

2008

Pilot project to identify and measure the relevant costs of production for sustainable agriculture products

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Recommended Citation

Ravenscroft, Sue and Doran, B. Michael, "Pilot project to identify and measure the relevant costs of production for sustainable agriculture products" (2008). *Leopold Center Completed Grant Reports*. 301.

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Pilot project to identify and measure the relevant costs of production for sustainable agriculture products

Abstract

Accounting professionals sought to help farmers understand costs of production for their products.

Keywords

Accounting, Business management distribution and marketing, Farmer profitability enterprise budgets

Disciplines

Accounting | Agribusiness | Business Administration, Management, and Operations | Entrepreneurial and Small Business Operations | Marketing



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FOR SUSTAINABLE AGRICULTURE

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Abstract: Accounting professionals sought to help farmers understand costs of production for their products.

Question & Answer

Q: Where can farmers learn more about managing their financial situation?

A: Assistance from Iowa State University is available if the farmer is willing to share data and take the time to talk with people from ISU. A fairly simple analysis - like the one done for the beef producer in this study - can provide evidence that changes the strategy of the producer in an important way.

Background

The goal of the project was for Iowa State University accounting professors to work with producers to provide assistance in identifying and measuring relevant costs of production for sustainable agriculture products and/or enterprises.

Approach and methods

Initially the investigators attended two producer focus group meetings in an attempt to identify producers who would be interested in working on this project. Unfortunately, the producers in these meetings were only in need of basic bookkeeping-type accounting information, and were not engaged in sustainable farming as a livelihood.

Then the investigators were put in contact with several

individuals in southwest Iowa who were engaged in sustainable agriculture production. They met with owners of three businesses; one raised frogs; one was a direct marketer of locally grown, dressed beef that is processed at a local locker; and the third operated a small truck farm and kitchen, and offered organic food products for sale at local farmers markets.

Results and discussion

Timing proved to be a significant challenge in working with the three enterprises. Academics and producers were busiest at opposite times of the year. Student help was not available during the summer when the producers could use assistance. Producers also felt they were aware of their product costs already, and were reluctant to share details of their financial operations with strangers.

Based on initial meetings, the frog production business was not yet at a point where the identification and measurement of its production costs was possible. The truck farm and kitchen operators were too busy to meet with the investigators.

The local beef marketer did work with the investigators to develop some spreadsheets related to his beef processing options and inventory control. The information gained from using the spreadsheets allowed the beef marketer to make some changes in working with producers to better reflect the market value of the carcasses sold.

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Budget:
\$9,550 for year one
\$1,971 for year two

Conclusions

The project had significant difficulty locating producers who were interested in the accounting services offered by the project researchers, and willing to devote the time necessary to analyze their business plans. Gaining the trust of producers in order to allow them to share financial information may be a complex and long-term task. The researchers

agreed that it might be more productive for them to work with other Leopold Center project investigators to assist on their grants related to helping producers.

Leveraged funds

No additional funds were leveraged by this grant.

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