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**AGRIBUSINESS MANAGEMENT AND FARM MANAGEMENT:
SOME PARALLELS AND THEIR IMPLICATIONS**

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ABSTRACT

In this paper it is argued that there are strong parallels between agribusiness management and farm management as fields of enquiry of interest to agricultural economists. Both fields are argued not to be disciplines themselves, and not to be capable of adequate analysis by the application of any single discipline, including agricultural economics.

The major implications of this perspective relate to the need for a multi-disciplinary approach to research and teaching with respect to both fields. The willing adoption of such an approach is argued to be the path to the revivification of farm management, and the credible adoption of agribusiness management, as domains of enquiry for agricultural economists. The appropriateness of agricultural economists seeking such outcomes is considered.

1. *Introduction*

The emergence of agribusiness as a domain of enquiry raises a number of questions for agricultural economists. These are questions to do with the adequacy of our understanding of systems we analyse and of the theory we use to analyse these systems, and of the relevance of our analyses to typical clients.

They are not new questions. They have been cropping up repeatedly in the context of farm management (see Malcolm 1988), most recently in an exchange between Pannell and Colomb (1988). Farm management is not an area of interest to very many agricultural economists at all; most of us are calm about the hanging questions. We may be being a little cavalier in this respect, and it may be timely to reflect on the implications of our alleged failings in the farm management area.

If we have been as useless as has been suggested (by, for example, Malcolm 1988) to decision makers in the industry most resembling a perfectly competitive one, what chance have we got with the much less competitive industries we would expect to comprise non-farm agribusiness? Beyond this, does it matter?

2. *Agribusiness and Farm Management*

Agribusiness is the total set of entities involved in the satisfaction, using food or fibre products, of a society's needs. Agribusiness management is the management of those entities. Commonly, that task is indistinguishable from the management of entities involved with non-food and non-fibre products. Some agribusiness entities, though, are sensitive to the unique features of the operating environment of production agriculture; these features are mapped into their own operating environment. Here agribusiness management assumes a substantive, identifiable character and set of needs.

Logically it is impossible to exclude farms from 'agribusiness'. It is, in fact, commonly done, mainly due to professional etiquette; colleagues have already covered the farm management component of agribusiness management. My judgement is that this approach is long on etiquette and short on professionalism; academic farm management is in an untenably poor state and should not be shielded from the fresh, comprehensive approach that must characterise agribusiness management if it is to have any substance.

It is the 'component' nature of farm management with respect to agribusiness management that motivates the thesis of this paper: we should, in the interest of professional integrity, get serious about agribusiness management or refine our focus to exclude it, bearing in mind that farm management is a component.

I am fully aware that to suggest that we should, perhaps, vacate the farm management field amounts to suggesting patricide. I am guided more by concerns for integrity than for emotional comfort.

3. *Management*

Management, in any context, is the manipulation of resources to maximise long run goal attainment. There are obvious and less obvious elements to management.

Plainly, a comprehension of goals is a prerequisite to their efficient pursuit. However, it would be naive to assume that goals are commonly well comprehended by their 'owners'. Similarly, it is apparent that resources must be assembled in ways that are appropriate given goals and given the environment. However, resource manipulation also determines the quantity of resource available; aspects of management (notably of factors bearing on the human side of enterprise) determine the output, measured in whatever terms one likes, available from a given quantity of input. Too, commonly the most critical features of the environment are clouded in uncertainty (which only a management neophyte would dare treat as some form of risk).

The area of management decision making that bounds or delimits organisation performance is strategic management. Without broaching infinite, tiresome debates as to what strategy might and might not be, suffice to say that strategic management is to do with the determination of the relevance of the gamut of organisational activity to critical components of the environment. In a (particularly opaque) nutshell, strategic management is about allocative efficiency. It has components of environmental analysis, strategy formulation (including contemplation of goals), and organisation design (reflecting the specific, unique implications of environment and strategy for efficient resource manipulation).

As foreign as some of this language might be to agricultural economists, it is unexceptional in the business management literature, except for that part of the literature which relates to farm management. There one will not detect much mucking around

with questions of what it might be that basically determines the relevance of farm strategy: what it matters that farmers do right. These things are assumed: it's enterprise mix most of the time. Invariably the key decisions are ones that are susceptible to formal quantitative analysis.

In the farm management literature I, at least, am unaware of consideration of the impact on performance of components of management decision making. What then, one might ask, drives contemplation of allocative efficiency? Allocation to what?

Longworth and Menz (1980) indicated that it was the too casual making of assumptions (of technical efficiency) by analysts that led to an overemphasis on allocative efficiency. That is, its assumed persistent importance was debatable. More generally, I would argue that it is, like most other features of the analytical approach of agricultural economists to farm management, a reflection of our training. We perceive reality, as does everyone else, through the windows of our experience. We tend to a 'production economic, rational economic person' view of the world.

Given the formality of the (educational) processes by which we come to have this approach to reality, intelligent economists should be more aware of their particular perceptual tendencies than people (such as politicians) who acquire their tendencies less formally. We should have the capacity to rise above our training when it is unhelpful.

There is an obligation to be alive to the possible need to do this when we move into analysis designed to solve other people's problems. Farm management is a case. There is little evidence of sufficient broadening of vision by agricultural economists to make a good fist of farm management research, and I would suggest that we haven't. Further, we will continue to not contribute to better farm management unless and until we recognise a basic fallacy in a common implicit assumption

The assumption manifests in various ways. Basically, it is that economics as a discipline can deliver optimising management prescriptions. The most common manifestation is the proposition that farm management is a sub-discipline, or some such, of agricultural economics. This is misleading. Farm management economics may be a sub-discipline of agricultural economics; farm management one would expect to be a sub-discipline of management. (One has only to read, in farm management texts, the advice of agricultural economists about personnel management to discover the appropriateness of such an expectation).

Management is not a discipline. Like medicine, it is a vocation, problem oriented, a set of principles/theories/analytical approaches filched ruthlessly from disciplines which seem to have something to offer. Economics is a discipline with potential to contribute to management. There is no evidence that economics, pure or applied, has comprehensive relevance to management, nor that it has a stronger claim than other disciplines as an integrative structure for the various bits and pieces acquired from a variety of disciplines.

If farm management is to move out of the shallows in which it has languished for too long, and if agricultural economists are to do the moving, a multi-disciplinary approach will be needed.

If agribusiness management is to contribute to the quality of management of the agricultural sector beyond the farm, there will have to be integration.

4. *Agribusiness Management*

All agribusiness encounters the consequences of the peculiar features of production agriculture: variability in product flow and in financial aspects of performance. The significance of these consequences varies considerably. For organisations with broad product mixes, such as supermarkets, the significance is generally very low. For organisations with narrow mixes, such as the Australian Wool Corporation and farmers, the significance is much greater.

As the significance varies, so does the relevance to performance of efficient management of the consequences. This includes the capacity to forecast relevant fluctuations and anticipate competitive responses. Efficient management of any organisation demands two things: an understanding of the operating environment; and a knowledge of rational management responses.

In agribusiness, the operating environment is not as readily understood simply as a result of exposure to it as is the case in other sectors. This is reflected by the goodly proportion of agricultural economics curricula committed to presenting conceptual models of that environment. There is no analogue in business school programs.

To agribusiness, the responses that are rational in other sectors do not necessarily translate happily. This is a fact that seems to be overlooked quite often.

Marketing, particularly, is predicated on the assumption that managers have a high degree of control over relevant product characteristics. That this may not obtain is far from a trivial problem for the application of marketing theory to agribusiness.

Prescriptive analysis for agribusiness organisations (which are significantly affected by the features of the sector) requires the careful bringing together of, in very broad terms, agricultural economic and business management analysis. I have yet to see much work that deals with the unique demands of management caused by the environment. Most work has been the straight application of management analysis to agribusiness organisations. As valuable and necessary as such work is (if only to hose down the blossoming hysteria about product marketing and niche marketing), the fundamental and most intellectually attractive work seems not to be being broached. My view is that it is more likely to be effectively addressed by agricultural economists than by business school people.

There are very few people who care which profession pretends to itself that it has cornered the competence to analyse particular parts of reality. In agricultural economics, where we have moved a long way towards policy analysis rather than firm level decision analysis, there is little intellectual appeal to moving to embrace agribusiness management analysis and teaching. Many colleagues may feel that we can live without another area of work as glamorous as farm management.

I would simply observe that farm management is as unglamorous, as unstimulating as we have managed to make it, and I have proposed a diagnosis and cure above.

There is the possibility that, in the agribusiness management area, we can avoid the dismal anabranching we imposed on ourselves in academic farm management, and derive greater satisfaction from our work as a result.

Beyond these points is a more substantial one: our analytical value derives to some degree from our understanding of the agricultural sector. This might be defined as the agribusiness operating environment plus agribusiness (including farms). We may, as a result, have less discretion as to whether we get involved in agribusiness management research than we think, if our relevance to current clients is to be maintained.

5. *Conclusion*

There is intellectual entertainment, and a dollar, to be had from engaging in agribusiness management research and teaching. In the process we may be able to breathe greater life into farm management research.

The primary incentive to move in this direction is to maintain or enhance our relevance.

A major impediment to moving optimally into the domain is the tendency we have to have too much faith in the capacity of the naive application of economic theory to deliver useful prescriptions to managers. It is not generally the case outside agriculture, and the history of farm management work suggests that it is not the case inside agriculture. We deny economics its fuller utility by failing to specify adequately problems for analysis and solution. To do this better we are going to have to become more familiar with other relevant disciplines or vocations.

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