

**Economics 330 – Farm Business Management  
Section #2 – Spring 2007**

**Course Objectives:**

- A) Understand the economic principles which are relevant to making farm business decisions.
- B) Learn how to use farm records to evaluate the performance of the farm business.
- C) Understand and apply budgeting concepts to make practical farm management decisions.
- D) Identify the economic resources employed in farming and compare alternative means of acquiring control over them.

**Instructor:**

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Office Hours: 9:30 – 11:30 T, Th or by arrangement  
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Econ. 330 home page: <http://www.econ.iastate.edu/classes> the click on ECON 330; or  
<http://www.econ.iastate.edu/simulations/farmsim/farmsimweb/login.asp>

**Teaching Assistant:** Juan Francisco Rosas - [frosas@iastate.edu](mailto:frosas@iastate.edu)

**Required Text:** Farm Management 5<sup>th</sup> ed., Ronald D. Kay, William M. Edwards, and Patricia A. Duff; McGraw-Hill, Inc. New York

**Grading**

**Possible Points**

Four Examinations	400
Final	100
Quizzes *	20 – 40
Lab Assignments 1-14 @ 20 pts. each	280
Farm-Sim exercises	50
Farm-Sim rank (bonus)	(20)
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Total	850-870

\* Unannounced quizzes, covering both lectures and readings, may be given throughout the semester. Factors such as class participation, attendance and exam grades will determine whether or not quizzes are needed.

**Grading Scale:**

90 – 100%	A- to A
80 – 89 %	B- to B+
70 – 79 %	C- to C+
60 – 69 %	D- to D+
less than 60	F

## Topic and Reading Outline

<b>Date</b>	<b>Assigned Reading</b>	<b>Topic</b>
January 9	Chapter 1	Farm Mgt. in 21 <sup>st</sup> Century
January 11	Chapter 2	Management & Decision Making
January 16	Chapter 7	Choosing Production Levels
January 18	Chapter 8	Choosing Input – Output Combinations
January 23	Chapter 9	Cost Concepts in Economics
January 25	Chapter 10	Enterprise Budgeting
January 30	Chapter 11	Partial Budgeting
February 1	Review	
February 6	<b>Test #1</b>	
February 8	Chapter 12	Whole Farm Planning
February 13	Chapter 22	Machinery Management
February 15	Chapter 3	Acquiring & Organizing Mgt. Information
February 20	Chapter 4	Depreciation & Asset Valuation
February 22	Chapter 5	Balance Sheet & Its Analysis
February 27	Chapter 6	Income Statement & Its Analysis
March 1	Chapter 18	Farm Business Analysis
March 6	Review	
March 8	<b>Test #2</b>	
March 12 – 16	Spring Break	
March 20	Chapter 13	Cash Flow Budgeting
March 22	Chapter 17	Investment Analysis
March 27	Chapter 19	Capital & Use of Credit
March 29	Chapter 15	Managing Risk & Uncertainty
April 3	Chapter 15	Managing Risk & Uncertainty
April 5	<b>Test #3</b>	
April 10	Chapter 20	Land – Control & Use
April 12	Chapter 16	Managing Income Taxes
April 17	Chapter 14	Forms of Farm Business Organization
April 19	Chapter 21	Human Resource Management
April 24	<b>Test #4</b>	
April 26	Review	
April 30 – May 4	Finals Week	

## Lab Schedule

Date Lab is Assigned	Lab Number	Topic	Farm-Sim Year
January 11	1	Goals, objectives and decision making	
January 18	2	How much of a resource to use	
January 25	3	Crop enterprise budgets	1/22 = Year #1
January 30	4	Livestock enterprise budgets and partial budgeting	1/29 = Year #2
February 8	5	Balancing land, labor and machinery	2/5 = Year #3
February 15	6	Hog expansion analysis	2/12 = Year #4
February 22	7	Farm Net Income Statement	Open
March 1	8	Farm business comparative analysis	2/26 = Year #5
March 6	9	Land purchase decision	3/5 = Year #6
	Spring Break		
March 20	10	Cash flow budging	Auction
March 22	11	Financial analysis	3/26 = Year #7
March 29	12	Risk management	4/2 = Year #8
April 12	13	Farm Income Tax management	4/9 = Year #9
April 19	14	Farm-Sim Summary	4/16 = Year #10
April 30	Finals Week		

### Weekly Assignment Schedule and Explanation:

Weekly assignments will typically be handed out on Tuesday and due the following Tuesday. Points will be deducted for assignments handed in late; **5 points** will be deducted for late assignments and **10 points** will be deducted for assignments handed in after assignments have been graded. Labs will be graded on the basis of accuracy, correctness of methodology, clarity of expression and neatness.

Farm-Sim is a computerized model of a typical Iowa farming operation. All participants in Farm-Sim begin with identical resources and receive identical information. Each year for ten years (weeks) you will be asked to make decisions regarding production, marketing and financing for your farming operation. You will have several chances to acquire additional resources. Farm-Sim will automatically provide you with detailed records of your success (or non-success).

Fifty points will be provided based on running Farm-Sim on time; **5 points** each year (week). No points will be assigned for Farm-Sim years (weeks) run late. In addition, up to **20 points** will be provided as a bonus based on net worth or debt/asset ratio class rank. The highest 5 % will receive **20 points**, the next 5 % will receive **19 points**, etc.