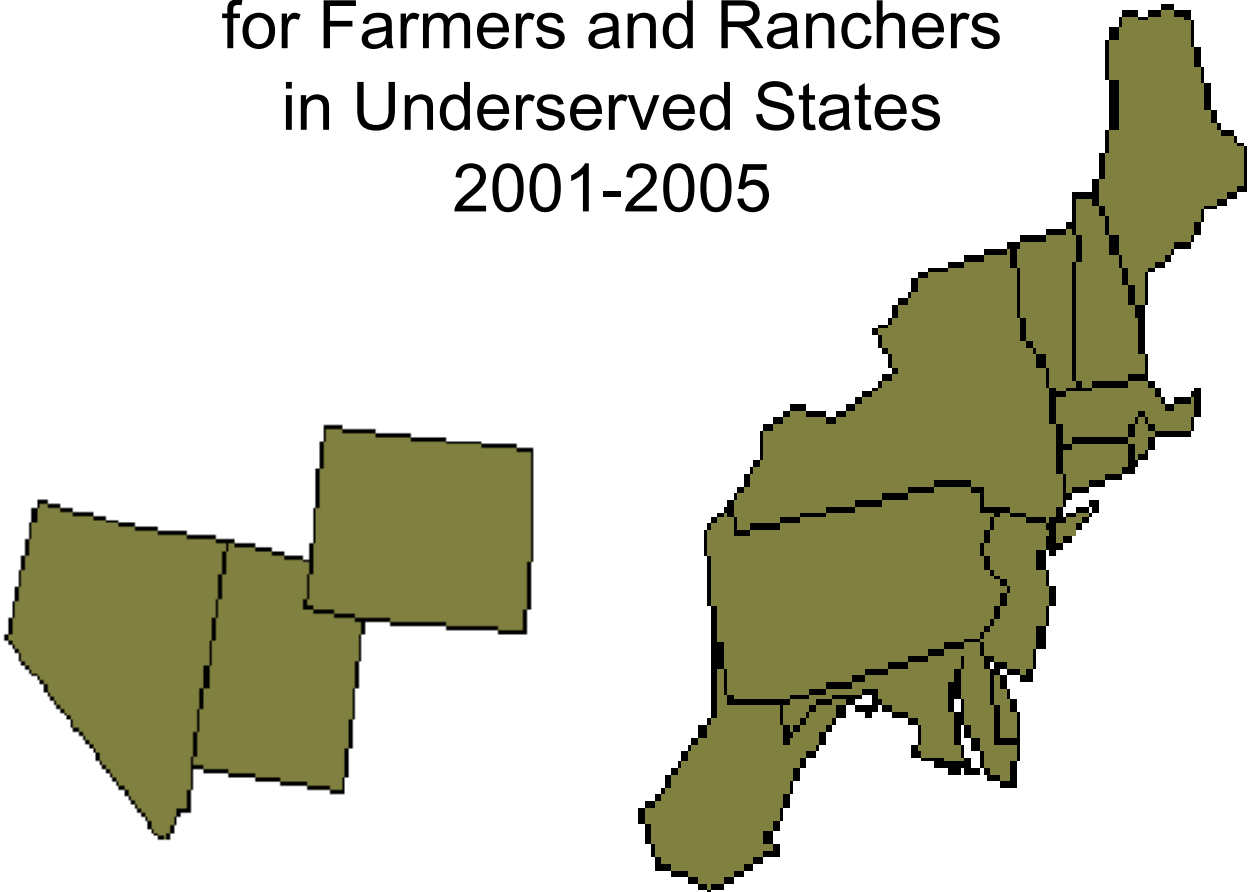


# Risk Management Agency **Education and Outreach Plan**

for Farmers and Ranchers  
in Underserved States  
2001-2005



**As Authorized in the  
Agricultural Risk Protection Act of 2000  
Section 133 [FCIA 524 - (a)(2)]  
Signed into law, June 20, 2000**



Risk management . . .  
. . . what the times demand

DRAFT October 19, 2000



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## **To Farmers, Ranchers, and Education Partners,**

USDA's Risk Management Agency (RMA) is committed to meeting the risk management needs of the nation's farmers and ranchers. We do this by delivering Federal crop insurance products through a network of private-sector partners, by overseeing the creation of new products, by ensuring the integrity of crop insurance programs, by offering outreach programs aimed at equal access and participation of underserved communities, and by providing risk management education and information.

RMA's educational mission has been strengthened significantly as a result of the passage of the Agricultural Risk Protection Act of 2000 (the 2000 Act). Among its many other features, the 2000 Act mandates bold risk management education and outreach initiatives. Working together with other public and private organizations, such as Cooperative Extension Services, state Departments of Agriculture, and grower organizations, RMA is tackling the opportunities provided by the 2000 Act to reach producers with education and information.

This long term plan provides a guide to a major education and outreach program which RMA has established together with its education partners as a result of the 2000 Act. This program is directed to those States identified as underserved. Specifically, this plan seeks to:

- C Specify the educational and outreach goals RMA hopes to achieve in the targeted areas for fiscal years 2001 through 2005.
- C Identify the general program elements RMA will use to accomplish its educational and outreach goals.
- C Describe the method RMA will use to assess the public benefits produced by the efforts of RMA and its education partners.
- C Provide guidance for those in the public and private sectors who wish to partner with RMA in reaching farmers and ranchers in the targeted region.

We hope this document will help you better understand the program of risk management education and outreach for those areas of the U.S. targeted by the 2000 Act. We also invite you to join with us in this effort to improve the farm safety net through education.

Sincerely,

Kenneth D. Ackerman, Administrator  
USDA Risk Management Agency

## Introduction

In the Agricultural Risk Protection Act of 2000 (the 2000 Act), Congress directs the Risk Management Agency (RMA) to implement many initiatives intended to increase the effectiveness of risk management tools. One of these directives is to step up the agency's educational and outreach efforts in certain areas of the country—areas which have historically benefitted less from crop insurance than have many of the major agricultural producing areas. RMA is to use the authority and funds of the Federal Crop Insurance Corporation to:

*“ . . . establish a program under which crop insurance education and information is provided to producers in States in which (as determined by the Secretary) --  
(a) there is traditionally, and continues to be, a low level of Federal crop insurance participation and availability; and  
(b) producers are underserved by the Federal crop insurance program.”*

Shortly following the passage of the 2000 Act, the Secretary of Agriculture determined the States which met these criteria. The States identified by the Secretary are:

C	Maine	C	New Jersey	C	Pennsylvania	C	Rhode Island
C	Massachusetts	C	New York	C	Vermont	C	New Hampshire
C	Connecticut	C	Delaware	C	Maryland	C	West Virginia
C	Wyoming	C	Nevada	C	Utah		

RMA met with national and regional agribusiness leaders, agricultural educators, and producers to review the challenges and opportunities afforded by the 2000 Act. This document draws heavily from input received during those meetings.

In relatively broad terms, this long-term plan outlines RMA's education and outreach program in those underserved States designated by the Secretary of Agriculture, according to Section 133 of the 2000 Act. It describes the values and principles that will guide RMA's education and outreach efforts in those areas during the five years covered by the Act (FY2001 through FY2005). More detailed information regarding RMA's program during specific fiscal years is provided in supplemental one-year plans. One-year plans assess the performance of each preceding fiscal year and, using the long-term plan as the guide, describe specific actions and objectives to be sought for the next fiscal year.

This long-term plan first identifies the values which drive the program's education and outreach goals, followed by a detailed explanation of those goals. Next is a description of the program's educational elements. For an educational experience to occur, three

elements must be present: a subject to be taught, a student, and a teacher. These correspond to the three program elements in the plan:

- C        **Educational Content** (*the “subject” - specific risk management skills, concepts, or items of information to be conveyed*)
  
- C        **The Customer** (*the “student” to whom the educational activities are directed*)
  
- C        **Delivery methods** (*the “teacher” - the specific types of educational activities in the program*)

The plan also spells out how RMA will document and assess the public benefits produced by this educational and outreach program.

Finally, this plan provides guidelines regarding the roles of various educational partners in implementing risk management education under the plan.

## Values Underlying the Plan's Goals

In developing this plan for the targeted region, RMA's educational partners expressed the need to incorporate a set of values upon which a program could be established. The following were considered to be the most important values RMA should incorporate in its education and outreach goals:

- C Meeting the needs of farmers and ranchers. The needs of agricultural producers in the underserved regions was identified as the foremost consideration for planning. All activities envisioned in this plan correspond to specific educational and informational needs of farmers.
- C Leveraging through partnerships. Many public and private organizations have a vital stake in ensuring the financial health of US agriculture. Moreover, they have the capacity to reach targeted producers and the credibility to deliver local education programs. This plan leverages the USDA funding resources earmarked for the targeted region with the resources and program delivery capacity of public and private stakeholders through partnering.
- C Determining program needs at the local level. Many of RMA's educational partners are in the best position to accurately assess local educational and informational needs. The plan relies heavily on local input for determining producer needs and for generating the best ideas for meeting those needs through educational activities.
- C Building upon an existing infrastructure. RMA has already established a network of public and private sector partners to deliver education and outreach programs in the targeted region. And, several previously sponsored projects have special significance for that region. The plan seeks to substantially broaden its partnership network and to maximize the effectiveness of existing RMA projects.
- C Considering agricultural diversity. Agricultural commodities, farm size, production practices, and the farmers and ranchers in the States selected for this program are enormously diverse. This plan seeks to develop a wide variety of informational materials and educational delivery methods for a program which will meet the needs of all farmers, with a special emphasis on reaching small family farms.
- C Offering various educational delivery methods. Just as producers of different commodities have different informational needs, producers have

different ways of receiving their farm business information and learning new skills. The plan accounts for these differences by offering quality educational experiences through a variety of delivery methods.

- C *Complementing other risk management efforts.* Increased education is just one of the activities promoted within the 2000 Act. This plan seeks to blend the elements of its educational and outreach program with the other risk management objectives of the 2000 Act and with the other agricultural educational efforts of public and private groups.
- C *Employing emerging information technology.* Advances in technology provide new and better ways to deliver education and information to certain producers. The plan seeks to employ these advances whenever possible while, at the same time recognizing that traditional educational activities, such as workshops, meet the needs of other farmers.
- C *Ensuring accountability.* The Government Performance and Results Act of 1993 requires that government programs become more accountable to taxpayers and communicate more effectively with stakeholders. This education and outreach plan seeks to ensure that goals are clearly communicated, that activities result in tangible public benefits, and that program outcomes are, wherever possible, objectively measured, analyzed, and reported.

## Goals

One of the goals identified in RMA's long term strategic plan is to:

*"Strengthen the safety net for agricultural producers through sound risk management programs and education."*

Within this strategic goal, an objective is to:

*"Increase the agricultural community's awareness and effective utilization of risk management alternatives and skills."*

RMA focused on this strategic goal and objective, the core set of values identified earlier, and specific desired outcomes identified by RMA and its education partners to provide the foundation for this long-term education and outreach plan. From these factors, RMA identified three major goals for its education and outreach program to underserved regions for 2001 through 2005. RMA will seek to achieve the following:

- C Goal 1: Improve the financial health of small farms. RMA's education and outreach program will be directed to all agricultural producers in the targeted region. Nevertheless, RMA will make a special effort to reach smaller farms. Nationally, small farms tend to be highly unprofitable. Small farm operators generally meet agricultural losses from off farm income. If RMA's education and outreach plan is effective and small farms become better risk managers, then the financial health of small farms should improve.
- C Goal 2: Increase producers' skill and knowledge of risk management. Good risk management means much more than just knowing about crop insurance. In some cases, it might include selecting an appropriate crop insurance policy. But, in other cases, it might also be the decision to self insure. Good risk management is understanding the context around which decisions regarding crop insurance and other risk management tools are made. If RMA's plan is effective, then producers' knowledge of risk management alternatives will increase as will the skill of each producer in making good risk management decisions.
- C Goal 3: Increase crop insurance participation. RMA recognizes that existing, Federal crop insurance products may not meet the financial risk management needs of certain producers. However, many others in the targeted region could benefit from crop insurance. These producers do not currently use crop insurance because they lack good information from which to make a decision. Moreover, new crop insurance products will be developed within the provisions of the 2000 Act that



will meet the increasingly diverse needs of producers in the targeted region. Rural communities, and the public generally, will benefit if more farmers in the targeted region participate in these programs. If this education plan is effective in delivering sound crop insurance education and information to this region, the use of crop insurance should increase.

## Program Element I - Educational Content

The Agricultural Risk Protection Act of 2000 directs RMA, using Federal Crop Insurance funding, to:

*“ . . . establish a program under which crop insurance education and information is provided to producers.”*

Producers need adequate information to be able to select the right crop insurance product, or to decide if a crop insurance policy is even needed in a specific situation. For this to happen, the context for making crop insurance decisions must be clearly understood.

A farm's income statement is a good place to begin to consider the crop insurance decision. Traditional crop insurance can assure the farmer that the yield portion of expected income for a specific crop is protected. Some newer insurance products can protect revenue (yield times price) for a single crop. Revenue for all crops on a farm can be protected with a “whole-farm” insurance product currently available in some pilot areas. For some farmers, crop insurance can also protect costs, as is the case of livestock producers who produce their own feed.

Thus, producers need a clear understanding of the major risks affecting their financial statements and how the use of crop insurance, where available, can help manage these risks. Training segments, instructional materials, and commodity-specific risk management information to be developed for this educational program will focus on four major areas:

### Income Statement

$$\begin{aligned} & \text{Revenue (Price x Yield)} \\ & - \text{Costs} \\ & = \text{Income} \end{aligned}$$

**RMA's products work on the Income Statement by keeping revenue above some minimum level. As a result, crop insurance helps reduce variability in income. Reducing income variability increases the value of the farm and can lower borrowing costs.**

- C General Risk Awareness. Research has shown that businesses generally have difficulty in properly assessing probabilities and risk. Farmers, in particular, frequently underestimate the chance that they will be adversely affected by a weather or price event. Information and training will be developed which helps producers better identify the major risks to a farm's financial statements. And, to be able to make effective crop insurance decisions, producers should have a good understanding of production costs for each commodity grown. All information and training for this segment will be developed with an emphasis on how a better knowledge of risks affecting a producer's financial statements provides the foundation upon which a crop insurance decision can be made.
  
- C Yield Risk. Weather and other natural perils can destroy the hard work and dreams of farmers. Federal and private crop insurance, where available, is often a low-cost way for producers to protect their costly investment. Training segments dealing with yield risk will help farmers understand various crop insurance products and other yield risk management tools.
  
- C Price Risk. Thoughtful marketing of agricultural products is an activity often neglected by many farmers. Using price risk management tools, including Federal crop revenue insurance, a farmer can gain control over price risk. Other marketing-related strategies can also assist farmers in managing price risk. Training segments in this area will help farmers understand the price risk management tools available for the commodities they wish to market.
  
- C Making Risk Management Decisions. Simply knowing about available crop insurance and other risk management tools is only half the battle. A farmer needs information concerning how various risks interact and the consequences of making alternative risk management decisions. Training segments in this area will help farmers acquire skill in making risk management decisions within the context of a sound business plan.

## Program Element II - The Customer

The 2000 Act clearly identifies “producers” as those to whom the education program should be directed. The USDA defines a farm as a business operation that produces and sells more than \$1,000 in agricultural products during a year. Using this information, RMA is designating its primary and secondary customers as follows:

*Primary Customers.* All agricultural producers designated by USDA as farms in the targeted region will be considered RMA’s primary customers for this education program. RMA will make a special outreach effort to “Small Farms” and, within the group of small farms, “Limited Resource” farms, as identified by the USDA National Commission on Small Farms. According to the Commission, a Small Farm is any farm with less than \$250,000 in annual sales. In 1997, Small Farms represented about 95% of all farms. Limited Resource Farms are farms with less than \$100,000 in annual sales, less than \$150,000 in farm assets, and less than \$20,000 in annual household income from all sources. New and future farmers will also be considered as primary customers. This group includes young farmers in the process of taking over farm operations from retiring operators, new immigrants who enter farming, agricultural students at Land Grant colleges, and students in AgEd programs in high schools and community colleges.

*Secondary Customers.* This group includes all professionals and organizations with a stake in the risk management skill of producers in the targeted region. It includes organizations with an interest in preserving the financial health of rural, agricultural communities. It also includes those professionals who have frequent risk management “teaching opportunities” with primary customers, such as lenders, extension educators, insurance agents, commodity brokers, grain elevator agents, input suppliers, and others.

All activity envisioned in this plan is expected to ultimately benefit RMA’s primary customers and the rural communities in which they reside. Nevertheless, RMA recognizes that secondary customers can play an important role in helping to reach primary customers. Indeed, many of the educational activities in the early years of this program will be directed to secondary customers. This will lay a solid foundation of understanding of program concepts upon which more primary customers can be reached in the later years of the program.

## Program Element III - Delivery Methods

Producers respond differently to alternative educational formats. For some, a traditional workshop session is a highly effective method for delivering information and for increasing management skills. However, many producers are reluctant to attend workshops. Because of these differences, an assortment of formats is envisioned in this plan. RMA expects to sponsor educational activities that include the following formats:

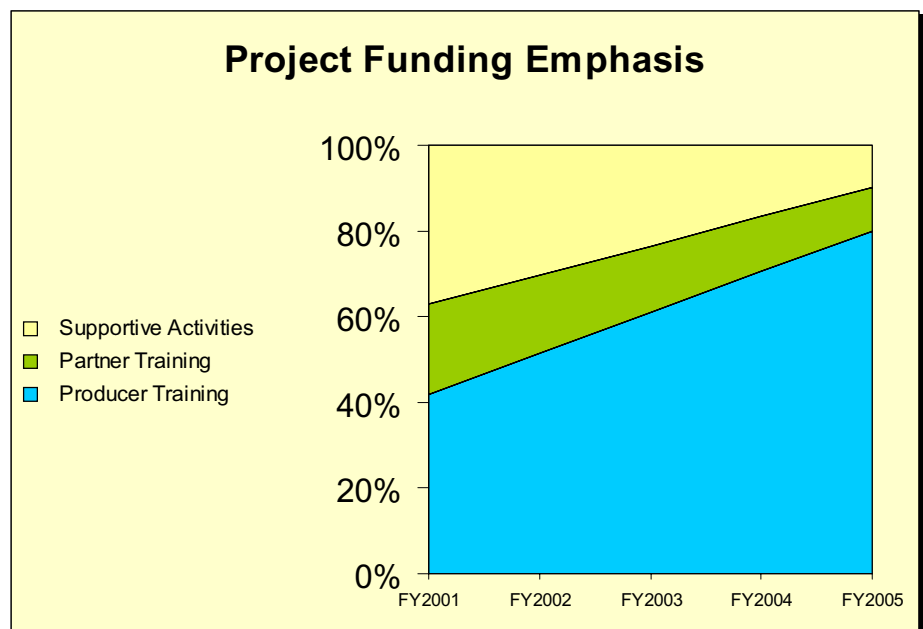
- C Producer workshops and seminars.
- C Risk Management Clubs.
- C Self-study opportunities.
- C Hands-on training through cost sharing (such as the Dairy Options Pilot Program).
- C Individual producer instruction by public and private professionals.

In addition to these direct delivery methods, selected indirect methods of reaching producers and supportive activities are expected to also yield important educational benefits. These include:

- C Media support and promotion
- C Use of educational and informational technology
- C Trainer preparation

By offering education through a variety of different formats, RMA hopes to maximize the learning and informational opportunities available to producers in the targeted region.

Some of the activity emphasis in the early years of the plan will be on supportive activities, such as instructional materials preparation, promotion, development of technology learning tools, and supportive research. Also, the training of education partners will be critical.



As the plan progresses, proportionately more resources will be devoted to direct producer training.

## **Assessment of Results**

The Government Performance and Results Act of 1993 requires that the Federal government be more accountable to the public by identifying clear goals for programs and by measuring specific benefits for taxpayer dollars expended. The benefits from educational programs, such as this one, are generally more difficult to measure and evaluate than are the benefits from other programs. And, measurable benefits from education programs are sometimes achieved only after the passage of time or after the targeted audience has had repeated exposures to educational information.

Even so, stakeholders in the educational program for the targeted region need a clear description of how RMA plans on evaluating the public benefits of the program. Such an evaluation framework has been developed and is outlined below. It includes a set of objective indicators, linked to specific goals, which will be evaluated annually. Annual evaluations will help RMA, its stakeholders, and policy makers determine which areas of this educational program seem to be working and which areas warrant change.

The first set of measurements to be reported under this plan are activity measures. By themselves, activity measures provide no guarantee that concrete educational benefits will be achieved. But activity data can help clarify the significance of more direct measures. For instance, knowing the number of producers attending educational workshops in a particular State during the year would be useful in evaluating the extent to which these workshops contributed to an increase in producers' skill and knowledge (goal number 2). Also, in some cases, educational activity data might be leading indicators of future, tangible results.

### Activity measures:

- C *Producers reached through each delivery method.*
- C *Educational sessions conducted using each delivery method.*
- C *Educational materials distributed through each delivery method.*
- C *Dollars expended by budget category and delivery method.*

The second set of measurements deal directly with the goals identified in this plan. These indicators provide specific information from which conclusions regarding the goal can be drawn.

RMA, through this education program, should be considered to have a significant impact on determining whether Goals 2 (raising risk management knowledge and skill

levels) and 3 (increasing crop insurance participation) will be achieved. Even so, other factors are at work. For instance, private crop insurance companies, not the Federal government, deliver all Federal crop insurance products through their representative agents. Therefore, achieving the desired increase in crop insurance participation would reflect positively on the efforts of both RMA and its private sector partners.

On the other hand, much more varied forces will likely determine whether Goal 1 is achieved. The influence this education program has on the financial health of small farms will be limited to awareness that is raised for risk management, better knowledge of risk management by professionals dealing with producers, and direct producer training and information. This impact is likely to be highly indirect and will be difficult to assess. Nevertheless, this education and information program could be sufficiently significant that specific results in these two goals can be identified.

This plan's goals, with their respective indicators, are as follows:

### **Goal 1: Improve the financial health of small farms**

Data for indicators will be drawn from NASS and ERS data.

#### Indicators:

- C Average Net Income earned on small farms
- C Percentage indebtedness on small farms
- C Diversification measure (percentage value of top 4 crops)

### **Goal 2: Increase producers' skill and knowledge of risk management**

Data for indicators will be drawn from evaluations to be completed by participating producers in this education program.

#### Indicators:

- C Producers' knowledge of various risk management tools
- C Producers' perception of their risk management skills

### **Goal 3: Increase crop insurance participation**

Data for indicators will be drawn from RMA's Summary of Business Report and NASS

publications.

Indicators:

- C Total and percentage of crop value covered
- C Total and percentage of acres insured
- C Total and percentage of farm operators with policies

## **Educational Partnering**

RMA's education partners are the key to its educational program success. A network of partners has already been highly effective in helping RMA reach many producers in education programs. With increased opportunities resulting from the passage of the 2000 Act, however, this network of educational partners needs to grow.

What is an RMA educational partner? It is any public or private organization with a stake in the financial health of an agricultural community. These organizations have a vested interest in ensuring that their members or clients are well informed regarding risk, have good risk management skills, and know what tools can best be used to manage risk. Indeed, many educational partners are already providing significant educational services to producers.

RMA wants to partner with public and private organizations to leverage the government's resources with the talents, resources, and experience in those organizations. Partnering ensures that the USDA's educational programs are delivered efficiently. At the same time, partnering allows public and private organizations to maximize the impact of their educational efforts. By partnering in risk management education, public and private stakeholders alike can ensure that the producers who rely on them will remain financially healthy. Partnering also allows organizations to accomplish educational goals together that they could not accomplish alone.

The following are only a few of the ways public or private organizations can contribute to this education program through partnering:

- C Be part of a local educational planning group.
- C Participate in local educational activities:
  - Identify and recommend activities
  - Promote upcoming activities
  - Organize and co-sponsor



- Participate as trainers
- C Help develop instructional materials.
- C Evaluate educational activities and programs.

Current partnering information may be obtained by visiting RMA's website at:

[www.rma.usda.gov](http://www.rma.usda.gov)

## Glossary

**The 2000 Act:** The Agricultural Risk Protection Act of 2000. Among its other features, the 2000 Act bolsters the crop insurance program and risk management education.

**Crop insurance education and information:** Instruction and information which agricultural producers can use to decide if a crop insurance product can meet the risk management needs of a farm operation.

**Limited Resource farm:** A small farm meeting three criteria—sells less than \$100,000 annually in agricultural products, owns less than \$150,000 in farm assets, and generates less than \$20,000 annually in household income from all sources.

**Education Partners:** Stakeholders in risk management education programs who are willing to combine their resources with RMA and others to sponsor or promote risk management educational activities.

**Producer:** The operator of a farm, defined by the USDA to be a business which sells agricultural products of more than \$1,000 annually.

**RMA:** The Risk Management Agency, an agency of the United States Department of Agriculture.

**Risk Management:** For farm operators, taking specific actions to reduce, transfer, or eliminate those risks which pose an unacceptable threat to the financial health of a farm operation.

**Small Farm:** A farm which sells less than \$250,000 of agricultural products annually.

**Stakeholders:** Public or private organizations or agribusiness professionals with an interest in improving education and information dealing with risk management as a means to increase the financial health of producers and rural communities.

**Targeted Region:** (Same as Underserved States.)

**Underserved States:** Those States selected for special crop insurance education and information programs under Section 133 of the 2000 Act. The 15 States selected are Maine, New Hampshire, Vermont, Connecticut, Massachusetts, Rhode Island, New York, Pennsylvania, New Jersey, Delaware, Maryland, West Virginia, Utah, Nevada, and Wyoming.