

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

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

**2012 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 answers on the following pages

**Analyzing the Lawrence Farm Business:** As a team, critically evaluate the business. Review the current situation of the Lawrence farm as a part-time farming operation. Consider what you have learned from reviewing the Resource Information and working on the problem.

**Problem to be evaluated:** As a team, use the information from your analysis of the Lawrence farm to identify factors to be considered when entering into a part-time farming operation; identify advantages and disadvantages of a part-time operation; and evaluate options for improving profitability. Based on your knowledge of farming operations as a whole, identify the factors that are critical to consider when expanding to a full-time operation for both parties involved. Finally, identify planning tools or instruments that are needed in farming operations and explain how they are used; and identify the advantages and challenges to implementation of cash flow projections.

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## Part 1- Part-time farm operations: (List five)

**What factors should be considered when entering into a part-time farming operation on your own? (20 points)**

Potential responses:

- Supportive spouse or agreement between individuals
- Strong desire to farm
- Access to land and/or livestock
- Acquiring needed assets
- Need to be creative and entrepreneurial
- Market potential for products
- Interest in given enterprise(s)
- Skill level in a given enterprise(s)
- Identifying other sources of expertise (i.e. education, extension, legal)
- Development of a mission statement
- Business plan

## Part 1 – Part-time farm operations: (List four)

**List ADVANTAGES of a part-time farming operation. (20 points)**

Potential responses:

- Wonderful place to raise a family
- Distraction from day job
- Earn additional money for family (i.e. college funds)
- Teaches a family work ethic
- Family bonding
- Contributing to feeding the world
- More productive on a per acre basis
- Potential tax advantage
- Opportunity for FFA and 4H projects

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## Part 1 – Part-time farm operations: (List four)

List DISADVANTAGES of a part-time farming operation. (20 points)

Potential responses:

- Extra time spend working in the operation
- Additional capital investment
- Additional Risk
- Additional stress
- Market access challenges
- Higher cost of production
- Reduced time for children in other activities
- Performing farming activities on a timely basis
- May have negative impact on full time job

## Part 1 – Part-time farm operations: (List four)

What can a part-time farmer do to improve profitability? (16 points)

Potential responses:

- Access niche markets
- Combine products and services (direct market)
- Sharing resources (i.e. machinery)
- Joint purchase of inputs
- Market cooperatively
- Change enterprise mix
- Expand the business
- Research ways to reduce input costs
- Cooperate with large commercial farms

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## Part 2 – Expansion considerations: (List four)

**What factors should be evaluated if/when James and Charlotte Lawrence consider moving from a part-time farming operation to a full-time operation? (16 points)**

Potential responses:

- Age
- Interest in expanding
- Health
- Agreement to expand
- Business goals
- Family goals
- Access to funds
- Increased risk
- Loss of salary and benefits
- Retirement plans

## Part 2 – Expansion considerations: (List four)

**What factors should be evaluated if/when Bill and Bridgette Lawrence consider moving from a part-time farming operation to a full-time operation? (16 points)**

Potential responses:

- Interest in expanding
- Loss of salary and benefits
- Potential conflicts between family members
- Participation in children's activities
- Goals
- Agreement to expand
- Access to additional acres
- Funds for expansion

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### Part 3 - Planning: (List & explain four)

Identify tools or instruments used for planning in the farm business and list in the first column. Describe how you would use them in the second column.	
Identify tool or instrument (16 points)	Describe how to use the tool or instrument (16 points)
<i>Example: Cash Flow Projection</i>	<i>Example: To project cash needs and sources for all areas of the operation for a given period of time.</i>
Potential responses: <ul style="list-style-type: none"> <li>• Business plan</li> <li>• Partial Budget</li> <li>• Physical flow of grain / livestock / etc.</li> <li>• Market plan</li> <li>• Enterprise budget / plan</li> <li>• Transition/Succession plan</li> <li>• Estate plan</li> <li>• Maintenance plan</li> </ul>	Potential responses: <ul style="list-style-type: none"> <li>• Short and long-term goals shared with family members and lenders.</li> <li>• Evaluate a single change in the business.</li> <li>• Determine whether there are adequate supplies available and products available for sale.</li> <li>• Identify marketing cycles and options to maximize profits.</li> <li>• Project profitability for a given enterprise.</li> <li>• Consider ways and time to move management to a new operator.</li> <li>• Plan for transferring assets.</li> <li>• Identify timelines for upkeep of equipment and facilities.</li> </ul>

### Part 3 – Planning: (List five)

What information do you need to develop a cash flow projection? (20 points)
Potential responses: <ul style="list-style-type: none"> <li>• Input costs</li> <li>• Output prices</li> <li>• Output quantities</li> <li>• Timing of sales</li> <li>• Timing of purchases</li> <li>• Quantities of input</li> <li>• Sources of inputs</li> <li>• Credit needs</li> <li>• Capital purchases planned</li> <li>• Payment schedule</li> <li>• Family spending</li> <li>• Enterprise budgets</li> </ul>

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### Part 3 – Planning: (List four)

**What are the advantages to preparing and using a cash flow projection? (20 points)**

Potential responses:

- It shows the operator when excess cash will be available, and when cash deficits will occur.
- It provides for budgeted loans that are borrowed only for the periods through which they are required.
- It provides a technique for combining personal and farm or ranch financial needs for the next period.
- It lets you plan purchases.
- It allows comparison of the cash flow projection with the cash flow summary to record actual performance against the advanced planning.
- It helps to evaluate the relationship of short-term debt to repayment capacity.
- It lets the manager immediately see the cash position throughout the year.
- Confidence in where the business is going.

### Part 3 – Planning: (List four)

**What are the challenges that impact implementation of a cash flow projection? (20 points)**

Potential responses:

- The farm manager must devote time to the collecting and projecting data.
- Projected prices due to inflation, supply and demand, yield and weather are difficult to estimate.
- Borrowing rates may fluctuate.
- Family and business consumption of resources may vary.
- Inventories constantly change.
- The entire cash flow projection plan needs constant review and revision.
- Goals change.
- Family situations change.
- Implications of changes due to disease, etc.
- Variability in input costs.