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Comment 2 on 'Farm management' by Malcolm and Wright

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Bill Malcolm and Vic Wright provide an interesting and informative account of the evolution of farm management economics in Australia. In many ways, 'down-under' developments in the field paralleled developments in the United States. In some areas, especially that of risk management, Australian farm management economists sometimes led the way for their Northern Hemisphere colleagues. In this comment, I will identify and briefly discuss three areas for future work that came to mind for me as I read this paper.

First, Malcolm and Wright provide a good account of the influence of microeconomics on farm management work, focusing on its value in helping managers formulate problems, assess alternatives and make choices. In recent years, we have seen much new disciplinary research in the area of behavioural economics. I believe farm management economists have an opportunity to apply insights from behavioural economics research, not only in improving our understanding of farm management decision processes but also in developing tools to more effectively support farm management decisions. For example, behavioural economics research has repeatedly shown the impact of framing on decisions. Farm management economists can use insights from this work to develop templates for presenting data and information in a way that can help managers avoid some of the decision traps that arise from cognitive limitations.

Second, we are becoming increasingly aware of the impacts 'big data' may have on the agricultural sector. Sonka and Cheng (2015) provide an excellent introduction to this, with an emphasis on farm-level implications, in their recent series of articles on 'Big Data in Agriculture'. They note that understanding underlying causes for patterns that emerge from data – that is understanding why as well as what – is essential for effectively exploiting the identification of striking patterns. In farming, this requires integrating concepts from the biological and physical sciences with economic concepts in managerial decision models that can be estimated and solved in real time. Farm management economists will need to develop new, robust methods for using data from diverse sources to estimate biophysical and economic

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relationships and processes for incorporating these relationships into economic models that can support farm-level decisions.

Finally, near the end of their paper Malcolm and Wright offer an extended discussion on relationships beyond the boundary of the farm. Work on these relationships will draw on insights from contract theory and from the extensive literature on cooperatives and collective action in agriculture. As noted in King et al. (2010, p. 566).

Agribusiness organizations are becoming more flexible and complex, more decentralized and yet reliant on cohesiveness. This poses challenges for managers designing the incentive systems and internal institutions that are the foundation for intra-firm structure, strategy, and governance.

Many farms no longer operate as isolated entities in atomistic markets. Rather, they are closely linked to both input suppliers and the businesses that buy their products. New technologies and shifting economic conditions can have profound effects on how costs and benefits are allocated along food supply chains. Modern farms need to participate actively in the design of supply chain linkages and relationships rather than simply reacting to their evolution. Modern farm management economists can and should have much to contribute in this area.

Farm management economics in Australia and New Zealand has a distinguished history and a bright future. As Malcolm and Wright note, the juxtaposition of 'management' and 'economics' highlights one of the most difficult challenges and one of the most exciting opportunities associated with work in this area.

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