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CHAPTER

NATIONAL FFA

FARM BUSINESS MANAGEMENT

CAREER DEVELOPMENT EVENT

A Special Project of the National FFA Foundation

IMPORTANT NOTE

Please thoroughly read the Introduction Section at the beginning of this handbook for complete rules and procedures that are relevant to all National FFA Career Development Events.

I. PURPOSE

The National FFA Farm Business Management Career Development Event provides competition that fosters information assimilation, critical thinking and problem-solving skills necessary to successfully manage a farm or pursue farm business management careers.

The National FFA Farm Business Management Career Development Event enhances and encourages opportunities for all participants to receive instruction that develops farm business management skills.

II. EVENT OBJECTIVES

The event objectives are for participants to demonstrate their ability to:

- analyze farm/ranch business management information.

- apply economic principles and concepts of farm business management to the decision-making process.
- evaluate farm business management decisions.
- work together cooperatively as a group.

The principles and concepts listed below may be included in each section event.

A. Economic Principles Related to Farm Business Management

1. Production functions
 - a. diminishing returns
 - b. profit maximizing point:
 - $MFC=MVP$
 - $MC=MR$
2. Opportunity costs
 - a. alternative investment opportunities
 - b. alternative use of resources

3. Cost analysis
 - a. fixed costs
 - b. variable costs
4. Input combinations
5. Enterprise selection
 - a. equi-marginal returns
 - b. specialization and diversification
6. Supply and demand
 - a. price and quantity determination
 - b. elasticity of demand
 - c. elasticity of supply
 - d. substitute and complementary products

B. Concepts Related to the Use and Analysis of Records to Manage Resources

1. Analysis of records
 - a. profit and loss
 - b. financial statements
 - ratios
solvency
liquidity
profitability
labor and feed efficiency
 - inventory, assets, liabilities, net worth
2. Budgeting
 - a. partial budgets
 - b. whole farm budgets
 - c. enterprise budgets
3. Cash flow analysis
 - a. summary
 - b. projections
4. Managerial accounting
5. Tax management

C. Concepts and Functions of Risk Management

1. Investment analysis
 - a. capital budgeting
 - time value of money
 - net present value
 - b. credit
 - sources
 - loan applications
 - interest
 - c. leasing of real property
 - d. land acquisition and ownership
 - e. machinery management
 - f. insurance
 - life insurance
 - property insurance
 - crop insurance
 - health
 - liability
2. Marketing analysis
 - a. functions
 - b. structures
 - c. price determination
 - supply
 - demand
 - comparative advantages
 - d. price methods
 - cash markets
 - futures and options
 - forward contracting
 - e. international trade
 - f. types of markets
 - perfectly competitive markets
 - few participants markets
 - one participant markets

3. Market and purchasing structure
 - a. cooperatives
 - b. corporations
 - c. individuals
4. Legal analysis
 - a. estate planning
 - b. business organization
 - sole proprietorship
 - business organization
 - partnership
 - contract farming
 - c. written agreements
5. Government programs and regulations

III. EVENT RULES

1. **Team Make-up-** A team consists of three or four members. A team score consists of the total of the top three individuals' scores on the written exam plus the team score on the team activity.
2. It is highly recommended that participants be in official FFA dress during the event.
3. Team eligibility is determined by the general rules as listed in the National FFA Career Development Event Handbook, 2006-10.
4. Copies of the complete event with answers are distributed to all who are present at the event evaluation meeting.

IV. EVENT FORMAT

A. Equipment

Materials student needs to provide- Two sharpened No. 2 pencils.

Provided- The event sponsor provides a complimentary calculator to each participant. Calculators used with event are battery operated, non-programmable, silent with large

keys and large displays. The calculators have only these functions - addition, subtraction, multiplication, division, equals, percent, square root, +/- key and one memory register. No other calculators are allowed to be used during the event.

Microcomputers may be included as a tool to complete any of the sections of the event. The event superintendent will provide hardware and software information to all participating teams.

B. Team Activity

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.

1. Members of a team work together cooperatively to complete this section.
2. Ninety (90) minutes are allowed for completion of the team activity. At the end of activity, each team submits a written and/or oral report for scoring.
3. The team activity involves the use of farm business management skills and the resource information used for the written exam of the current year's event.
4. All topics in the outline under the event objectives section may be included in the team activity. Farm business management forms and procedures follow the samples and procedures as presented in the most current Farm and Ranch Business Management text published by John Deere.
5. The team activity has a maximum value of 300 points per team and is only included in the team score. During the team activity section, the team is observed by event judges and evaluated on its ability

to work together cooperatively as a group. The team activity evaluation criteria and scorecards are distributed at the event evaluation meeting.

C. Individual Activity

The written exam tests the ability of the participants to use decision making and problem analysis skills while applying economic principles and concepts taught in farm business management.

1. Each team member works independently to complete the written exam. On the written exam, each team member delivers a set of results for scoring and receives individual scores on the written exam.
2. Three hours are allowed for completion of the written exam.
3. The written exam may include any type of question (such as multiple choice, short answer, essay and fill-in the blank).
4. All topics in the outline under the event objectives section below can be included in the written exam. Farm business management forms and procedures follow the samples and procedures as presented in the most current Farm and Ranch Business Management text published by John Deere.
5. The written exam has a maximum value of 300 points per team member.
6. Individual scores on the written exam are used to calculate both the individual and team score.

V. EVENT SCORING

The following table summarizes the points, how they are to be used and how much time will be allowed for each section of the event.

POINTS

Team	Individual	Section	Time
900	300	Written Exam	180 Minutes
300		Team Activity	90 Minutes
1200	300	TOTAL	

VI. TIEBREAKERS

Judges will break ties on team scores using the following sequence:

1. The score on the written and oral section of the team activity.
2. The score on pre-selected sections of the written exam.

Judges will break ties on individual scores using the following sequence:

1. The score on pre-selected sections of the written exam.

VII. AWARDS

Awards will be presented at an awards ceremony. Awards are presented to teams as well as individuals based upon their rankings. Awards are sponsored by a cooperating industry sponsor(s) as a special project, and/or by the general fund of the National FFA Foundation.

VIII. REFERENCES

This list of references is not intended to be inclusive. Other sources may be utilized, and teachers are encouraged to make use of the best instructional materials available. The following list contains references that may prove helpful during event preparation. Numerous sources of materials exist, and participating teams should consult with their state's cooperative extension service, the universities teaching farm and ranch business management and other material services available to the participating school. For the most current

listing of resources and definitions for economic terms, refer to the national FFA website- Farm Business Management Career Development Event section.

Primary:

1. Jobes, Steward, Casey and Purcell (2004). *Farm and Ranch Business Management (5th edition)*. Deere and Company, John Deere Publishing, East Moline, Illinois 61244. (most current edition). <http://www.deere.com/publications>
2. Kay, Edwards, and Duffy (2004). *Farm Management (5th edition)*. McGraw-Hill Book Co., New York, NY. (most current edition)
3. Farm Business Management Career Development Event, National FFA Supply Service, National FFA, Indianapolis, IN (published annually following the CDE) Good source for examples of enterprise budgets and financial statements used in the CDE.
4. Resource Information and Definitions: http://www.ffa.org/programs/cde/html/cde_events.htm#fbm
4. Dicks, Michael (1998). *Agricultural Policy and How it Affects You*, Deere and Company, John Deere Publishing, East Moline, Illinois 61244.
5. Oltmans, Klinefleter, and Frey (2001). *Agricultural Financial Reporting and Analysis*. Doane Agricultural Services, St. Louis, MO.
6. Purcell, Wayne D. (1995). *Marketing Agricultural Commodities*. Deere and Company, John Deere Publishing, East Moline, Illinois 61244.
7. Wilson, Purcell, Burton, and Wahlberg (1994). *Managing Livestock Production*. Deere and Company, John Deere Publishing, East Moline, Illinois 61244.
8. Wilson, Purcell, Burton, and Wahlberg (1994). *Managing Agricultural Commodities*. Deere and Company, John Deere Publishing, East Moline, Illinois 61244

Secondary:

1. Boehlje and Eidman (1984). *Farm Management*. John Wiley and Sons, New York, NY.
2. Bowers, Love and Kletke (1994). *Machinery Replacement Strategies*. Deere and Company, John Deere Publishing, East Moline, Illinois 61244.
3. Deere and Co. <http://www.deere.com>
2. Farm Financial Standards Council, *Financial Guidelines for Agriculture Producers*, 1998 <http://www.ffsc.org/>.
3. Assorted educational materials are available on hedging, forward contracting, and commodity futures trading from any of the following addresses. (Chicago Board of Trade Page, <http://www.cbot.com/> or Chicago Mercantile Exchange Page, <http://www.cme.com>
 - a. Chicago Board of Trade, LaSalle at Jackson, Chicago, Illinois 60604

Technical References

1. *Farmers Tax Guide*, published by the Department of the Treasury, Internal Revenue Service, can be obtained from the IRS Forms Distribution center in your state or the IRS website. <http://www.irs.gov/publications/p225/index.html>
2. Farm Financial Standards Council, *Financial Guidelines for Agriculture Producers*, 1998 <http://www.ffsc.org/>.
3. Assorted educational materials are available on hedging, forward contracting, and commodity futures trading from any of the following addresses. (Chicago Board of Trade Page, <http://www.cbot.com/> or Chicago Mercantile Exchange Page, <http://www.cme.com>
 - a. Chicago Board of Trade, LaSalle at Jackson, Chicago, Illinois 60604

- b. Chicago Mercantile Exchange, 30 South Wacker Drive, Chicago, Illinois 60604
 - c. Kansas City Board of Trade, 4800 West Main Street, Kansas City, Missouri 64112
 - d. Mid-America Commodity Exchange, LaSalle at Jackson, Chicago, Illinois 60604
 - e. New York Cotton Exchange, 4 World Trade Center, New York, NY 10005
 - f. New York Mercantile Exchange, Commodity Exchange Ctr., 4 World Trade Ctr., New York, NY 10048
- 4. Doane Agricultural Services, 11701 Borman Drive, St. Louis, Missouri 63146. Doane provides a variety of educational materials related to farm and ranch management.
 - 5. Cooperative Extension Service in your state. Contact your local extension agent for access to farm and ranch management educational materials.

Team Activity Evaluation Summary Scorecard

NATIONAL FFA FARM BUSINESS MANAGEMENT CDE

(Front)

Instructions:

Participants should complete the information on this side of the scorecard.
Please print clearly.

Name: _____

State: _____

Team members:

1. Name: _____

Role: _____

2. Name: _____

Role: _____

3. Name: _____

Role: _____

4. Name: _____

Role: _____

Team Activity Evaluation Summary Scorecard

NATIONAL FFA FARM BUSINESS MANAGEMENT CDE

(Back)

A. Teamwork Evaluation (observations)

Criteria:

- All team members were involved and contributed to the activity in an organized manner.
- Team members demonstrated effective listening and oral communication skills in resolving issues related to the presented task(s).
- Team members demonstrated cooperation in negotiating possible solutions that were relevant to the activity as presented.

Team leadership roles were identified and demonstrated.	Points Possible
Team members demonstrated effective listening and oral communication skills in resolving issues related to the presented task(s).	10
Team members demonstrated cooperation in negotiating possible solutions that were relevant to the activity as presented.	30
Each team member participated in the team activity and contributed to the results reached by the team.	30
Total	30
	100

Summary of Evaluator's Scores:

Evaluator:	Points Earned
_____	_____
_____	_____
_____	_____
_____	_____

Average Evaluator Score:

(maximum 100 points) **B**

B. Team Activity Solution Evaluation (written answer sheet)

Criteria: Team demonstrated knowledge of farm business management principles and concepts and summarized consensus in the team activity answer sheet.

Points Possible
200

Summary of Evaluator's Scores:

Evaluator:	Points Earned
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____

Average Evaluator Score:

(maximum 200 points) **A**

Total Score for Team Activity

A + B =