



NATIONAL  
FFA ORGANIZATION

# Idaho Farm and Agribusiness Management Handbook

2017-2021

## Purpose

To provide a competition that fosters information assimilation, critical thinking and problem-solving skills necessary to successfully manage a farm or pursue a farm business management career. The event enhances and encourages opportunities for all participants to receive instruction that develops farm business management skills.

## Objectives

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

- Analyze farm/ranch business management information.
- Apply economic principles and concepts of business management to the decision-making process.

## General Rules

1. The event will take place at the State FFA Leadership Conference.
2. Four participants will constitute an official team. The top three individual scores will be used in the team score tabulation.
3. Two hours will be given to participants to complete the Farm Business Management event.
4. General management areas considered may include
  - Financial statements
  - Sources of credit
  - Net worth statements
  - Cash flow
  - Solvency ratio
  - Depreciation
  - Types of leases
  - Partial budgeting
  - Records and record keeping
  - Calculating loan costs
  - Obtaining credit
  - Types of interest
  - Fixed and variable costs
5. Participants should bring a battery-powered calculator (non-programmable), extra pages of clean work paper and several pencils.
6. Participants in need of special accommodations (disability or other health issues) must submit the Idaho State FFA Career Development Events Request for Special Accommodation Application found at the end of the General Rules and Regulations at least one month prior to the event.

## Format and Scoring

1. 50 multiple-choice questions pertaining to general management areas. (Two points each for 100 points total)
2. Three practical management problems. (30 points each for 90 points total)

<u>Section</u>	<u>Individual</u>	<u>Team</u>
Multiple Choice Questions	100	300
Management Problems	90	270
<b>Total</b>	<b>190</b>	<b>570</b>

**References for the event include:**

1. Farm Business Management Curriculum Guide – Ag 460/660
2. The Principles and Concepts section of the National Farm Business Management CDE located in the National FFA Career Development Event Handbook IV.
  - a. Economic Principles Related to Business Management
    - i. Production functions
      1. Diminishing returns
      2. Profit maximizing point:
        - a.  $MFC=MVP$
        - b.  $MC=MR$
    - ii. Opportunity costs
      1. Alternative investment opportunities
      2. Alternative use of resources
    - iii. Cost analysis
      1. Fixed costs
      2. Variable costs
    - iv. Input combinations
    - v. Enterprise selection
      1. Equi-marginal returns
      2. Specialization and diversification
    - vi. Supply and demand
      1. Price and quantity determination
      2. Elasticity of demand
      3. Elasticity of supply
      4. Substitute, complementary and competitive products
      5. Comparative advantage
    - vii. Types of Markets
      1. Perfectly competitive markets
      2. Oligopoly markets
      3. Monopolistic competitions
      4. Monopoly markets
3. Concepts related to the use and analysis of records to manage resources
  - a. Analysis of records
    - i. Financial statements
      1. Balance sheet
      2. Income statement
      3. Statement of owner equity
      4. Statement of cash flow
    - ii. Financial statement ratios
      1. Solvency
      2. Liquidity
      3. Profitability
      4. Repayment capacity
      5. Financial efficiency
  - b. Budgeting
    - i. Partial budgets
    - ii. Whole farm budgets
    - iii. Enterprise budgets
  - c. Cash Flow Analysis
    - i. Summary

- ii. Projections
  - d. Managerial Accounting
  - e. Tax Management
- 4. Concepts and Functions of Risk Management
  - a. Financial
    - i. Capital budgeting
      - 1. Time value of money
      - 2. Net present value
    - ii. Credit
      - 1. Sources
      - 2. Loan applications
      - 3. Interest
      - 4. Collateral
    - iii. Leasing of Real Property
    - iv. Land Acquisition and Ownership
    - v. Machinery Management
    - vi. Insurance
      - 1. Life insurance
      - 2. Property insurance
      - 3. Crop insurance
      - 4. Health insurance
      - 5. Liability insurance
  - b. Marketing
    - i. Functions
    - ii. Price methods
      - 1. Cash markets
      - 2. Futures and options
      - 3. Contracting
    - iii. Trade
      - 1. Domestic
      - 2. International
  - c. Legal
    - i. Estate planning
    - ii. Business organization
      - 1. Sole proprietorship
      - 2. Cooperatives
      - 3. Corporations
      - 4. Partnership
      - 5. Limited liability company or partnership
    - iii. Written Agreements
  - d. Production
    - i. Government programs and regulations
    - ii. Weather
    - iii. Disease
  - e. Human Resources
    - i. Training programs
    - ii. Hiring employees
    - iii. Employee policies and procedures
    - iv. Compensation and benefits
- 5. Business Management
  - a. Strategic Management

- i. Vision statement
  - ii. Mission statement
  - iii. Goals
- b. Tactical planning
- c. Operational planning
- d. Succession planning

6. Farm and Ranch Business Management (6th edition). Deere & Company, John Deere Publishing, East Moline, Illinois 61244. <http://www.deere.com/publications> (budget format will be taken from this text)

7. The three (3) most current national tests (available from the National FFA Supply Service)

## **Awards**

Awards are presented to teams as well as individuals based upon their rankings. The top 10 teams and individuals will be recognized. Individuals from 1<sup>st</sup> through 5<sup>th</sup> place will receive medals. Teams from 1<sup>st</sup> through 5<sup>th</sup> place will receive plaques.