions.

Good morning Representative Oldenburg and members of the committee. My name is John Shutske. I am a professor at UW-Madison in the College of Agricultural and Life Sciences. I also serve as director of the UW's Center for Agricultural Safety & Health. In our center and through my extension appointment, I spend about 60% of my time educating and working with community members and those in the ag industry on issues such as farm stress management, mental health, occupational health and injury prevention. I'm also a farm kid who watched my parents successfully navigate the farm crisis of the 1980s. I've worked professionally on issues of farm stress since the Midwestern drought of 1988.

Since late 2018, about 30 to 35 of us in Extension have devoted our efforts in the areas of farmer stress, mental health, suicide prevention, and related issues. We have titled this work **Resilient Farms, Families, Businesses, and Communities** (show website). The number of people within Extension working in this area is continuing to expand across all program areas including agriculture, health and well-being, human development and relationships, and positive youth development.

As I have shown in the handout provided, this effort has included the development of a comprehensive web-based Resource Center. I have provided you a one-pager "front page" of our resource site. There are close to 100 different

resources included. But, perhaps, more importantly, this resource showcases 16 different series or categories of workshops, events, and activities we are supporting, promoting and often leading, all focused on the farm crisis.

Our website and the programs we've developed have supported has been purposely organized around four CRITICAL concepts: The biology and health impacts of stress; stress management; communicating in times of high stress; and, your farm future. The last one of these -- Your Farm Future -- CLEARLY RECOGNIZES the absolutely crucial importance of farm financial management.

Science tells us that of ALL the things you can do to manage stress, regaining SOME sense of "control" is one of the most CRITICAL things a person (or family) can do to manage stress. This includes having the ability to critically analyze today's finances AND the skills and knowledge necessary to plan for a positive financial future. This notion of regaining control can include developing a detailed and well-informed plan and financial roadmap that can help a producer and her or his family to get bigger, to get smaller, to diversify, to focus, or, in some cases --- to do something entirely different.

Research shows us that people who do not have any sense of control suffer the impacts of stress and in severe

circumstances, this may lead to depression, anxiety, and for some – a greatly increased risk of suicide. I see and hear this often in my work -- a farmer who has been denied a loan, a sudden serious health issue in a family, or the unexpected death of a loved one. All of these can create turmoil, uncertainty, and an overwhelming sense of helplessness if there is not someone working within the operation with a strong financial and business management background.

So – Anything we can do, including the direct support of farm financial education that provides the knowledge to understand financial conditions, to analyze current conditions and future options, and to regain SOME small sense of financial control is critically important. It is directly linked to these issues of stress management, mitigating the negative health impacts associated with stress, as well as the prevention of suicide.

As many of you know, in Extension, we also work extensively in this area through our Farm Management Program. We remain committed to continuing to work in this area as we move forward. Often, our efforts are done in close partnership with DATCP's Farm Center, our local technical colleges, and the myriad of other public and private resources in our communities.....I would be happy to answer any questions as you see fit.



Resilient Farms, Families, Businesses & Communities: Responding to Stress

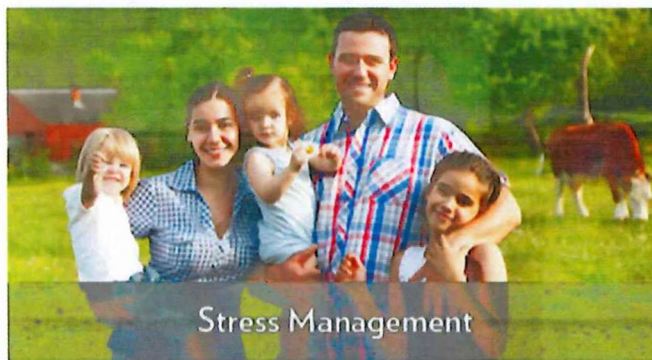
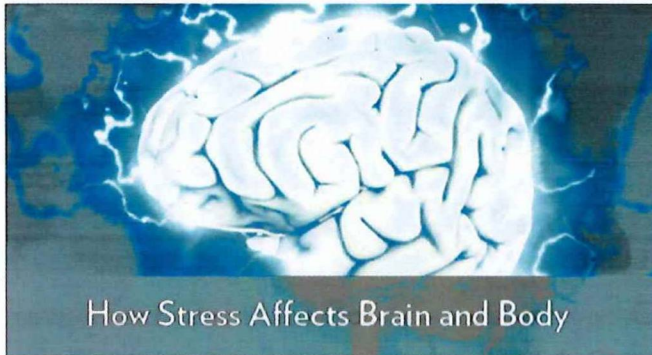
Division of Extension

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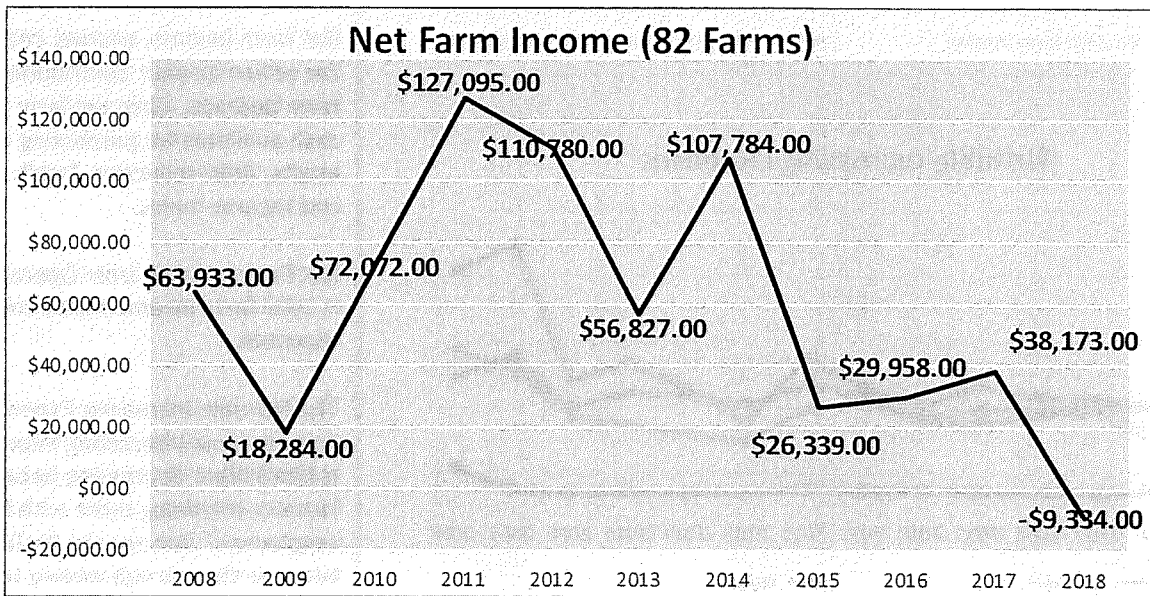
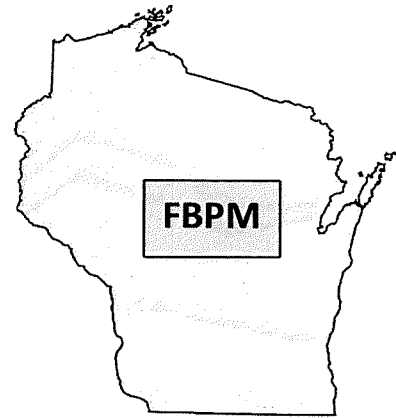
[Home](#) [About Us](#) [How Stress Affects Brain and Body](#) [Communicating in Times of Stress](#) [Stress Management](#) [Your Farm Future](#) [All Articles](#)

The ongoing economic conditions in agriculture are taking a toll on farm families and their rural communities. The associated chronic stress is also impacting mental and physical well-being, relationships, and decision-making. Extension helps farmers, families, businesses, and communities remain resilient by learning how to manage stress and use planning tools to make sound decisions and create a road-map for the future.

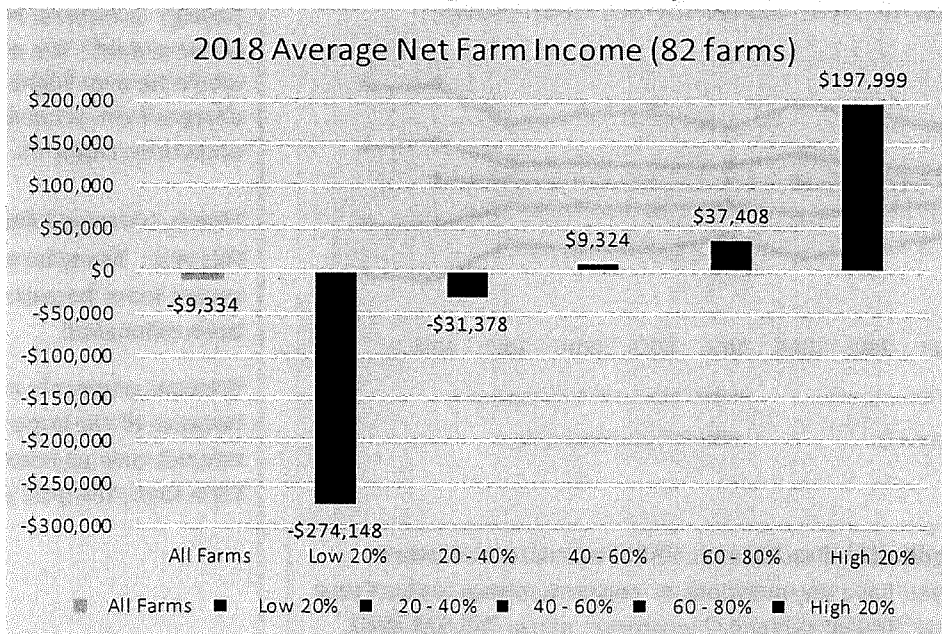


<https://fyi.extension.wisc.edu/farmstress/>

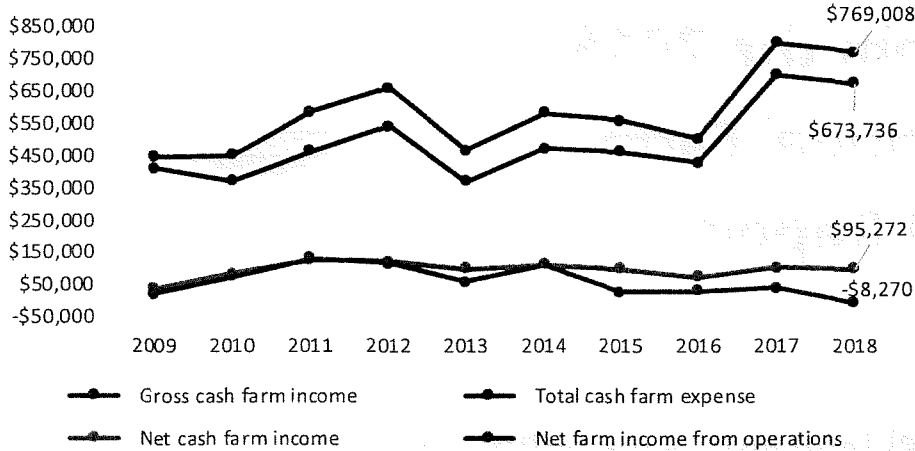
Highlights from the 2018 WI FBPM Annual Farm Financial Report



Net farm income represents the return of labor, management and equity to the operation. This reflects the reward, or lack thereof, for investing unpaid family labor, management and money back into the farm business.



Income / Expenses / Net



Gross farm income and expenses show as decreasing to stagnant on the graph. This coincides with national averages. The increases seen from 2016-17 may be due to WI data is from less farms than previous years and also includes new farms who are larger. Probably the most important thing to focus on is that the margin between the two has not widened and has not been enough to allow sufficient profitability for a majority of farms.

Net farm income, accrual, represents the return to your contributions to the farm business. Cash net farm income is cash available for purchasing capital assets, debt reduction, family living, and income taxes.

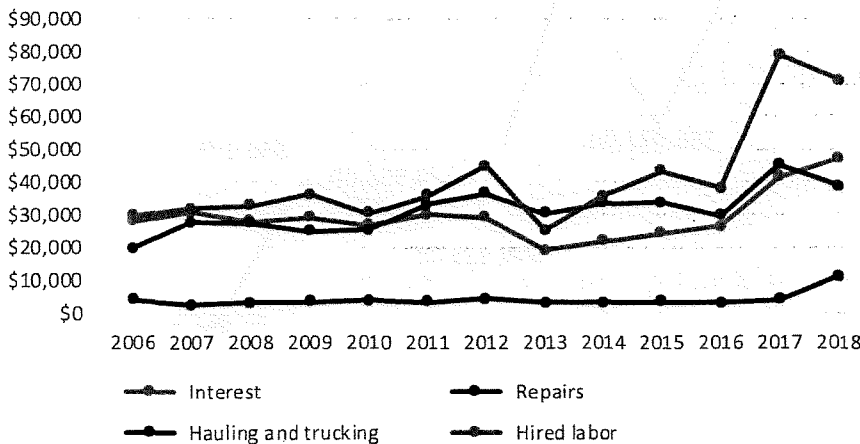
Net Farm Income from Operations - Is total farm income minus total farm expenses.

The Notable Increasing Expenses chart reveals some interesting information. Is hired labor decreasing because farmers are doing more with less employees? Are repairs declining because there is not money to fix things? Has hauling and trucking increased due to the dairy plant changes in the amount farmers are paying? Is interest increasing because of more debt? We may assume this would be even higher if interest charges from accounts payable were accurately captured.

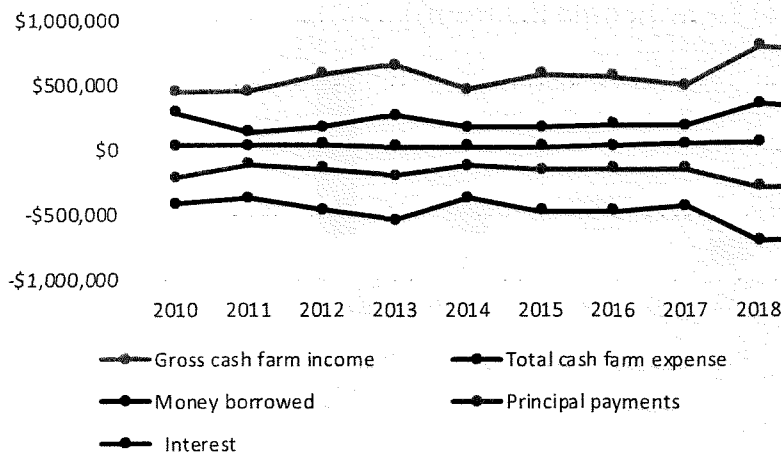
Money borrowed decreased slightly this year. Many farms were not able to secure loans because their equity has been exhausted.

Principal payments are probably less because of the large amount of interest only payments made on some farm loans this past year.

Notable Increasing Expenses

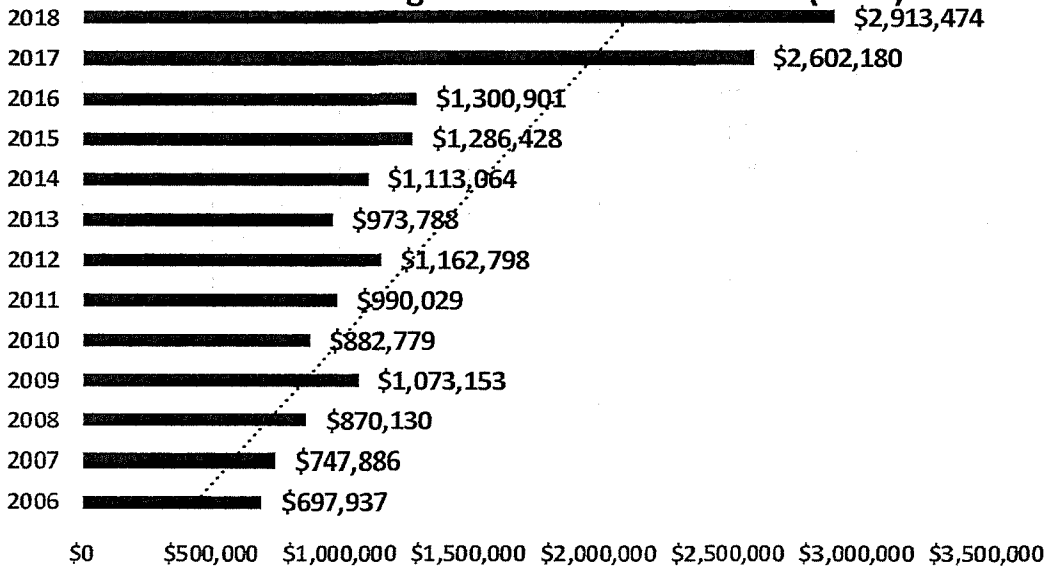


Comparisons from Statement of Cash Flows



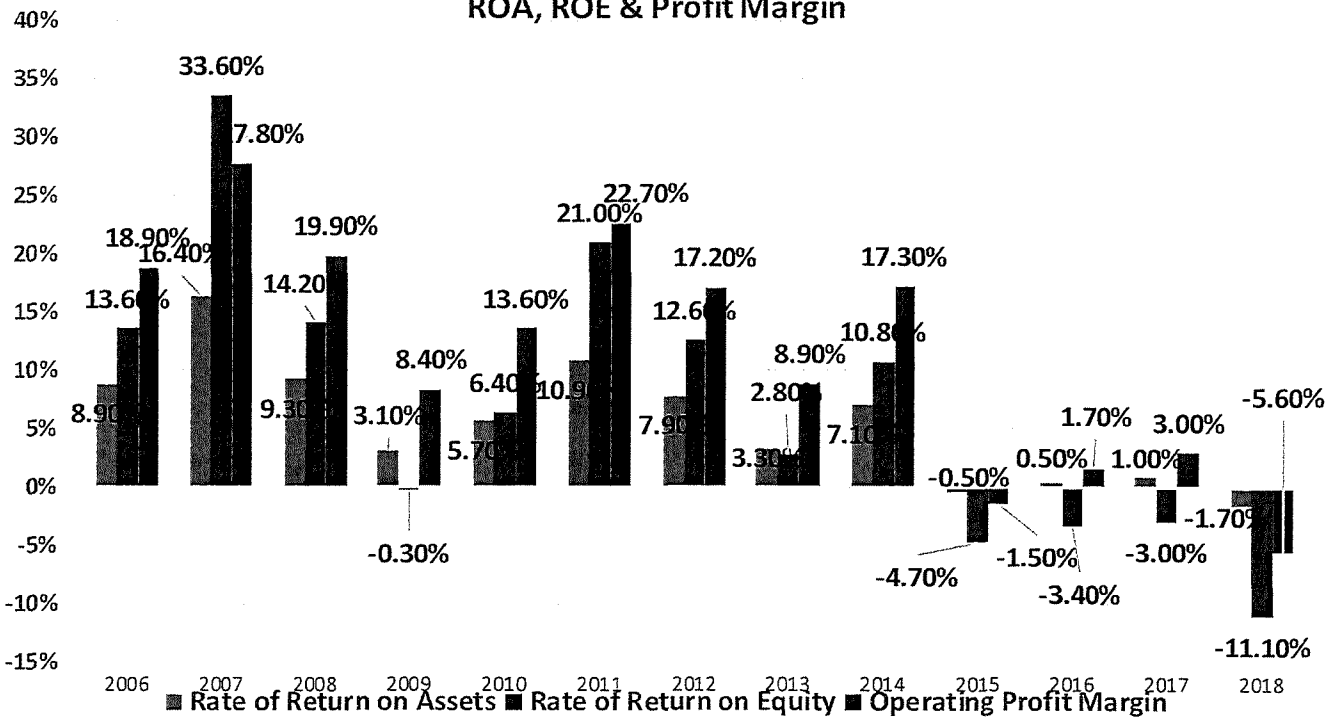
This publication was edited by Brad Sirianni, FBPM instructor at Western Technical College. If you have any questions or concerns, please contact your area FBPM instructor or Brad at siriannib@westernnc.edu or 715-533-8081.

Average Value of Farm Assets (Cost)

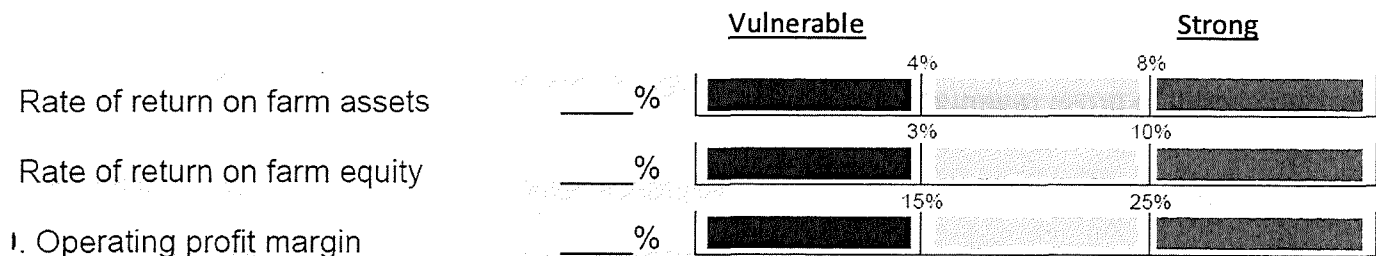


The average value of farm assets at market value has been increasing. The current environment has led to more lending activity that may have created new appraisals and adjustments on the balance sheets. There is data from larger farms than previous years.

ROA, ROE & Profit Margin

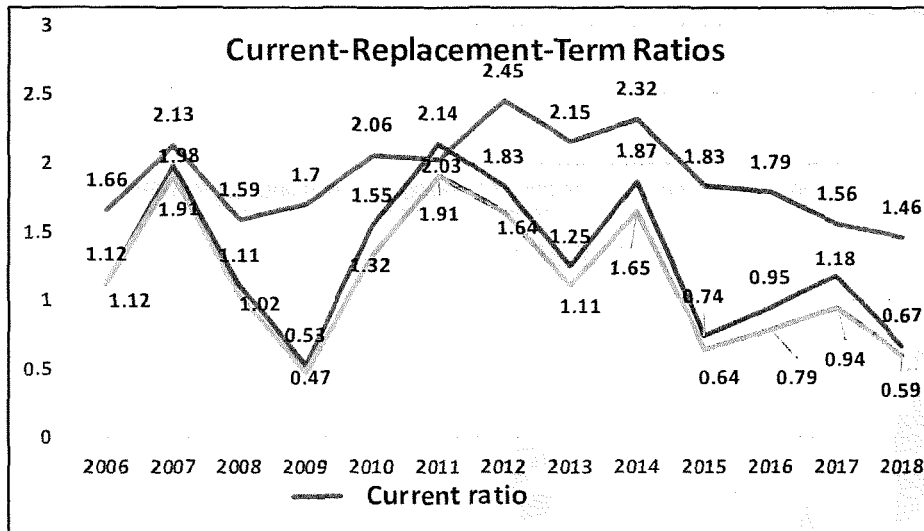


The profitability measures: rate of return on assets (ROA), rate of return on equity (ROE) & operating profit margin are showing the impact of the low prices for milk, cattle, corn, soybeans, etc. We have not seen returns like this since 2009. The trend is obvious.

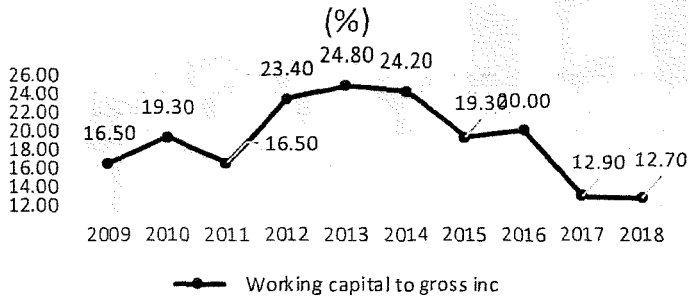


Liquidity & Repayment Capacity

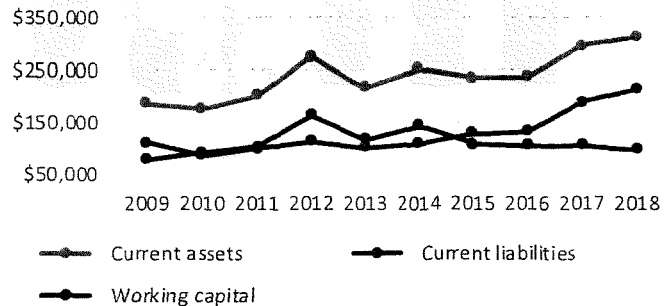
The **liquidity** measure, current ratio is attempting to capture the ability of the farm to pay off current debts with current assets. The last four years show a declining current ratio indicating the struggles in Ag. Working capital to gross revenues supports this trend. **Repayment capacity** measures - term debt and replacement coverage ratios are waving a red flag. When ratios are below 1 this indicates that current inventories need to be liquidated to pay debts or current liabilities will increase. **Term debt coverage ratio** tells whether your business produced enough income to cover all intermediate and long-term debt payments. A ratio of less than 1.0 indicates that the business had to liquidate inventories, run up open accounts, borrow money, or sell assets to make scheduled payments. **Replacement coverage ratio** - A ratio under 1.0 indicates that you did not generate enough income to cover term debt payments and unfunded capital purchases.



Working Capital to Gross Income Ratio



Liquidity (\$)



Liquidity

1. Current ratio



2. Working capital

\$ _____

3. Working capital to gross revenues

_____ %



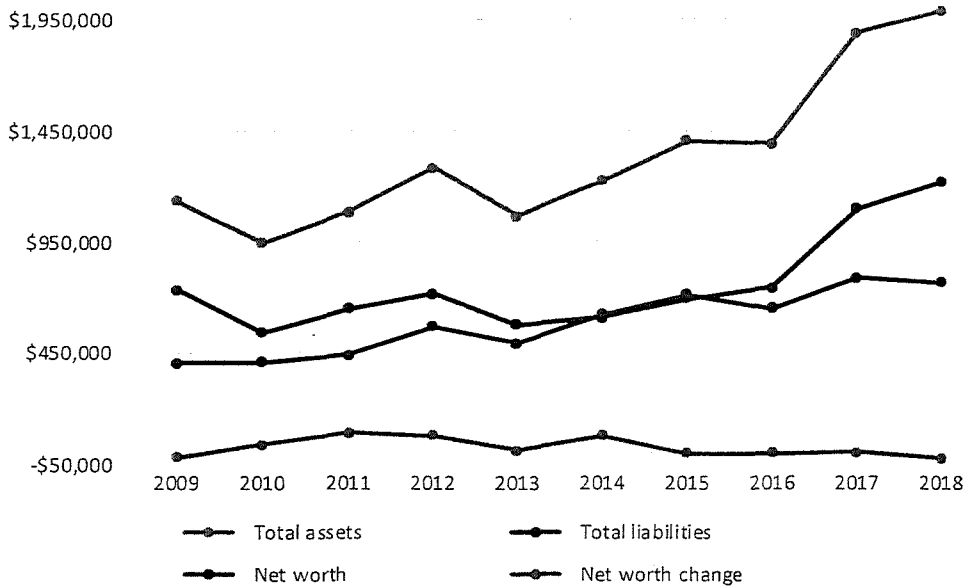
Term-debt coverage ratio



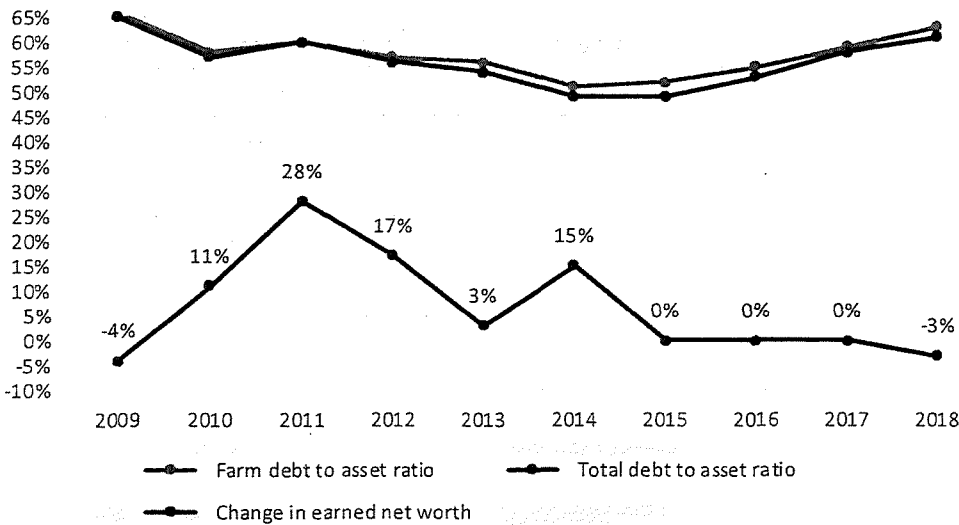
Replacement margin coverage ratio



Solvency Measures (cost)



Solvency Measures (cost) Ratios



Solvency is the ability of your business to pay all its debts if it were sold tomorrow. Solvency is important in evaluating the financial risk and borrowing capacity of the business.

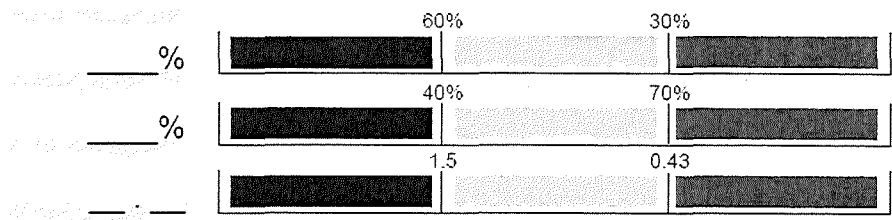
Farm debt-to-asset ratio is the bank's share of the business. It compares total farm debt to total farm assets. A higher ratio is an indicator of greater financial risk and lower borrowing capacity.

Farm equity-to-asset ratio - is your share of the business. It compares farm equity to total farm assets. If you add the debt-to-asset ratio and the equity-to-asset ratio you must get 100%.

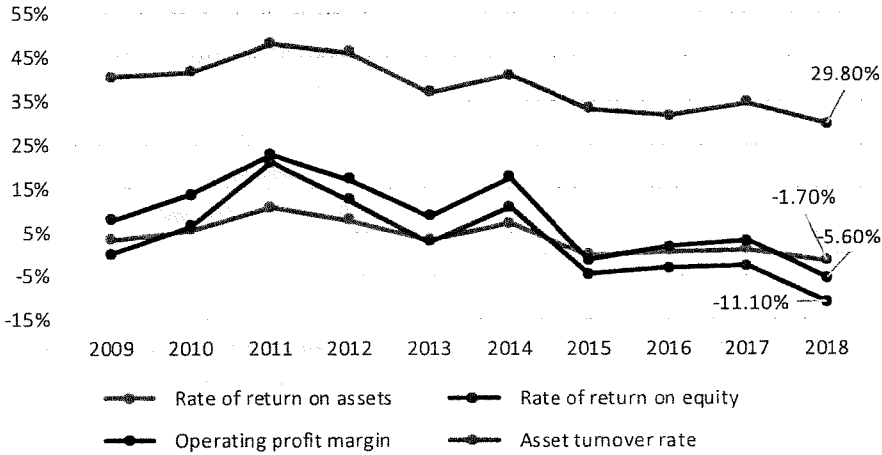
Farm debt-to-equity ratio - compares the bank's ownership to your ownership. It also indicates how much the owners have leveraged (i.e., multiplied) their equity in the business.

Solvency

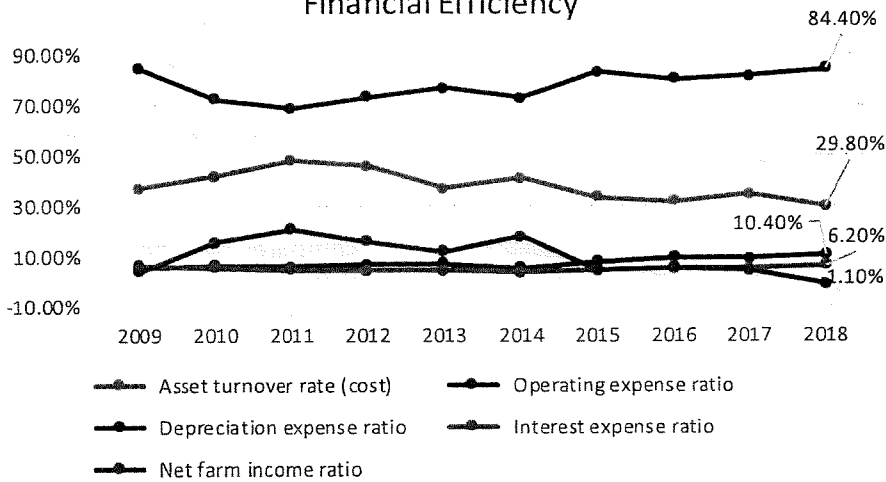
4. Farm debt-to-asset ratio _____ %
5. Farm equity-to-asset ratio _____ %
6. Farm debt-to-equity ratio _____



Profitability Measures (cost)



Financial Efficiency



Asset turnover rate is an efficiency measure relating to the use of capital. Meaning a farm desires to have a high level of production with a low level of capital investment. Remember that this includes assets that may not be productive like fallow ground, etc. Strong asset turnover rates are 45% or above. Currently, the farms in this report are at 29.8% where below 30% is vulnerable. We can only hope that 2019 presents itself with opportunities to stop this and other declines.

Financial efficiency - shows how effectively your business uses assets to generate income.

How is gross farm income used?

Operating-expense ratio - shows the proportion of farm income that is used to pay operating expenses, not including principal or interest.

Depreciation-expense ratio - indicates how fast the business wears out capital. It tells what proportion of farm income is needed to maintain the capital used by the business.

Interest-expense ratio - shows how much of gross farm income is used to pay for interest on borrowed capital.

Net farm income ratio - compares profit to gross farm income. It shows how much is left after all farm expenses, except for unpaid labor and management, are paid.

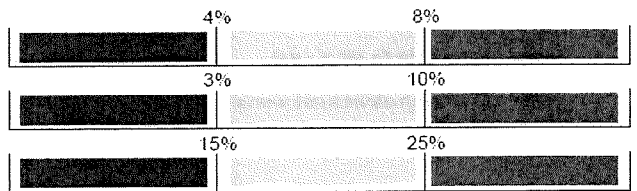
Profitability

7. Net farm income \$ _____

8. Rate of return on farm assets _____ %

9. Rate of return on farm equity _____ %

10. Operating profit margin _____ %



Financial efficiency

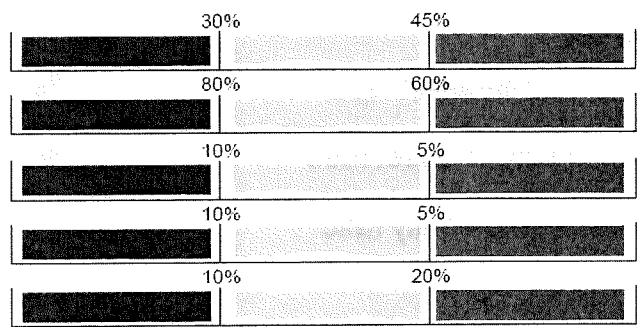
17. Asset-turnover rate _____ %

18. Operating-expense ratio _____ %

19. Depreciation-expense ratio _____ %

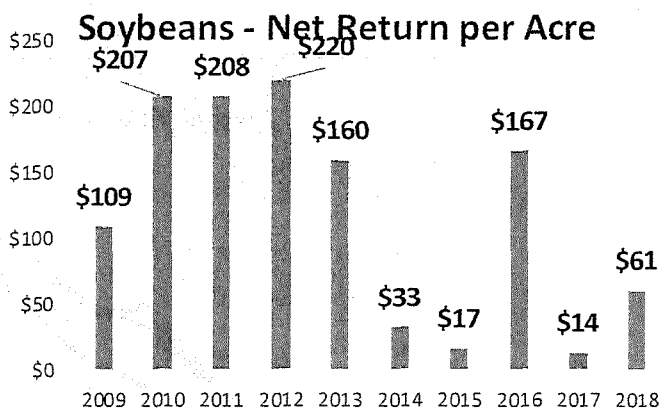
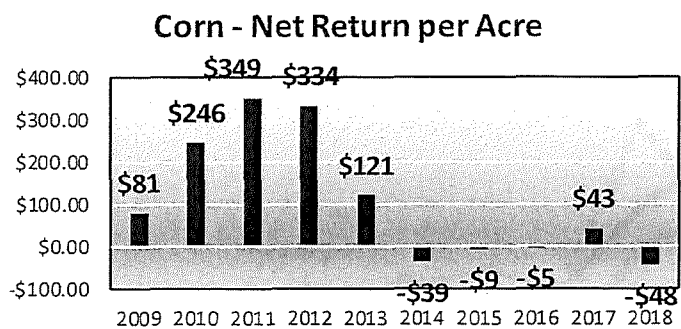
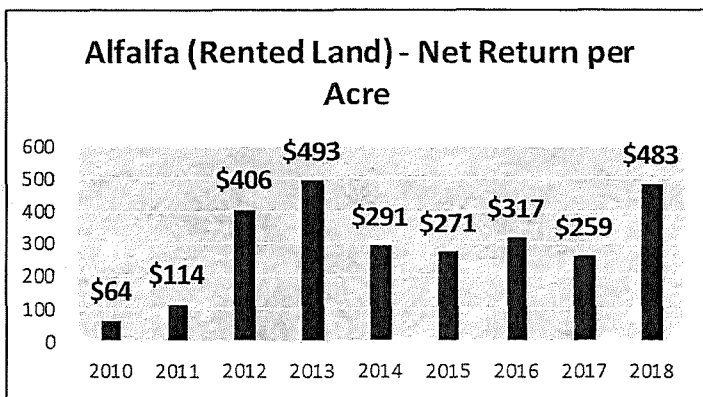
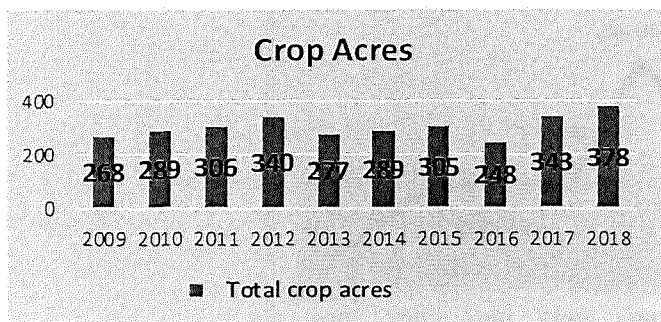
20. Interest-expense ratio _____ %

21. Net farm income ratio _____ %

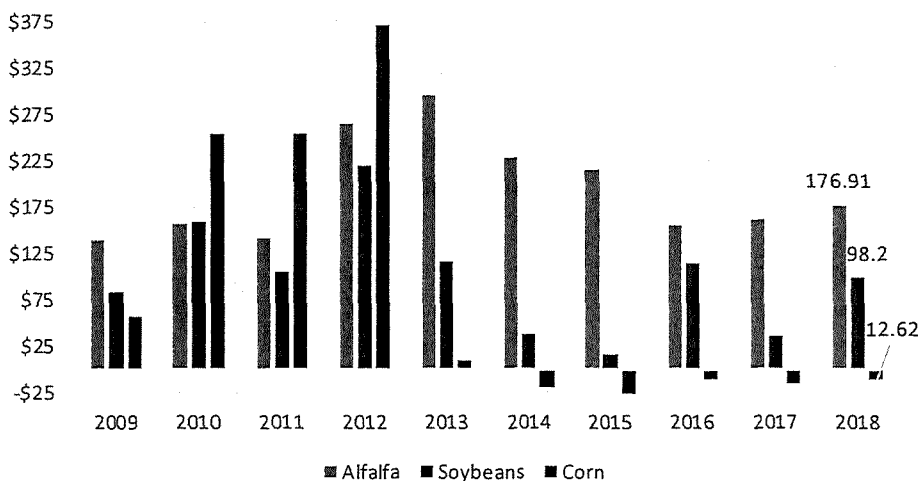


Crop Data

Total acres of cropland has increased. Net return for corn plummeted. Those who could not make up for the low prices through increased production are struggling. Soybean net returns rebounded from the previous year but are not at levels that create economic prosperity. Alfalfa net returns have rebounded to recent historical highs. A shortage of hay and good prices are the main contributors. This year we included a chart showing the national averages from all states contributing to the database.

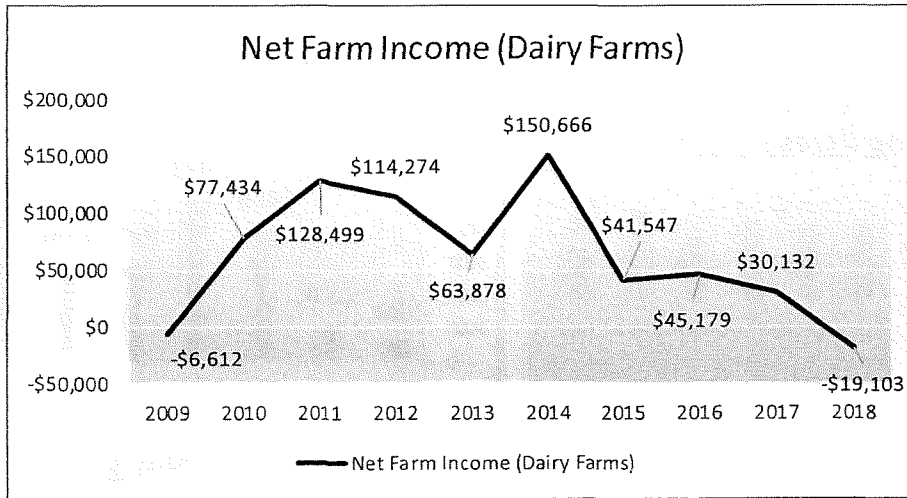


Net return per acre - Corn/Soybeans/Alfalfa (All States)

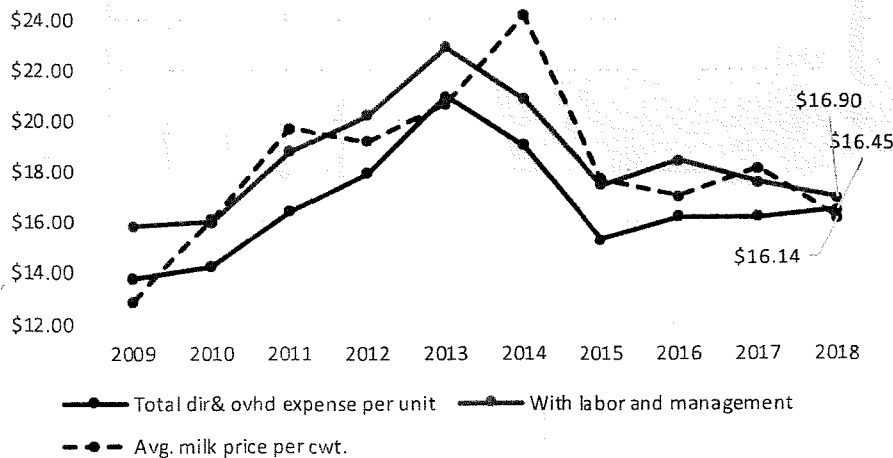


Dairy Data

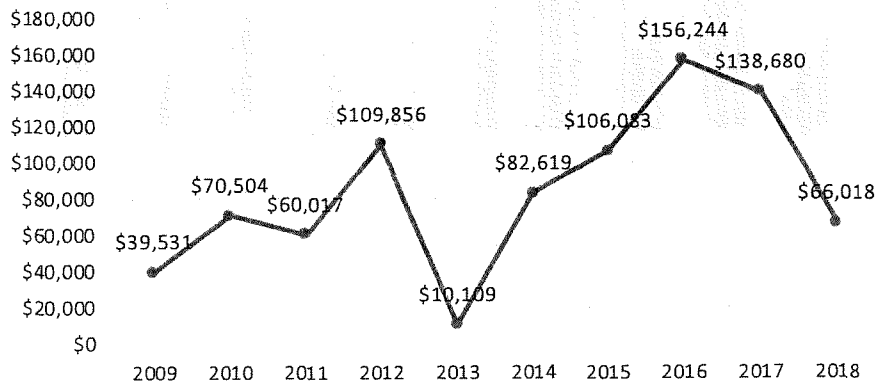
Returns for dairy have been on a downward trend. Cost of production is stagnant as producers are having a difficult time determining what else to cut and remain efficient. Total cost of production with labor and management continues to outpace milk price and leads to very little if any profits. Organic dairies net farm incomes declined again this year but remain positive.

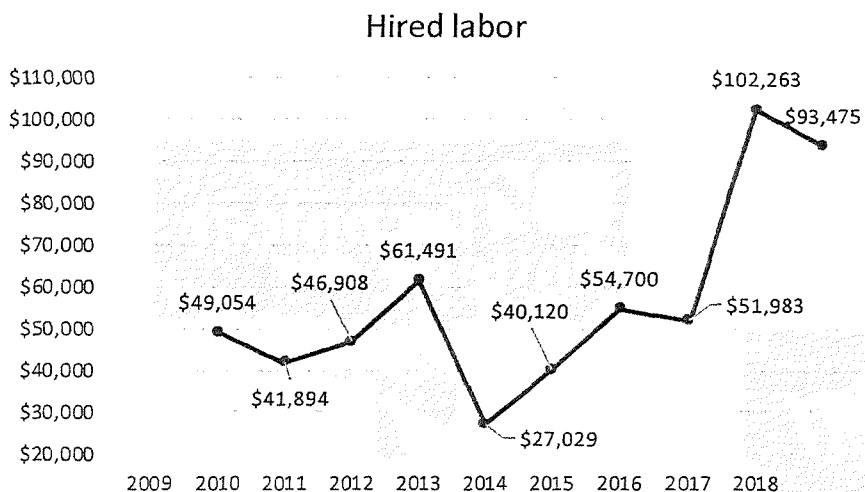
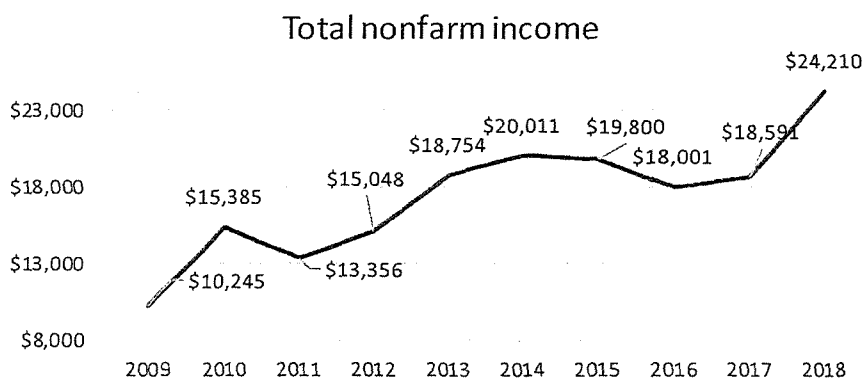


Cost of Production Per Cwt. vs. Milk Price



Organic Dairy - Average Net Farm Income (MN&WI)





Other Information

Total nonfarm income continues to rise as farm family members seek other employment to help pay for family living expenses.

Hired labor is a major expense on farms today. Many do not realize how many employees farms have today.

The labor analysis of our 82 farms breaks down as follows: (averages)

Total unpaid labor hours – 3317

Total hired labor hours – 6025

Average hourly wage - \$15.40

Value of farm production/hr. - \$60.50

At \$15.40/ hr. for 40 hrs./wk. for 50 weeks we could say each farm has 3 employees. Reality is that some farms have no additional employees and some have more than 10.

The Farm Business & Production Management instructors use FINPACK software to assist in completing balance sheets, cash flow plans and whole farm and enterprise analysis. The completion of these financial tools requires producers to have good records. Many are now using monthly accounting software programs that are the choice of the producer. Many of the instructors work to develop skills necessary to help them with the various programs. Lenders and other agri-businesses appreciate FBPM instructors' efforts to help farmers have up-to-date records along with updated business and financial plans.

What is Farm Business & Production Management? (FBPM)

Today's successful farmer must keep up with changes and improvements in the farming industry to remain competitive. Technological advances, crop and livestock production, government regulations, commodity prices, and environmental concerns all affect farmer's bottom lines.

Farming is hard work—and far from simple. Whether a small or very large farm, a family-owned or a much larger co-op, good farming is about anticipating and managing risk as well as establishing productive relationships within the agriculture industry.

The Farm Business & Production Management Program helps farm families reach their goals. This unique program was designed for people involved in farming who want to incorporate new and best practices. The program gives current farm owners/operators opportunities to develop and fine tune their skills within production agriculture. Knowledge presented and skills demonstrated are provided through classroom settings, workshops and seminars, speakers of expertise, farm and business tours, and individual on-farm instruction.

Graduates of the program receive a technical diploma after 5 or 6 years of annual instruction, the format of which, differs by technical college district. Graduates who wish to continue are encouraged to enroll in advanced courses. The program covers topics related to soils, crops, livestock, financial planning, recordkeeping, and technology updates.

*Below are the colleges who have FBPM programs and cooperating institutions who have supported us .

WI FBPM Instructors

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Southwest Technical College

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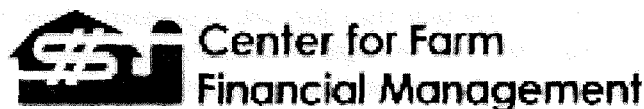
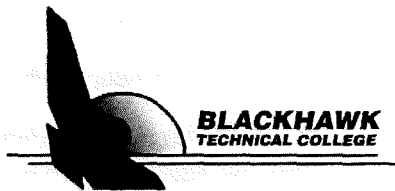
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Brad Sirianni siriannib@westerntc.edu



Data from this report is from 82 farms. The farmers are enrolled in the Farm Business & Production Management programs in the Wisconsin Technical College System. Colleges submitting farm analysis for the report are Chippewa Valley, Fox Valley, Mid-State, Northeast, Southwest & Western Technical Colleges.