**2014 Pennsylvania Farm Business Management Team Problem**

**Chapter name:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Team Member Names:**

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**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 in farm business management

**Evaluation: (100 points)**

* 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 solutions

**Questions to answer: (200 points)**

1. **(15) The Bray’s often have trouble maintaining employees. List three reasons why this might be the case. (5 points each)**

Students often move on to other jobs.

Employees do not like the physical labor.

Work hours may be long and irregular.

Students leave for college.

Pay may be low.

No benefits.

1. **(15) The Bray’s are considering keeping their feeder calves to raise to finish weights instead of selling them in the fall. Do you think they should make the switch?(Circle one) Yes No**

Either is fine if they can defend it.

**List 3 reasons to defend your answer. (5 points each)**

Yes

Potential for greater profits

Labor may be more balanced year round and less seasonal

Pastures could be rotationally grazed to produce more feed

No

Labor is already difficult to find

They already must purchase feed

They work full-time jobs already and don’t need more work

They are looking to retire soon and don’t need to grow the business

**3. (10) The Bray’s own all of their land. What are two advantages of owning land for production as opposed to renting land? (5 points each)**

There is certainty that it will stay with them

They have complete freedom to manage it how they want

It may act as a hedge against inflation

**4. (10) What are two advantages of renting land instead of owning land? (5 points each)**

Capital can be used for other parts of the business

Land can still be used if the owners do not qualify for a loan

**5. (40) List four risks associated with the Bray Farm. For each risk, list one method the Bray’s can use to minimize the risk. (5 points for each risk and 5 for how to minimize it )**

**Risk 1:** Weather: Drought

**How to minimize it:**

Use irrigation to minimize it

**Risk 2:** The future of the farm as they approach retirement

**How to minimize it:**

Create a farm succession plan

**Risk 3:** Cattle prices

**How to minimize it:**

Use forward contracts/options

**Risk 4:** Farm-related injuries

**How to minimize it:**

Properly train workers, maintain all safety guards/shields

**6. (15) List three strengths of the Bray Farm.**

Debt to equity ratio is low

The farm is diversified in many crop areas

The co-owners both have areas of expertise

**7. (15) List three weaknesses of the Bray Farm.**

Pastures are not managed very well

They are not using hedging to protect feeder calf prices

Labor is difficult to keep and maintain

Facilities are in need of repairs

**8. (10) List two opportunities that the Bray Farm has.**

Take advantage of grass fed meat opportunities

Expand the operation to full-time

**9. (10) List two threats to the Bray Farm.**

Weather

Commodity prices

**10. (15) The Bray’s do not currently have an estate plan. List three problems that may occur if no plan is in place.**

The business could dissolve if one of the owners died or wanted out

Disputes among the children about the transfer

Excessive legal expenses

Uncertainty of eventual owners

**11. (20) The Bray’s are considering changing the business structure from a partnership to a corporation.**

**a. List 2 advantages of a partnership when compared to a corporation. (5 points each)**

Management decisions are made quickly and easily

Less legal expenses

**b. List 2 advantages of a corporation when compared to a partnership. (5 points each)**

Limited liability

The business remains after the death of the owners

Access to more capital

**12. (15) What are 3 disadvantages of a part-time farming operation? (5 points each)**

Extra time spent working in the operation

Additional risk

Additional Stress

Completing farming activities in a timely manner

**13. (10) If the Bray’s wanted to change from a part-time operation to a full-time operation, what factors should be evaluated? List 2. (5 points each)**

Age

Interest in expansion

Health

Business Goals

Access to capital

Retirement plans