

ADVANCED FARM MANAGEMENT
Agricultural Economics 411
Craig Dobbins, Instructor

1. Course Objectives

- a) Teach principles useful in making important farm management decisions and the development of an overall farm business strategy.
- b) Provide an understanding of decision-making methods and tools used for farm business decisions.
- c) Provide insights into the ingredients that make up outstanding farm management and entrepreneurship.
- d) Involve students in making decisions and developing plans.
- e) Improve students' capability to evaluate management.

2. These objectives will be accomplished in part by:

- a) Reading and studying the methods used for making important farm management decisions
- b) Understanding the important relationships between strategic, operating, and control plans for the farm business.
- c) Learning planning and decision making methods:
 - (1) Applying strategic management tools to farms
 - (2) Profitability analysis using the DuPont model
 - (3) Using linear programming to guide resource allocation decisions
 - (4) Capital budgeting
 - (5) Using simulation and statistics to account for price and yield variability
 - (6) Business analysis
- d) Observing farmers in action - thinking, solving problems, making decisions, and attaining the goals and objectives they most desire.
 - Young farmer getting started
 - Established well-managed farm
 - Multi-generation family farms
 - Various enterprises
 - Small successful farms
 - Innovative marketing methods
 - Effective personnel management
 - Other illustrations
- e) Learning to relate management decisions to business success and farm profits.
- f) Applying appropriate principles and methods to the analysis of case farm situations.

3. Schedule

Lectures - Tuesday and Thursday, 9:30 - 10:20, KRAN G010
 Labs - Tuesday and Thursday, 4:30 - 6:20, RAWL 1062

4. Prerequisites

A basic course in Farm Management (AGEC 310 or equivalent), and a general understanding of production, marketing, finance, and personnel management.

5. Grading

Your grade will be based on quizzes, written assignments, lab exercises, and exams. The percentage of the total points received in each of the following categories will be weighted by the indicated percentage to determine your overall course score.

a) Quizzes - 10%

There are a number of these throughout the semester. Quizzes will be administered through WebCT Vista. If you have difficulties with taking the quizzes on-line, be sure and let me know. We can make other arrangements.

Quiz	Completion Date
0	August 24
1	August 30
2	September 6
3	September 13
4	September 20
5	October 4
6	October 18
7	October 30
8	November 6
9	November 15
10	November 29

Quiz 0 is a practice exercise. You have unlimited attempts. For all other quizzes, you are allowed two attempts for each quiz. Your grade will be the score on your last attempt. Each quiz will be ten questions. The quiz must be completed by midnight on the date the quiz is due unless the date is changed. A change in date will be announced in class, through e-mail, and on the class Web site.

b) Guest interview reviews – 10%

After each guest interview, prepare a short summary of the visit. This summary must include the question that you asked, the answer that you received, and two reasons that help explain why the guest has been successful. Submit your review using the assignment feature in Vista. Each review will have a maximum of 10 points. Your question, answer, and reasons for success are all worth two points. The final two points are for a well written presentation that has complete sentences and no misspelled words. After your response has been graded, it will be published for other members of the class to read. **These summaries are due by the beginning of the class period following the guest visit. Late submissions will not be accepted.**

c) Homework & Lab Exercises - 25%

There will be a number of these during the semester. Some of these will serve as the basis for class discussions (not graded) while others will be collected and graded. You will not know prior to the due date if the assignment will be collected.

d) Term project – 15%

Details about the term project are contained in the Term Project – Business Evaluation handout. During the semester you are asked to draft two sections of the report. The narrative section is due September 18. This draft will be reviewed by a peer. The peer reviewer will provide you feedback on ways that the draft can be improved. The draft of your financial assessment is due October 16. I will review and provide comments on this draft. Each draft is worth 15 points. The final report is due November 28 and has a total value of 100 points.

e) Exams (2) and Final - 40%

There are two exams during the semester. You are responsible for all information in readings and lectures. Since AGEC 411 is a capstone course, there are things that you are expected to have learned in other classes that you can draw upon. Just because an item was not discussed in class, does not mean that it will not appear in an exam, a quiz, or in an assignment.

There will be NO MAKE UPS of exams and quizzes. If a conflict develops, these conflicts will be handled on a case-by-case basis. However, to obtain credit for the exam or quiz, arrangements must be made prior to the exam or quiz due date.

Written assignments and labs are due as announced. In order to be fair to students who turn in their assignments when due, 10% will be deducted for labs and assignments late one to five calendar days. An additional 20% will be deducted for each week thereafter.

The overall course grade is calculated as follows:

$$\text{Weighted grade} = 0.1 * \text{Percent Of Total Quiz Points} + 0.1 * \text{Percent Of Total Guest Review Points} + 0.25 * \text{Percent Of Total Homework \& Labs Points} + 0.15 * \text{Percent Of Total Term Project Points} + 0.40 * \text{Percent Of Total Exams \& Final Points}$$

The grading scale for your weighted score is as follows:

90% or more A
80-89% B
70-79% C
60-69% D
Less than 60% F

6. - Extra Credit

Extra credit exam points can be obtained in three ways. One is by presenting a current event to the class. The current event needs to be a topic with management implications. A short presentation of the topic must be made. This will be followed by a short class discussion of the management implications. Each presentation will be worth 10 exam points. A maximum

of 20 extra credit points will be allowed. This can be done until the last day of class. If you are interested in doing this, please let me know so we can schedule a time.

The second method is to undertake an analysis of a management problem of your own choosing. One alternative would be to use the Purdue Crop Model to analyze the machinery-land relationship on a farm, the optimal crop mix, etc. You need to discuss your idea with your instructor before undertaking your project. This discussion must occur by October 5. You will need to prepare a short paper about your analysis. This paper must include 1) a statement of the problem, 2) a descriptions of the alternatives considered, 3) the implications of each alternative, and 4) a recommendation for the best course of action. This paper must be completed by November 21. Up to 20 extra exam points may be earned.

The third option is to help score the National FFA Farm Management CDE exam. Your help will be needed on October 25. The exact time and number of people that will be needed is yet to be determined. This is part of the National FFA Convention held in downtown Indianapolis.

6. Grade Changes

If you have a question concerning the grading of a quiz, test or paper, write your question on a separate sheet of paper and give it along with the paper in question to me within one week following the return of the paper to you or come to my office to discuss the grading question.

7. Reference Materials

The textbook for the class is *Farm Management - Principles and Strategies* by Kent D. Olson. This textbook is not required.

In addition, selected extension publications, journal articles, magazine stories, and newsletters have been assembled as additional reference material for the course. This material is available for purchase at CopyMat. These materials are also available on the class WebCT Vista site at <http://www.itap.purdue.edu/ilt/ecourses/>. If you have any difficulty obtaining these materials, please let me know.

8. Public Relations

A number of farm business managers and other professionals will visit with you in this course. These are outstanding managers. One of these people may become your employer. Regardless of what you think of their management, their goals, their activities, their success, or their presentation, BE POLITE and LOOK PROFESSIONAL. Treat our guests with respect, be interested in their problems, and find out why they made, or are making various decisions. Ask questions ... lots of them. At the same time, REMEMBER ... these people are taking time out of their busy schedule to visit with us.

9. Instructor

Craig Dobbins, Room 640 Krannert Building. Phone: 494-9041 e-mail: cdobbins@purdue.edu. Temporary office location is KRAN 602.

Secretary, Marsha Slopsema, Room 607, Krannert Building. Phone: 494-4310

10. Assistance Outside Class

Class time is limited, so it may not be possible to answer all of your questions during class. If you have questions that you would like to discuss outside class time, you are encouraged to call my secretary Marsha at 494-4310 or me at 494-9041 for an appointment. You can also call me at home (463-1141) but please no calls after 10:00 p.m. If I am out, leave a message. It is especially important to hear from you when you are frustrated with this class. If you are frustrated or unhappy with the course for any reason, contacting me will indicate concern and hopefully will result in some relief.

In discussing your questions, please come prepared. Our discussion will be more productive if you have thought about your question(s) and written them out. If your question deals with a computer problem, you will need to bring a copy of your current file. Without this file, it is impossible to locate the problem.

If you wish to contact me by e-mail, my address is cdobbins@purdue.edu.

11. Web Site

A web site has been established on the WebCT server maintained by the university. The url <http://www.itap.purdue.edu/tlt/ecourses>. Hopefully we will have minimal problems. Lecture notes and other materials will be posted at this site. I will also post information about exercises and other topics in this area from time to time, so be sure to check at least occasionally.

12. Academic Integrity

University policy on academic misconduct is clear - academic dishonesty in any form is strictly prohibited. Instances of academic dishonesty will be referred to the [Dean of Students for disciplinary action](#). Penalties are severe and may include failure on the exam, quiz, paper, or project, failure in the course, and/or expulsion from the University. The risks associated with academic dishonesty far outweigh the perceived benefits. Academic dishonesty includes citing someone else's work as your own, using unauthorized aids during exams, or sharing your answers with someone else.

Each student enrolled in AGECE 411 is encouraged to study and work exercises with others and to study past exercises, quizzes, and exam questions. A set of old exams is available on the class web site. While working together is encouraged, the final work that you submit is to be prepared by you and be your own original work.

Narrative answers that are the same as another student are not considered to be your own original work. If you are going to submit the exact same answers as another student in the class, just put both names on the paper and indicate this was a joint effort. The same grade will be given to each of the joint participants.

Answers to the on-line quizzes or take-home exams are to be developed on your own. Academic dishonesty in AGECE 411 will be prosecuted to the limit of reason (See [Purdue University Regulations, Student Conduct, Part 5](#)). Interpersonal relationships must be built on a base of integrity and trust.

If you are unsure whether an action you are considering constitutes academic dishonesty, seek clarification from your instructor.

13. Course Agenda

**AGEC 411 - FARM MANAGEMENT
2007 TENTATIVE AGENDA**

Week	Date		Topic/Reminder	Reference Material
1	8/21	Lecture	What this course is all about	
		Lab	Management is...	Olson, Chapter 1 Management Inventory Homework #1
	8/23	Lecture	Management is... Complete Quiz 0 August 24	Olson, Chapter 14 Farmers as Plant Managers and General Managers: Which Hat Do You Wear? ID-236
		Lab	Strategic Management	Olson, Chapter 2, pages 21-27 Positioning the Farm Business Staff Paper No. 98-9, pages 1-17
2	8/28	Lecture	Vision, Mission, & Goals	Olson, Chapter 2, pages 27-30, Developing Vision and Mission Statements, EC-720 Focus on Success: Defining Your Mission Focus on Success: Objectives and Goals Homework #2
		Lab	Farmer Interview – Tom & Karen McKinney	
	8/30	Lecture	The External Business Environment Complete Quiz 1	Olson, Chapter 2, pages 30-40 Strategic Planning: Scanning the Horizon EC-716 Big Shift From a Food Supply to a Food Demand Chain A New Brand of Agriculture? Farmer-Owned Brands Reward Innovation
		Lab	Guest Presentation - Dr. Michael Boehlje	Farming in the 21st Century Homework #3 (Completed in class)
3	9/4	Lecture	Business Strengths & Weaknesses	Olson, Chapter 2, pages 41-47 The Internal Analysis of Your Farm Business: What is Your Farm's Competitive Advantage? EC-721 Checking Your Farm Business Management Skills, ID-237
		Lab	Farmer Interview - Gary Reding	Langeland Farms

	9/6	Lecture	Strategy Development & Implementation Complete Quiz 2	Olson, Chapter 2, pages 47-67 Capital Accumulation and Resource Adjustments "Big " Works But So Do Other Choices Corn Belt Farming in the Years Ahead; Who will Excel? How? Homework #4
		Lab	Balance Sheet and Income Statement	Chapter 7, pages 189-202 Preparing Agricultural Financial Statements Homework #5
4	9/11	Lecture	Statement of Cash Flows Statement of Owner's Equity	Olson, Chapter 7, pages 202-206 Homework #6
		Lab		
	9/13	Lecture	Cost Structure of Production Agriculture Profitability Analysis Complete Quiz 3	Olson, Chapter 4 2007 Purdue Crop Cost & Return Guide, ID-166W Cost Structure and Control: The Dominant Issues in Farm Management Do Not Read This If You Are A Farmer! Homework #7
		Lab	Lab #1 Organizing Financial Data	
5	9/18	Lecture	Profitability Analysis	Financial Trouble Shooting of the Farm Business: A Diagnostic and Evaluation System (DES)
		Lab	Ag Lender Panel Cary Mawbey, First Farmers Bank & Trust Deb Jennings, FCS , and Greg Foulke, FSA	How to Borrow Money in the 90's The Five C's of Credit Benchmarking: How Today's Bankers Size You Up Parts 1 , 2, & 3
	9/20	Lecture	Liquidity, solvency, and financial efficiency Complete Quiz 4	Olson, Chapter 7 pages 212-229 Financial Trouble Shooting. Pm-1618
			Lab #2 Profitability Analysis	

6	9/25	Lecture	Repayment capacity	Debt Servicing Analysis: Can I Repay? EC-712 p. 15-20, 27-32. Worksheet 3 from EC-712
		Lab	Farmer Interview – Ted Merrell	Merrell Brothers, Inc
	9/27	Lecture	Land Rental	Olson, Chapter 10, pages 280-289 Crop-share or Crop-share/Cash Rental Arrangements for Your Farm, NCR -105 Legal Aspects of Indiana Farmland Leases and Federal Tax Considerations, EC-713 Indiana Cash Farm Lease
		Lab	EXAM #1	
7	10/2	Lecture	Land Rental	Homework #8 Rental Cases
		Lab	Professional Farm Management Howard Halderman and Dean Retherford Halderman Farm Management	
	10/4	Lecture	Resource Allocation Decisions	Olson, Chapters 5 B-21 Input Form Guide Book, pages 2-7, 15-21
		Lab	Lab #3 Returns Under Alternative Leases Complete Quiz 5	
8	10/9	Lecture & Lab	Fall Break	
	10/11	Lecture	Resource Allocation Decisions	Contents of B-21 Solution B-21 Input Form Guide Book, pages 2-7, 15-21
		Lab	Lab #4 Alternatives to Explore for Bill Martin Case	B-21 Input Form Guide Book, pages 8-14
9	10/16	Lecture	Understanding the B-21 Solution	
		Lab	Lab #5 Recommendations for Bill Martin Case	
	10/18	Lecture	Investment Analysis: Profitability Complete Quiz 6	Olson, Chapter 9; Chapter 10, pages 275-280 Capital Investment Analysis and Project Assessment EC-731 Homework #9

		Lab	Lab #6 Investment Analysis	
10	10/23	Lecture	Investment Analysis: Feasibility	
		Lab	Farmer Interview - Dave Forgey	Forgey's Riverview Farm, Inc.
	10/25	Lecture	Evaluating Contracts	Olson, Chapter 12
		Lab	Hay Contract Game	
11	10/30	Lecture	Farming Together – A Few People Issues Complete Quiz 7	Two Generation Farming Step 1: Getting Started, pages 1 -13 Key Financial Performance Measures for Farm General Managers, ID-243 Homework #10
		Lab	Farmer Interview – Steve Smith Red Gold	
	11/1	Lecture	Farming Together – Sharing the Risks and Rewards	Two Generation Farming Step 1: Getting Started, pages 14-15
		Lab	Lab #8 Returns Under Alternative Operating Agreements	
12	11/6	Lecture	Farming Together – Selecting the Business Organization Complete Quiz 8	Olson, Chapter 13, pages 355 – 358 Two Generation Farming Step 2: Selecting a Business Arrangement General Partnerships for Agricultural Producers Homework #11
		Lab	Guest – Donald Tyler, Management Consultant	Tyler & Associates
	11/8	Lecture	Making It Work	Two Generation Farming Step 3: Making It Work
		Lab	Exam II	
13	11/13	Lecture	Personnel Management – The Planning Process	Olson, Chapter 13, pages 335–340, pages 353-355 Principals for Structuring Small Businesses and Farms EC-729
		Lab	Farmer Interview – Ken Rulon	

	11/15	Lecture	Personnel Management – Hiring Employees Complete Quiz 9	Olson, Chapter 13, pages 340 – 349 Developing Effective Job Descriptions for Small Businesses and Farms, EC-728 Homework #12
		Lab	Lab #7 Contract Evaluation - Hog Contract	
14	11/20	Lecture	Personnel Management – Training, and Supervising Employees	Olson, Chapter 13, pages 340 – 349
		Lab	Term Project Work Time	
	11/22	Lecture & Lab	Thanksgiving Break	
15	11/27	Lecture	Personnel Management – Compensation, and Performance Reviews	Olson, Chapter 13, pages 349 – 352
		Lab	Farmer Interview – Rob & Joe Mann	White Oak Farms
	11/29	Lecture	Risk Management Complete Quiz 10	Olson, Chapter 11 Homework #13
		Lab	Farmer interview – Alan Anderson	
16	12/4	Lecture	Risk Management	
		Lab	Farmer interview – John & Kristi Kretzmeier	
	12/6	Lecture	Risk Management Final Review	Olson, Chapter 6
		Lab		