

## FARM MANAGEMENT - A REVIEW

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### 01. MEANING OF FARM MANAGEMENT:

The aim of this document is to show how modern business management principles can assist the Farm Managers (F.MM), however small his farm and however meagre his capital. Two major tasks facing today's F.MM. are :-

- (a) How best to incorporate new technology into the farming enterprise.
- (b) How to be sufficiently flexible, mentally and financially, to adjust the management of resources to meet changing costs and prices and erratic climatic conditions.

The management principles and techniques will help F.MM meet these two challenges with some success. At the same time it is recognised that farm management economics is one important discipline out of a number of recognised disciplines, each of which has an important effect on the success of a farm operation.

### 02. THE USEFULNESS OF FARM MANAGEMENT.

There are real advantages in utilising ideas of farm management along with new technical advances and capital. There is a wide contrast in net farm income per hectare between those farms where such ideas are used, and those where they are not. The gap between them becomes wider each year. It could be observed in some of our farms where attention given to management or whole farm approach to raising productivity has been shown to work in practice during this year (Ex. Pelvehera and S.F.M.I. Farms). Some dramatic improvements have been made on these farms which have used basic farm management techniques to assist their technical and economic planning. I find most of the F.MM. who have used management advice have averaged a 20% increase in operating profit, relative to F.MM. who have not done so.

When the reasons for the poor financial performance for a farm are analysed, it is frequently found that:

- (a) activities (e.g. crop and animal production) are not being carried out in the best way.
- (b) different activities are not suitably co-ordinated.
- (c) wrong (uneconomic) activities are being conducted.

An adviser who should be the Regional Asst. Director (A.D.) should indicate to his FM/F.MM the cost, in terms of lost or unrealised income, of the present way of organising and managing his farm. This will frequently stimulate the F.M. to take a much keener interest in the technical aspects of how he carries out his farming activities. It may also arouse his interest in new activities which can increase his net income.

### 03. DIFFERENT VIEWS OF FARM MANAGEMENT.

Most F. MM. who are responsible for running farms see farm management as the day to day problems of organising and of making decisions about practical matters. Jobs must be done well and on time. This is one of the most important pre-requisites in farm management. It is vital that the mechanical, husbandry and labour operations, which are fundamental to the smooth running of any farm enterprise, be carried out efficiently. A successful farm manager should be able to perform the numerous, varied and testing practical tasks, and be able to organise and motivate his labour force, yet he must be flexible enough to deal efficiently with rapid changes in seasonal conditions, prices and costs.

The F.M. must also apply systematic controls to check that production is proceeding as planned. Variation in production should be analysed carefully to ascertain the causes.

In foreign countries the disciplines which have provided the most valuable recent insights into farm management have been agricultural production

economics, mathematics, sociology and accountancy. Some of their principles have been applied to agriculture, because progressive farmers, and their advisers have recognised the importance of the business aspect of farming. This is true to our farms as we run them on Advance Vote which is controlled by the Public Enterprises Division in the Treasury.

Some F.M.M. regard farming as a way of life. Nevertheless, the principles and techniques of good management can help all to run their farms more efficiently, even though the idea of profit means little to some of them.

#### 04. RESOURCE MANAGEMENT.

Farm Managers in an economic sense, are resource managers who endeavour to manipulate their land, funds and other resources to achieve certain ends. These ends or goals vary with each F.M.'s responsibility and sometimes also with his ambition for himself and his farm. Common goals of State Sector farm managers are likely to include :-

- (a) assuring production levels set out by head-quarters.
- (b) reduce expenditure to show maximum profits.
- (c) increase production levels than previous years/season.
- (d) improving the physical appearance of the farm for which he is responsible.

#### 05. DECISION MAKING:

Farm Management, as a formal discipline, is concerned with helping the farm manager to make sound decisions. Decision making usually involves choosing between alternatives in the light of the decision-makers goals. The decision making process has six generally recognised steps:

- (a) having ideas and recognising problems.
- (b) making observations, collecting facts.
- (c) analysing observations, and testing alternative solutions to the problem.

- (d) making the decision.
- (e) acting on the decision.
- (f) taking the responsibility for the decision.

The F.M. may always ask what should I produce? What method of production should I use? How much funds do I need? Should I run the farm this year at a loss? etc. Answering these questions requires an understanding of economic principles, management techniques, finance and technology. Decisions often have to be made under conditions of change and uncertainty.

### 6.1 THE HUMAN FACTOR IN FARM MANAGEMENT.

Emphasis will have to be given to planning, analysis and budgeting. However, it is very important to emphasise to have very effective communication between the F.M. and his workers to achieve maximum results in farm management. Lack of proper understanding can stop the best of plans from being achieved.

### 6.2 EFFECTIVE COMMUNICATION:

When F.M. employs labour, the quality of field operations can be greatly reduced if the workers are dissatisfied or lack motivation. Similarly, if a F.M. tries to introduce new activities or projects into the farm, the expected increase in profits may never be realised because the workers prevent the programme from working properly. This may be because they do not understand the reasons for its introduction, or because they feel that the F.M. is going to get extra benefits, whilst they gain nothing. Sometimes workers do not have the necessary skills to cope with new programmes. This problem requires training linked with appropriate incentives.

I have found in many cases in farms where workers are resentful or lack motivation, the main cause is that there is no effective two-way communication of ideas and aspirations. The F.M. sees things from one point of view, the workers from another. The two parties have different "frames of reference."

It is around point of common interest that effective two-way communication can occur. Where such communication exists, there is a greater chance of reaching a suitable compromise.

Once the F.M. understands the value of good communications in helping him achieve his official goals, he can choose from the range of communication techniques available, the ones that are most relevant to his situation.

### 6.3 ASSIGNING RESPONSIBILITIES.

One way of bringing the frames of reference of F.M. and worker closer together is to give the worker responsibility. This may be, responsibility for a particular segment of the work, and the right to make many of the detailed decisions about how it is to be done. The F.M. must tolerate some mistakes in the interest of developing the worker and establishing a better rapport.

When the worker begins to refer to 'our farm' rather than 'your farm' the F.M. knows he has succeeded in closing the gap between their respective frames of reference. Once this has occurred, the prospect of improving communications and the performance of the worker, greatly increases.

### 6.4 SMALL DISCUSSION GROUPS:

Whenever a problem involving the co-operation and performance of the workers arises, or when a new activity is being introduced, a small informal discussion between F.M. and workers is useful. It is best to confine such discussions to a few specific points.

Provided such groups are led skilfully, that there is no 'talking down' and that the topics discussed are of real interest to the workers, they can result in a more efficient and contented work force and a more profitable farm.

It is hoped that these concepts discussed will help F.M.'s of all farms make sound decisions about their daily operations, use of resources and cropping programmes. In addition if F.MM. can have some basic idea of the under mentioned concepts and follow them, then I am sure all our farms can run at profits as we will be able to reduce unnecessary and uneconomic spending which will enhance our profits. Please remember that at present level of spending our loss margin is only around 17 million rupees. If you can reduce your expenditure by 15% and increase your revenue by 10% we can run our farms above break-even point. Therefore to make this a reality please follow the following concepts which will help you to achieve your goals.

- (a) Cash flows.
- (b) Costs and Receipts.
- (c) Gross Margin.
- (d) Farm Profits and Profit Budgets.
- (e) Return on Capital.
- (f) Decision Making.
- (g) Financial basis for decision of crop production.
- (h) How to decide whether to adopt a new activity.
- (i) Taking account of variability.
- (j) Discounting and production values.
- (k) Principles of equimarginal returns and substitution.
- (l) Use of Farm accounts and records.

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