

**FLORIDA EXTENSION INITIATIVE ONE: INCREASING THE SUSTAINABILITY, PROFITABILITY, AND  
COMPETITIVENESS OF AGRICULTURAL AND HORTICULTURAL ENTERPRISES  
PRIORITY TWO: FARM ECONOMICS, ENTREPRENEURSHIP, AND MANAGEMENT**

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**SITUATION STATEMENT**

Commercial agriculture is a major economic driver in the state of Florida. Total economic contributions for agriculture, natural resources and related food industries broadly defined to include allied inputs and services, manufacturing and distribution, and nature-based recreation, and including regional multiplier effects, were 2.1 million fulltime and part-time jobs, representing 20.8% of the state workforce, and \$120 billion, in value added, representing 14.9% of state GDP in 2012<sup>1</sup>. According to the 2012 Census of Agriculture, there were over 47,000 farms and 9.5 million (M) acres of farm land in Florida, with 2.2 M acres of harvested cropland, including 1.5 M acres of irrigated cropland, 2.4 M acres of farm woodlands, and 3.7 M acres in permanent pasture/rangeland.

Total Florida farm cash receipts by agricultural producers in 2011 were \$8.26 billion, as summarized for major agricultural commodities in Table 1. Net farm income in Florida was \$2.26 billion, representing a net margin of about 27% on the gross value of agricultural production. Cash receipts grew at a slow pace of 0.6% annually during the recent period of 2007-11. A number of commodities have actually declined in value during recent years. Direct government payments received by Florida farmers are relatively small compared to many other states, representing less than 2% of total farm income, and only a small share (11%) of farm operations in Florida take advantage of crop insurance programs.

The agricultural industry in Florida is rather concentrated, with only 2.7 percent of all farms reporting \$1 million or more in annual sales, but representing over 78 percent of total cash receipts. Specialty crop agriculture in Florida is relatively labor-intensive, with labor costs typically accounting for 25 to 40 percent of revenues, and the industry is heavily dependent upon immigrant workers, a majority of whom are undocumented (USDA-NASS, Agricultural Worker Survey). Florida exports a large share of its agricultural products, which compete directly with other domestic and international producers. Florida producers have lost market share in some key commodities.

The majority of small and medium sized Florida agricultural producers have off-farm jobs to supplement household income. These clientele typically lack training in business and financial management and marketing. Educational programs are needed to assist clientele to develop their businesses in the extremely competitive business environment faced today.

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<sup>1</sup> Economic contributions of agriculture, natural resources, and related food industries in Florida in 2012. A. Hodges, M. Rahmani and T. Stevens. UF/IFAS Extension publication FE954, Sep. 2014, [www.edis.ifas.ufl.edu/fe954](http://www.edis.ifas.ufl.edu/fe954).

**Table 1.** Florida agricultural commodity cash receipts in 2011 and average annual percent change during 2007-11

Commodity	Value 2011 (Million \$)	Average Annual Percent Change 2007-11
Livestock and products	1,498.0	1.4%
Cattle and Calves	487.6	3.9%
Hogs	3.1	-4.8%
Dairy Products: Milk	545.4	3.3%
Poultry/eggs	362.8	-3.4%
Honey	18.1	11.8%
Aquaculture	53.2	-4.7%
Other livestock	27.1	-0.2%
Field Crops	264.0	0.4%
Wheat	2.1	-8.8%
Feed Crops (corn, hay)	43.5	-6.6%
Cotton	83.2	21.0%
Oil crops (peanuts, soybeans)	135.2	15.4%
Vegetables & Melons	1,925.0	1.8%
Potatoes, Spring	136.0	-3.2%
Sweet Potatoes	7.5	3.5%
Beans, Snap	133.5	-6.1%
Cabbage, fresh	65.0	6.0%
Corn, sweet, fresh	174.2	4.5%
Cucumbers	89.6	-11.4%
Peppers, green, fresh	247.7	7.3%
Tomatoes, fresh	564.7	5.0%
Squash	94.9	20.1%
Misc. vegetables	300.0	4.6%
Watermelons	111.9	-6.6%
Fruit & nuts	2,219.6	0.6%
Citrus	1,728.3	-1.7%
Grapefruit	178.2	-10.2%
Oranges	1,475.1	-0.6%
Tangelos	12.8	0.9%
Tangerines	62.2	-0.5%
Avocados	22.0	15.1%
Strawberries, Winter	366.3	10.3%
Blueberries	69.1	10.7%
Other berries	0.6	5.9%
Pecans	6.2	23.8%
Misc. other fruits & nuts	27.1	-0.4%
Sugarcane (for sugar)	509.0	4.8%
Other field crops	23.3	1.7%
Greenhouse / Nursery	1,791.3	-2.8%
Total Cash Receipts	<u>8,262.5</u>	0.6%

Source: USDA-National Agricultural Statistics Service, Farm Cash Receipts and Expenditures (Florida), Jan. 2013.

[http://www.nass.usda.gov/statistics\\_by\\_state/Florida/publications/economics/fcr&e/fcrexp12.pdf](http://www.nass.usda.gov/statistics_by_state/Florida/publications/economics/fcr&e/fcrexp12.pdf)

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## SIGNATURE PROGRAMS AND EDUCATIONAL METHODS

Growing 4 Profit. This will be an intensive training program on best business practices for new and continuing agricultural enterprises. The training will consist of a multi-part series of workshops covering business fundamentals such as business organization, business planning, record keeping, financial analysis, enterprise budgeting, marketing, legal compliance issues, risk management, human resource management, and entrepreneurship. The training will be delivered in face-to-face sessions at UF/IFAS Research and Education Centers and county offices, as well as via distance technology, where appropriate. Teaching will be done by IFAS Extension Specialists and county faculty in collaboration with educators from Small Business Development Centers around the state. The content of the program will be customized to meet the particular needs of clientele in each area, and separate program tracks may be offered for new and experienced business owners. The curriculum will include a workbook with relevant articles, worksheets, case studies, notes and software/data CDs. A certificate of completion will be provided to participants who complete the program. Spanish language trainings will be offered as needed for minority clientele groups. This program is similar to the popular *Annie's Project* offered for beginning women entrepreneurs.

Enterprise Budgeting. Agricultural enterprise budgets have been developed at many land grant universities for quite some time, but there is a lack of centralization of this information, often leading to confusion and miscommunication between faculty and clientele. As a remedy to this, this Extension initiative will develop a dedicated website to provide frequently updated enterprise budgets for selected Florida agricultural commodities. The budgets will be organized by region (Panhandle, North, Central, and South Florida) and commodity (Livestock, Fruits, Vegetables, Row Crops, and Ornamentals). Approximately five new budgets will be developed each year, as well as maintaining and updating existing budgets. Priority commodities for each year will be determined by the action team members. The web application will feature live links to online information sources on labor and material input prices, and will include the option to use probability distributions to aide in risk management, as well as point estimates of "most likely" key results. Extension fact sheets and EDIS documents will be developed in support of the budgets. Through this program, both Extension professionals and clientele groups will have resources that assist in analyzing the profitability of farming enterprises. As a result of these online resources, users of the website will be enabled to better evaluate prospective and existing enterprises with an improved understanding of input costs, breakeven pricing and cash flow.

Market Development. The subject of marketing combines several issues important to agricultural producers of all sizes. Factors influencing the ability of producers to bring products to market include consumer and industry trends, knowledge of regulations and other barriers to entry, knowledge of marketing principles, and ability to track and forecast market prices. Changing markets will continue to challenge producers, and better knowledge

of marketing remains an area in need of improvement in all areas of agriculture. Activities in this programmatic area will assist producers in marketing their products competitively and legally. A particular focus of the program will be on development of local markets that capitalize on high consumer interest to “buy local.” This program area will feature the marketing resources of Florida *MarketMaker* and *MarketReady*, and other online marketing platforms. Ultimately producers will be empowered to formulate business plans to capitalize on marketing that is both profitable and consistent with business priorities.

All these topics will be taught using a multi-faceted educational approach including classroom instruction, fact sheets, web sites and personal visits.

This program area relates primarily to the extension “super issue” of Financial Management for Individuals and Enterprises.

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#### PROGRAM OBJECTIVES

This extension program generally seeks to improve knowledge of fundamental business management principles and adoption of preferred business practices, especially for new and small- and medium-sized agricultural producers, in order to enhance the profitability, competitiveness and economic sustainability of the Florida agricultural industry. Specific objectives of the program are to:

- increase the number of successful business startups
- improve business retention and expansion in local communities
- increase sales and net income
- increase resource use efficiency and productivity
- control and reduce costs
- increase market share
- improve access to capital financing
- enhance customer satisfaction
- reduce employee turnover and enhance employment opportunities
- reduce the rate of business failure

For the *Growing 4 Profit* workshops specifically...

- 85% of participants will increase their knowledge for estimating business costs, and 50% of the participants will have developed an enterprise budget for their business within 6 months, as measured by post-workshop evaluations and follow-up surveys, respectively.
- 85% of participants will increase their knowledge of how to write a business plan, and within 6 months 50% will have begun to write a business plan.

- 85% of participants will increase their knowledge of bookkeeping and financial statements, and within 6 months 50% of participants will have begun using recommended financial analysis tools to evaluate their financial performance.
- 85% of participants will increase their knowledge of basic marketing and customer segmentation, and within 6 months 50% of participants will have segmented their customers for targeted marketing.
- 30% of participants who are prospective entrepreneurs will have started a new business venture within 6 months.

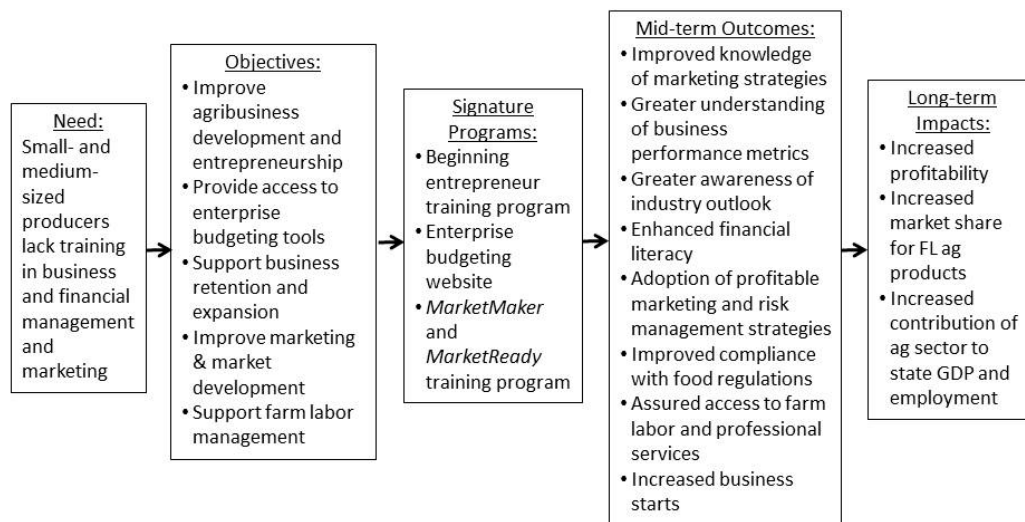
As a result of creating a centralized agricultural enterprise budget website, clients will indicate they have easier access to resources enabling them to have improved understanding of input costs, breakeven pricing and cash flow as measured by an on-line survey.

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## EXPECTED OUTCOMES AND IMPACTS

A logic model diagram for the program is given below.

### Logic Model for IFAS Priority on Farm Economics, Entrepreneurship and Management



Short- and mid-term outcomes for this initiative are for a large majority (85%) of clientele to have measurably increased knowledge of business fundamentals such as bookkeeping, business planning, financial analysis, enterprise budgeting, risk management, human resource management, marketing strategies, and business performance metrics (e.g. financial ratios). In addition, clients will have greater awareness of the industry competitive situation and generally enhanced financial literacy. Through knowledge gain, it is expected that clientele will be empowered to change behavior to adopt recommended practices and implement profitable business management strategies that will naturally lead to improved business management, increased business

startups, increased business retention and longevity, improved producer compliance with business regulations, and assured access to farm labor and professional services. Long-term outcomes and impacts of this educational program will include increased profitability of agricultural producer and allied industry firms, increased market share for Florida agricultural products in local and export markets, and increased contribution of the agricultural sector to state GDP and employment. Of course, changes in economic performance of program participants must be measured against the overall performance of the agricultural sector and the macroeconomic environment in Florida and the United States.

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## RESOURCE NEEDS

To realize the full potential of this new Extension initiative, additional resources will be needed as follows:

- A new farm management specialist position in the Food & Resource Economics Department, whose primary responsibility would be to coordinate overall agribusiness curriculum development and assist in program delivery.
- Two new farm management/agricultural economics-based regional specialized extension agents located in Central and South Florida, whose primary responsibilities would be tied closely with this extension program to adapt programming to the needs of clientele in these regions. These positions should have a commitment for two years initially, with the possibility for continuation dependent on performance and program funding. The first year would be dedicated to curriculum development, and the second year focused on program delivery.
- In-kind technical support to improve web presence and technology development for program-related tools such as budget calculators, web apps, etc.
- In-service training should be provided for UF-IFAS personnel in support of this program area, on the topics of enterprise budgeting, marketing principles, cost-benefit analysis, and coaching new entrepreneurs.
- Approximately \$20,000 in annual support is needed for curriculum development, website programming and travel. Intramural support and external grant funds will be sought for this.

## Action Team Members

- Alan Hodges, Extension Scientist, Food & Resource Economics Dept., Gainesville, [awhodes@ufl.edu](mailto:awhodes@ufl.edu), state specialist program co-leader, financial analysis and regional economics
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**Linkages.** The program will leverage institutional linkages with the following organizations:

- Farm Credit Bank
- USDA Farm Service Agency
- Small Business Development Centers, U.S. Department of Commerce
- Senior Core of Retired Executives (SCORE), Counselors to America's Small Business

- Florida agricultural commodity organizations (Florida Nursery Growers and Landscape Association, Florida Fruit and Vegetable Association, Florida Cattlemen’s Association, Florida Citrus Mutual, etc.)
- Local Chambers of Commerce
- UF-Bureau of Economic and Business Research
- UF/IFAS Departments of Food & Resource Economics, Horticultural Science, Environmental Horticulture and Animal Science
- Florida A & M University Extension
- Other Land Grant Universities