

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

**2011 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 the SWOT analysis and SWOT recommendations outlined below

**Problem to be evaluated:** As a team, discuss the current situation of the Redrock Ranch business and relate your analysis to the strengths, weaknesses, opportunities, and threats of the business to that situation. Add your recommendations for those same areas and conclude with the identification of primary strengths, weaknesses, opportunities, and threats.

**Analyzing the Redrock Ranch business:** As a team, critically evaluate what the business is achieving now and considerations for the future. One way to complete this analysis is called the **SWOT** analysis. SWOT stands for **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats. By using the SWOT method, a farm business can enhance its short and long term business stability, profitability, and potential for growth. For each strength, weakness, opportunity, and threat, the team should consider and list three items for the owner/operator/management to consider for their ranch. A brief explanation of each part of the SWOT method follows:

**Strengths** – The activities the ranch business does the best. They are likely to be what the ranch business is achieving, as well or better, than similar businesses, or when compared to an accepted standard.

**Weaknesses** – The activities the ranch business could improve upon or what they do not do as well as similar business operations or when compared to an accepted standard.

**Opportunities (alternatives)** – Practices the business could add or improve upon if management or operational changes were made.

**Threats (constraints)** – The factors limiting the ability of the business to achieve long term goals and increased profitability.

**Part 1 Strengths:** (List three)

Current Situation (12 points)	Rationale (reason(s) why each item is a strength) (24 points)
Positive communications amongst all	With numerous owners/operators, this is required to function effectively
Land is suited to grow quality grass	Grass is the critical feedstuff and key to profit for the business
Year-round grazing	Economical, conserving money and labor in the business
Market cattle at the ranch	Limits marketing fees & shrinkage, shows cattle in best case
Transition plan in place	Allows ownership to transfer from generation to generation
Qualify for certified Angus beef market	Provides enhanced market opportunities and price
Size of business	Volume provides revenue needed to support all owners
Net Worth	A \$13M net worth is a significant advantage
Commitment to the land & heritage	This enhances the chances for success & encourages stewardship of the resources

**Part 2 Weaknesses:** (List three)

Current Situation (12 points)	Rationale (reason(s) why each item is a weakness) (24 points)
Expansion potential limited due to winter conditions	The forage on the land will not support additional capacity without other changes to the operation
Limitations to what can be done with the land	The land is best suited for grass production. Tillage of the soil would result in less overall production do to erosion.
High investment in land and debt load	Extended price reductions could result in financial stress, loss of land, and impact liquidity due to lack of diversity
Ability to purchase business shares from non-participating partners/owners	Assets in the business are primarily non-current, requiring significant investment to purchase
Not all owners engaged in the business	Could result in communication issues and general unrest
Lack of shared vision	With the number of owners/operators it is difficult to ensure that all believe that the selected path is best for the operation
Diversity	With one primary enterprise (Beef) the chance for loss of profit due to price fluctuations is significant

**Part 3 Opportunities:** (List three)

Current Situation (12 points)	Rationale (reason(s) why each item is an opportunity) (24 points)
Wind turbines on the ranch	Provides added net revenue through lease income
Oil & gas payments / access	Provides added net revenue
Irrigation	Improves grass production & cattle holding capacity
Intensive grazing	Improves use of existing pasture to hand more animals
Getter better at what they do	May add revenue or reduce costs or both
Expanding on strengths	May add revenue or reduce costs or both, may make better use of labor
New ideas with existing enterprises	May add revenue or reduce costs or both
Bison	Added net revenue, expanded use of land
Sheep	Added net revenue, expanded use of land
Expanding Beef cow calf herd	Added net revenue, reduced cost of purchased feeders

**Part 4 Threats:** (List three)

<b>Current Situation (12 points)</b>	<b>Rationale (reason(s) why each item is a threat) (24 points)</b>
Passing on the business	Limited ability for potential partners to enter the business due to the number of heirs and writing the appropriate agreements
Liquidity short for potential partners	Shortage of adequate spendable income & assets
6 of 11 owners/operators over age 55	Concern over ability to complete all tasks of the business
Vandalism	Potential loss of revenue
Predators	Potential loss of revenue
Rustling	Potential loss of revenue
Weather	Potential loss of revenue
Lack of diversification	Price fluctuation in beef industry affects the whole operation
Market volatility	Price fluctuation in beef industry affects the whole operation
Cost of inputs	Increases costs of production and reduces net revenue
Family breakups with in the business	Potential loss of assets and ownership of the business

**Part 5:** Using the Strengths, Weaknesses, Opportunities, and Threats you entered on the previous pages, prepare recommendations for each of the statements listed below. Consider why you selected the items listed previously and identify how the Redrock Ranch LLC can use those items to enhance or what should be done to protect the business. Use the resource information as needed to assist with your recommendations. (28 points – 7 points each)

1. How would you build on the identified strengths?

Positive communications amongst all	Ensure that regular, scheduled meetings are included over the long term; determine a single preferred method of communications among owners; Record key information from communications/meetings to ensure information is retained
Land is suited to grow quality grass	Implement preferred management practices to ensure grasses prosper on the property; prevent over grazing; Research other grass varieties that would prosper on the property
Year-round grazing	Manage the rangeland to maximize stand quality over the winter; incorporate new ideas for protein & mineral supplements;
Market cattle at the ranch	Set a goal to have all cattle sold on the properties to be marketed on the ranch.
Transition plan in place	Update regularly for changing business conditions, potential new partners, and changes in owner status. Seek outside consultant/educator to provide additional insight.
Qualify for certified Angus beef market	Maintain all necessary practices so that this status continues; Research opportunities for other quality indicators to enhance marketing
Size of business	Manage business finances to ensure size is appropriate for the number of partners/owners; Adjust size to support the business plan
Net Worth	Track business finances to ensure that accurate data is used for all business decisions; seek outside consultant/educator to provide additional insight
Commitment to the land & heritage	Encourage this philosophy in all new partners and include this concept in the business plan and transition plan.

2. What steps would you take to limit vulnerability for the business based on the identified weaknesses?

Expansion potential limited due to winter conditions	Move cattle to the land that is the least harsh during winter, and purchase more hay and cake.
Limitations to what can be done with the land	Strongly consider the center pivot irrigation system, other intensive pasture practices.
High investment in land and debt load	Improvements should be considered within the current business practices that will enhance net revenue. Employ a financial advisor.
Ability to purchase business shares from non-participating partners/owners	Business decisions are needed to establish guidelines for adding new partners from within the family.
Not all owners engaged in the business	ALL owners should have at least two or more face to face meetings a year to receive input on new ideas for the ranch.\
Lack of shared vision	At the above face to face meetings have a farm business management consultant present to help identify the pros and cons for improving the business. This will help all partners to stay focused with less animosity
Diversity	Continue to investigate diversifying with sheep and buffalo. Possibly add to the Cow/calf operation.

3. How would you build on the identified opportunities?

Wind turbines on the ranch	Check with neighbors that have wind turbines or companies in the business to determine a revenue stream. Then they should make a list of the positives and negatives of such an enterprise. Then decide whether they should contact a company in this business. Consider an outside consultant or ranch management educator.
Oil & gas payments / access	Check with neighbors that have oil or gas wells or companies in the business to determine a revenue stream. Then they should make a list of the positives and negatives of such an enterprise. Then decide whether to lease mineral rights. Consider an outside consultant or ranch management educator.
Irrigation	Decisions on the potential for this option should be based on the use of partial budgeting. Consideration should be given to the amount and timing of labor needed. An outside consultant or ranch management educator should be contacted for a third opinion.
Intensive grazing	Decisions on the potential for this option should be based on the use of partial budgeting. Consideration should be given to the amount and timing of labor needed. An outside consultant or ranch management educator should be contacted for a third opinion.
Getting better at what they do	The family needs to meet as a group to discuss their strengths and how they can improve.
Expanding on strengths	An outside consultant or ranch management educator should be contacted for a third opinion. Evaluate the strengths of the business and use partial budgeting to determine the key strengths to expand upon.
New ideas with existing enterprises	This could be retained ownership to slaughter, or something similar. These also could be evaluated with a partial budget to determine profitability.
Bison	Decisions on the potential for this option should be based on the use of partial budgeting. Consideration should be given to the amount and timing of labor needed. An outside consultant or ranch management educator should be contacted for a third opinion.
Sheep	Decisions on the potential for this option should be based on the use of partial budgeting. Consideration should be given to the amount and timing of labor needed. An outside consultant or ranch management educator should be contacted for a third opinion.
Expanding Beef cow calf herd	Decisions on the potential for this option should be based on the use of partial budgeting. Consideration should be given to the amount and timing of labor needed. An outside consultant or ranch management educator should be contacted for a third opinion.

4. What would you do to protect the business against the identified threats?

Passing on the business	Update and develop new areas in the transition plan to ensure the business continues with the next generation or other owners.
Liquidity short for potential partners	Work with a financial advisor or business management instructor to identify ways to increase their liquidity balance.
6 of 11 owners/operators over age 55	The older owners must identify ways to provide incentives for the younger owners to help encourage ongoing participation.
Vandalism	Work closely with local law enforcement officials and develop systems to ID vehicles that enter the ranch property
Predators	Use approved practices to limit impact
Rustling	Work closely with local law enforcement officials and develop systems to ID vehicles that enter the ranch property
Weather	Track weather patterns and protect livestock when possible.
Lack of diversification	Consider ways to diversify within the Beef industry. Expand the certified Angus product and consider alternative marketing times.
Market volatility	Research markets daily, with more than one person assigned to present suggestions to the owners. Consider external consultants as well.
Cost of inputs	Research new input methods and products. Use opportunities to use test plots or livestock management programs.
Family breakups with in the business	Ensure that prenuptial agreements are considered in all cases. Make communications with all family members a priority and truly accept new in-laws in to the fold.

**Part 6:** You have identified three Strengths, Weaknesses, Opportunities, and Threats for this business, and you have recommendations to the owners in each of these areas. Using your knowledge of the business and the appropriate Resource Information, identify the primary or key factor for each of the SWOT analysis areas. After choosing the factor for each area, provide rationale for **why** this factor is primary or key to the business.

For this exercise, the topic area selected is “Business Transition”. Identify and defend **why** the Strength, Weakness, Opportunity, and Threat are the most important for this business.

Primary Factor (8 points)	Rationale (defend your choice of the primary factor) (20 points)
<b>Strength:</b> Positive communications amongst all  Transition plan in place  Size of business  Net Worth	In order to effectively transition a business, it is necessary to communicate well. Communications is critical to future planning.  This is one of the first steps in business transition. A that identifies how the transition should occur must be used in this process. With the number of partners in the business, this is very good to have in hand.  A business must have adequate size to ensure a future for the next generation or new owners. There must be reasonable size to ensure that the business can generate a profit after the transition and new debt load.  Adequate net worth provides more options for transitioning the business. With limited net worth, it is more difficult for the new ownership to take on the necessary loan capacity and loan term to generate a profit in the business.

<p><b>Weakness:</b></p> <p>High investment in land and debt load.</p> <p>Ability to purchase business shares from non-participating partners/owners.</p> <p>Lack of shared vision.</p>	<p>The makeup of the balance sheet has an impact on business transition. Marginal liquidity with potential owners is a limiting factor when the primary assets are long term and when the debt load is significant.</p> <p>Limited liquidity from potential partners, especially in the family, results in difficult decisions by the current owners to increase the number of owners/partners. Care must be taken to ensure that the financial expectations for new partners is reasonable yet fair to the business.</p> <p>If care is not taken, animosity can enter the business setting and the partners can lose focus on the business. Splintering of the partners results from lack of a shared vision and therefore decay of the business as a whole.</p>
<p><b>Opportunity:</b></p> <p>Expanding on strengths</p> <p>New ideas with existing enterprises</p> <p>Consider new practices and/or enterprises for the business</p>	<p>Expanding on the strengths of a business will help to ensure longevity. New owners must understand what has made the business strong to this point.</p> <p>Different managers look at management practices in different ways due to past experience and education. New ideas can enhance an existing, successful business if incorporated effectively.</p> <p>Every business can improve through new management practices or new enterprises. New owners can add profit to the business with options that are added based on sound decision making and effective budgeting and planning.</p>
<p><b>Threat:</b></p> <p>Liquidity short for potential partners</p> <p>6 of 11 owners/operators over age 55</p> <p>Family breakups with in the business</p>	<p>With limited ability to bring in new partners, there will be a limit to transition options. Liquidity is critical to the future of the business.</p> <p>There is limited time to implement a transition plan, older partners are under pressure to offer more incentives, new partners need real dollars to join.</p> <p>Threatens the ability of the business to continue. Law suits or bickering are a key factor to business failure. Difficult to cover all potential situations.</p>