

2007 University of Arkansas Combined Research and Extension Plan of Work

Economics & Commerce

V(B). Program Knowledge Area(s)

1. Program Knowledge Areas and Percentage

- 112 10% Watershed Protection and Management
- 601 10% Economics of Agricultural Production and Farm Management
- 602 10% Business Management, Finance, and Taxation
- 603 10% Market Economics
- 604 10% Marketing and Distribution Practices
- 605 10% Natural Resource and Environmental Economics
- 606 10% International Trade and Development
- 610 10% Domestic Policy Analysis
- 611 10% Foreign Policy and Programs
- 801 10% Individual and Family Resource Management

V(C). Planned Program (Situation and Scope)

1. Situation and priorities

To maintain a highly competitive agricultural production system, the U.S. and the state of Arkansas must ensure that firms operating in the industry are economically viable and efficient. One way to increase global competitiveness is through the development of new technology and product marketing. However in addition to new technologies, changes in government policies and general fluctuations in economic conditions will also affect economic performance and global competitiveness. There is a need not only for developing and evaluating new technologies that enhance competitiveness, but for an extension of the knowledge base of all factors that influence the industry's competitive position in global markets. Achieving goals of global competitiveness cannot be reliant solely on the development of new production technologies. A complete understanding of all important factors will be necessary to be successful.

Factors affecting the global competitiveness of the U.S. agricultural production system include:

1. Firm management decisions
2. Macroeconomic, environmental, farm and trade policies
3. Financial markets
4. Domestic and international supply and demand conditions
5. Industry structure and organization
6. Development and adoption of new technologies.

Arkansas agricultural producers have faced volatile prices in recent history due to a significant rise in production costs associated with natural disasters and higher energy prices. AEAB documented at least \$980 million in losses for Arkansas agriculture due to these causes. These uncertain times requires farmers to have a better understanding of sound farm financial management practices including risk management

Arkansas' three year average poverty rate is 17.6 – one of the highest in the nation (U.S. Census Bureau). Almost forty-four percent of single mothers with related children in Arkansas live in poverty (Rural Family Profile of Arkansas 2004, UA Division of Agriculture). Personal debt and bankruptcy filings in Arkansas are at an all time high and savings rates are at historically low levels. The number of Arkansans filing for bankruptcy grew from 6,467 in 1994 to 23,887 in 2004 (American Bankruptcy Institute). Arkansas is 9th in the United States for proportion of older Americans in the population, with 14% of Arkansans ages 65 and older in 2000. The median age of the U.S. population continued to rise, from 35.3 years on April 1, 2000, to 35.9 years on July 1, 2003 (U.S. Census Bureau).

Employment uncertainties due to the global economy and new technology are impacting Arkansas workers. Ernie Goss, chairman of regional economics at Creighton University in Omaha, Neb., stated that Arkansas has lost more than 37,000, or 15.6 percent, of its manufacturing jobs in the past five years (Arkansas News Bureau). In 2004, the Federal Trade Commission received 635,000 consumer fraud and identity theft complaints. Identity theft has been the top complaint for the past five years. Reported losses from consumer fraud amounted to more than \$547 million in 2004 (Federal Trade Commission).

V(D). Planned Program (Assumptions and Goals)

1. Assumptions made for the Program

Strong interactions with farm leadership from promotion boards, farm organizations and recognized progressive farmers have identified the priority areas addressed by the program.

The basic premise of Extension Resource Management educational programs is that through the programs, citizens will increase knowledge and skills. The knowledge and skills will lead to behavior change and the consumer will begin to use recommended financial management techniques. Then, the use of recommended financial management techniques will lead to increased financial security.

Jeanne M. Hogarth, Sondra G. Beverly, and Marianne Hilgert studied financial behaviors of U.S. households using data from the Surveys of Consumers by the Survey Research Center. Survey questions covered financial experience, behavior, management, and preferred methods of financial education. Researchers divided financial behavior into three categories: cash flow management, saving, and investing. Each category was further divided into low, medium, or high with respondents in the low group reporting the least incidents of behavior relating to the particular financial management category and respondents in the high group having the most reported behaviors indicative of the performance in the financial management category. The article states that (page 11) "Within each index, those with a high score also had higher scores on the knowledge quiz." The scores for financial knowledge and financial learning experiences were consistently significant across all three categories; indicating a correlation between financial knowledge and financial behavior.

According to a "systems influences" framework that examines financial security protective factors, Marlene S. Stum and Suzann Knight identify financial literacy; saving/asset management; and identifying and communicating financial goals as factors that increase or protect financial security. Extension education programs lead to increased financial literacy, and adoption of recommended financial management practices including goal setting and money management. Therefore, increased learning and behavior change of program participants indicate protective factors that increase financial security for those individuals. All other influencing factors held constant, a significant increase in financial security for a population should be reflected in a decrease in non-business bankruptcy filings for that same population.

Beverly, S. G.; Hilgert, M. & Hogarth, J. M. (2003). Patterns of financial behaviors: Implications for community educators and policymakers. From Federal Reserve System Community Affairs Research Conference, at www.chicagofed.org/cedric/files/2003_conf_paper_session1_hogarth.pdf
Knight, S. & Stum, M. (2002, March). From research to reality: A roadmap to financial security in later life. University of Minnesota National Initiative Roll-out conference at http://www.csrees.usda.gov/nea/economics/fssl/edu_framework_fig2.html

2. Ultimate goal(s) of this Program

- « The development and identification of new technologies that enhance profitability and manage risk
- « Broadening the understanding of linkages between policy, market conditions, industry structure and system competitiveness.
- « Investigate and address concerns, as they emerge.
- « Position the State of Arkansas as a national leader in dealing with new and emerging concerns.
- « Continue to support strategic partnerships that create value-added benefits for Arkansas' environment and its people.
- « Help Arkansas to achieve high degree of competitiveness in a global economy.
- « Increase family financial security by providing resource management training for youth and adults.

V(F). Planned Program (Activity)

1. Activity for the Program

New technologies and products that will enhance global competitiveness

Economic evaluations of selected new technologies that may increase production efficiencies

Create educational products and materials.

Develop and conduct educational meetings

Direct clientele contact, phone calls, personal visits, mail, and e-mail.

Develop, evaluate, and disseminate education programs and curricula, incorporating new research and emphasizing:

- « Basic Financial Management
- « Consumer Skills
- « Youth Financial Literacy
- « Budget Development
- « Money Management
- « Wise Use of Credit
- « Consumer Protection
- « Estate Planning
- « Farm and Risk Management