

**Each team will complete and turn in only one copy of these pages. Other copies can be used to make notes and calculations**

**2009 National FFA Farm Business Management  
Career Development Event  
Team Activity**

**Expectations:**

The team activity evaluates the ability of a team's members to work together to use decision making and problem analysis skills while applying economic principles and concepts taught in farm business management.

**Evaluation:**

The team activity portion is evaluated as follows:

- involve all members of the team
- organize the team effort
- communicate with each other in resolving issues relating to the current situation
- reach consensus and agreement
- complete the analysis of possible alternatives and solutions
- communicate and submit in writing the team's consensus of solutions.

**Team Activity Focus:**

1. Murphy Farms business organization, structure and risk management.
2. Financial aspects of the feedlot component of the Murphy Farms business.

**1. The Murphy brothers are planning to change the structure of their farm business from a partnership to a limited liability company (LLC). It will be taxable as a corporation.**

**a. What are advantages of changing to an LLC? (List three possible answers)**

(5 points)

(5 points)

(5 points)

**b. What are disadvantages of changing to an LLC? (List two possible answers)**

(5 points)

(5 points)

**2. The Murphy brothers are currently operating their business as a partnership**

**a. What are advantages of operating their business as a partnership? (List two possible answers)**

(5 points)

(5 points)

**b. What are disadvantages of operating their business as a partnership? (List two possible answers)**

(5 points)

(5 points)

**3. List the three primary methods of organizing farm businesses. (15 points)**

1.

2.

3.

**4. What factors should be considered when deciding on one of the three business organization models? List 4 factors. (20 points)**

1.

2.

3.

4.

**5. If the Murphy brothers form an LLC, they plan for the LLC to rent land from individual stock holders, or from neighbors. The LLC will not own land.**

**a. In what way would this situation be an advantage to the LLC? (List three advantages)**

(5 points)

(5 points)

(5 points)

**b. What are disadvantages of the LLC not owning any land? (List three disadvantages)**

(5 points)

(5 points)

(5 points)

**c. Why would the rate of return on assets be greater on rented land compared to owned land?**

(10 points)

**6. How would a farm family like the Murphy brothers go about forming an LLC?**

(5 points)

(5 points)

**7. The Murphy brothers are discussing the need for insurance for the protection of their business. What are four common kinds of insurance coverage needed by a farm business? (20 points)**

1.

2.

3.

4.

Please mark your state and team number in the blank in the upper right corner of each page

**8. According to the enterprise budgets for corn (R-10) and for alfalfa hay (R-11), the Murphy brothers have greater returns per acre on corn than they do on alfalfa hay. With the information these budgets provide why do they raise alfalfa hay? List at least two reasons. (10 points)**

1.

2.

**9. The enterprise budgets for the slaughter steer enterprise (R-14) and the dairy beef enterprise (R-15) show the same figure for fixed cost per head. This is unusual because one head of dairy beef can be fed in 520 days while 2.4 slaughter steers could be fed out in the same time period.**

**a. How would you expect the fixed cost per head between these enterprises to differ? (15 points)**

**b. What is a reason for the fixed cost per head being the same? (10 points)**

**c. This scenario seems unusual. How would the “economy of scale” normally affect fixed and variable costs of an enterprise? (15 points)**