

FARM BUSINESS MANAGEMENT

The **Farm and Agribusiness Management Career Development Event (CDE)** helps students learn business skills and apply economic principles to agricultural businesses. By competing, participants demonstrate their ability to analyze agricultural business management information, apply economic principles and concepts of business management, evaluate business management decisions and work together cooperatively as a team.

This team CDE requires members to collaborate through decision-making and problem analysis skills to reach a final written or oral report. Additionally, each team participant completes an individual written activity. The four team members' scores plus the team activity score count toward the total team score.

Students competing in this event gain a wide appreciation of farm and agribusiness practices, ranging from business structure to succession planning and from cost concepts to risk management.

RULES AND REGULATIONS

1. The score of the three (3) high individuals will be used to determine the team score.
2. Team members may use a battery operated calculator during the CDE that does not have a programmable memory (team members MUST furnish their own calculator).
3. Team members will work as individuals and each will complete both the written test and the problem solving analysis.
4. Ties will be broken based on individual performance on predetermined questions determined before the event.
5. The test bank for the state FBM CDE will be received from the State CDE Coordinator and will consist of previous tests from other states, not the National Tests.

OBJECTIVES AND CONCEPTS TO BE CONSIDERED FOR THE EVENT

1. Economic Principles related to Farm Business Management
 - A. Production Function
 1. Diminishing Returns
 2. Profit Maximizing Point: $MFC=MVP$ $MC=MR$
 - B. Opportunity Cost: Alternate investment opportunities
 - C. Cost Analysis (fixed costs variable costs)
 - D. Input Combination
 - E. Enterprise Selection
 1. Equi-Marginal Principle
 2. Specialization and Diversification
 - F. Supply and Demand
 1. Price and Quantity Determination
 2. Elasticity of demand and supply
 3. Substitute, Complementary Products
2. Concepts related to the use and analysis of records to manage resources
 - A. Analysis of Records
 1. Profit and Loss
 2. Financial Statement
 - a. Ratios
 - i. Solvency
 - ii. Liquidity
 - iii. Profitability
 - iv. Enterprise: Labor and Feed Efficiency
 - b. Inventory, Assets, Liabilities, Net Worth

- B. Budgeting
 - 1. Partial Budgeting
 - 2. Whole farm budgets
 - 3. Enterprise
 - C. Cash Flow Analysis
 - 1. Summary
 - 2. Projections
 - D. Managerial Accounting
 - E. Tax Management
3. Concepts and Functions of Risk Management
- A. Investment Analysis
 - 1. capital budgeting
 - a. time value of money
 - b. net present value
 - 2. credit
 - a. sources
 - b. loan applications
 - c. interest
 - 3. leasing and real property
 - 4. land acquisition and ownership
 - 5. machinery management
 - 6. insurance
 - a. life insurance
 - b. property insurance
 - c. crop insurance
 - d. health
 - e. liability
 - B. Marketing analysis
 - 1. Functions
 - 2. Structures
 - 3. Price Determination
 - a. supply
 - b. demand
 - c. comparative advantages
 - 4. Price Methods
 - a. cash markets
 - b. futures and options
 - d. forward contracting
 - 5. International Trade
 - 6. Types of Markets
 - a. perfectly competitive markets
 - b. few participant markets
 - c. one participant markets
 - E. Market and Purchasing Structure
 - 1. Cooperatives
 - 2. Corporations
 - 3. individuals
 - F. Legal Analysis
 - 1. estate planning
 - 2. business organization
 - a. sole proprietorship
 - b. business organization
 - d. partnership
 - e. contract farming

4. written agreements
- G. Government programs and Regulations

CDE FORMAT

The Farm Business Management CDE will consist of two parts, a written test and problem solving analysis.

PART I - WRITTEN TEST

The written test of the Farm Business Management CDE is designed to test team members' understanding of economic principles in farm management.

Multiple choice questions, some related to problem situations, form the basis for testing this understanding. In general, questions are designed for the understanding of the application rather than definition identification.

1. Team members work as individuals and each will complete the written test.
2. There will be 50 multiple choice questions with 60 minutes allowed for completion of this section of the CDE.
3. One hundred (100) points are allowed for this section of the CDE with each question worth two (2) points.

PART II - PROBLEM SOLVING ANALYSIS

The problem solving analysis portion of the Farm Business Management CDE is designed to determine the team members' ability to apply principles of farm management to decision making process by actual problem analysis and to defend the decisions made.

1. Team members work as individuals and complete all problems assigned.
2. One hundred fifty (150) minutes allowed for completion of this section of the CDE.
3. Two hundred (200) points allowed for this section of the CDE.