

# FARM MANAGEMENT

## Purpose

This contest is designed to stimulate instruction of economic and agricultural business management principles in the secondary agriculture curriculum.

## Objectives

- I. The ability to apply the economic principles and concepts listed in analyzing the farm business and making farm business management decisions.
  - A. Supply and Demand
    1. Price and Quantity Determination
    2. Elasticity
    3. Substitute, Complementary Products
  - B. Production Functions
    1. Diminishing Returns
    2. Profit Maximizing Point: Benefit-Cost:  $MC=MR$
  - C. Opportunity Cost
  - D. Cost Analysis (Fixed Variable)
  - E. Input Combination
  - F. Enterprise Selection
    1. Equi-Marginal Principle
    2. Specialization and Diversification
  
- II. The ability to analyze and select the most appropriate type of farm business organization for a given farm situation.
  - A. Sole Proprietorship
  - B. Corporation
  - C. Partnership
  - D. Limited Liability Company
  
- III. To develop the ability to use records and manage resources for optimum returns to resources.
  - A. Analysis of Records
    1. Financial Statements (Balance Sheets)
      - a. Ratios
        - 1). Solvency
        - 2). Liquidity
        - 3). Profitability
        - 4). Enterprise: Labor and Feed Efficiency
    2. Profit and Loss
    3. Cash Flow Analysis
      - a. Summary
      - b. Projections
  - B. Budgeting
    1. Enterprise
      - a. Break-even levels

- b. Feed efficiency
    - c. Labor efficiency
  - 2. Partial Budgeting
  - 3. Total Farm Budgeting
- C. Marketing
  - 1. Functions
  - 2. Structures
  - 3. Price Determination
    - a. Supply
    - b. Demand
    - c. Comparative Advantages
  - 4. Price Methods
    - a. Cash Markets
    - b. Futures and Options
    - c. Forward Contracting
- D. Market and Purchasing Structure
  - 1. Cooperatives
  - 2. Independents
- E. Basic Tax Management
  - 1. Depreciation
  - 2. Receipts
  - 3. Expenses
  - 4. Assets and Liabilities
- F. Acquiring Capital
  - 1. Credit
    - a. Sources
    - b. Loan Applications
    - c. Interest
    - d. Time-Value of Money
  - 2. Leasing of Real Property
  - 3. Land Acquisition and Ownership
  - 4. Machinery Management
  - 5. Insurance
    - a. Life Insurance
    - b. Property Insurance
- G. Ag Law
  - 1. Estate Planning
  - 2. Firm Structure
  - 3. Taxes
  - 4. Written Agreements

### Crosswalk with Show-Me Standards

Objectives – Students participating in the Career Development Event should be able to:		Show-Me Standards	
		Knowledge Standards (Content Areas)	Performance Standards (Goals)
1.	The ability to apply the economic principles and concepts listed in analyzing the farm business and making farm business management decisions.	MA.1, MA.3, MA.4, MA.6	1.4, 1.6, 1.7, 1.8 3.2, 3.3, 3.5, 3.6, 3.8
2.	The ability to analyze and select the most appropriate type of farm business organization for a given farm situation.	SS.4, SS.7	4.4
3.	To develop the ability to use records and manage resources for optimum returns to resources.		

Corresponding Secondary Agriculture Curriculum			
<b>Course and/or Curriculum:</b>	Ag Science I	<b>Unit(s):</b>	Introduction to Agricultural Business
	Agricultural Marketing		All Units
	Agricultural Sales, Marketing, and Management		Unit II - Supply and Demand Unit III - Financial Management Unit IV – Entrepreneurship
	Agricultural Management and Economics		Unit I - Economic Principles in Agriculture Unit II - Business Management Unit III - Planning the Farm Business

## Event Format

The Farm Business Management CDE will consist of one test of two general parts, a multiple choice test and a problem solving analysis. Two and a half (2 ½) hours will be allowed to complete the test.

1. **PROBLEM SOLVING ANALYSIS**- The problem solving analysis section of the Farm Business Management CDE is designed to determine the team members' ability to apply economic principles and concepts of farm business management to the decision making process by actual problem analysis and to defend the decisions made.

2. **MULTIPLE CHOICE TEST**- The multiple choice section of the Farm Business Management Contest is designed to test team members' understanding of economic principles in farm business management. Multiple choice questions, some related to problem situations, form the basis for testing understanding of the application rather than definition and identification of economic principles.

## Event Scoring

Event	Scoring
Problem Solving (50 questions @ 4 pts each)	200 points
Multiple Choice (50 questions @ 3 pts each)	150 points
<b>TOTAL</b>	<b>350</b>

## Event Rules and Regulations

1. All team members will work individually. Team members may use silent battery-operated calculators during the contest (team members **MUST** furnish their own calculators).
2. The General Rules, as listed in the National FFA Career Development Events Bulletin, 2006-2010, will apply to this contest in regard to team eligibility.
3. All tests and problems (including correct answers) used in the contest may be given out during the Convention at the contest superintendent's discretion.
4. In scoring problems, full credit will be given for accuracy. In developing the problems, intermediate answers will be provided whenever feasible so that mathematical or calculation errors do not severely penalize students in the longer sections of the contest.
5. Any high school agriculture student may take the test at the state level for college credit -- Agricultural Economics 3260 (at the University of Missouri-Columbia); however, that student may not participate in the State Farm Management Contest thereafter.
6. Calculators may be used. In all events, only **six-function**, (**nonprogrammable** and **non-graphing**) models may be used. Therefore, the calculators are limited to the following keys: Plus (+); Minus (-); Multiplication (x); Division (/); Equals (=); Memory Clear/Recall (MRC) Memory Minus (M-); Memory Plus(M+); Plus / Minus (+/-); Percentage (%); Square Root ( $\sqrt{\quad}$ ). See page 3, rule #8 of the General CDE Guidelines for an example.
7. A total of two and one half (2 ½) hours will be allowed to take the test.

## References

Farm and Ranch Business Management, Deere & Co., Distribution Service Center, Dept. 810, 1400 Third Avenue, Moline, IL 61265.

Profit Maximizing Principles, Ohio State--available from IML, University of Missouri, 1400 Rock Quarry Rd. Q156, Columbia, MO 65202. <http://www.iml.missouri.edu>. Phone: 800-669-2465.

Modern Agricultural Management, Osburn and Schneeberger, Reston Publishing Company, Reston, Virginia.

Agricultural Management and Economics (Curriculum Guide and Student Reference), Revised 1988, Instructional Materials Laboratory, University of Missouri, 1400 Rock Quarry Rd. Q156, UMC, Columbia, MO 65202.

Agricultural Marketing (Curriculum Guide), Denker, IML, University of Missouri, 1400 Rock Quarry Rd. Q156, Columbia, MO 65202.

Farmers' Tax Guide.

## Forms

None