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REVIEW OF THE 9TH INTERNATIONAL FARM MANAGEMENT CONGRESS OF THE INTERNATIONAL FARM MANAGEMENT ASSOCIATION, BUDAPEST, HUNGARY, 11 - 17 JULY, 1993

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1. Introduction

Over 200 delegates from North America, Latin America, Europe, Africa, Australia and New Zealand attended the 9th International Congress of the International Farm Management Association (IFMA) in Budapest, Hungary, from 11 to 17 July 1993. It was the first IFMA congress to be held in Eastern Europe and had three main themes: Agricultural Policies and Their Impact; Hungarian Agriculture in Transition; and Agricultural Education and Advice.

This review summarizes the key papers on these themes and considers their implications, if any, for agricultural economists and farm managers in South Africa. Group sessions and contributed papers which provided salient information for agricultural economic and management advice are also reviewed.

2. Congress themes

2.1 Agricultural policies and their impact

Tarditi showed that the burden of price distortions caused by the European Community's (EC) Common Agricultural Policy fell on EC consumers. On average, transfers from consumers to producers of the major commodities (sugar, milk, mutton and grains) accounted for almost half of the value of EC agricultural production during 1990-1992. Producer price support policies had led to:

- inefficient resource allocation (product surpluses and administrative costs);
- unequal income transfers (larger farms receive relatively more than smaller farmers); and
- environmental problems (water pollution and soil erosion).

It was questionable whether these effects of sectoral policy were in the interests of society as a whole. Public-choice theory suggests that farmers have an incentive to lobby for support, as the expected benefits (income transfers) are concentrated on them while the costs are spread over many consumers. Improved transparency of agricultural policies and consumer support of pressure groups pursuing the interests of society as a whole were suggested as counters to lobbies supporting sectoral interests.

Schuh discussed seven important lessons which the United States (US) had learnt from its experience with science and technology policy for agriculture, commodity programmes, environmental policy, feeding programmes and food safety policies. The following lessons could be of value to countries undertaking major reforms to make their economies more market orientated:

- consumers, particularly low-income consumers, were the major beneficiaries of investments in science and technology. The real price of food had declined (equivalent to an increase in real income), as supply continued to outpace demand;
- science and technology research had tended to have a bias toward plants and animals. In short, plants and animals have done well; the people have not. Poverty is disproportionately present in the agricultural and rural sectors of the US;
- an integrated, decentralized technology development and delivery system has helped adapt technology to local conditions and promote competitive measures in the system;
- commodity programmes have not raised the per capita income of all rural people. They have prevented the transfer of labour out of the sector and exacerbated the income distribution problem within agriculture (large producers receive larger income transfers, as in the EC);
- the system of land-grant universities and lower level public schools have provided upward mobility for rural people. However, under investment in rural compared to urban education, and a lack of adjustment policies to help rural people, especially farmers, adjust to alternative employment have prevented a narrowing of the rural-urban per capita income gap;
- agricultural technology has been blamed for water pollution, but has also enabled large amounts of environmentally fragile land to be taken out of production while also making it possible for supply to outpace demand; and
- policy reform in a political democracy is difficult, especially when the benefits of existing programmes tend to be capitalized into the value of fixed assets. The reform of bad policy comes hard as the capital losses that producers will experience due to reform are typically imposed on different people than those who benefitted at the start of the programmes.

As the US and other countries of the world become increasingly integrated into a global economy,

macroeconomic policy (the international monetary system, exchange rate policy and trade policy) will increasingly influence the development of food and agricultural policy.

Bywater *et al*, described how farmers in New Zealand had been affected by economic liberalization programmes introduced by the Labour government since 1984. Deregulation was applied to financial markets (devaluation and floating of the New Zealand dollar), agriculture (removal of input, output and interest rate subsidies and abolition of marketing boards) and exports (removal of export tax incentives). Interest and exchange rates increased, while farm cash flows and equity (farm land value) levels fell.

After seven years of adjustment, including a major drought, farmers have emerged stronger, more flexible and better able to face world food markets. They have diversified their product base and market destinations significantly, and are more market-orientated. Examples of new activities undertaken by them are given in section 3.1.

Fears of wholesale bankruptcies did not eventuate, although many farmers had to restructure operations (low equity farmers experienced the most stress). The official policy of Federated Farmers strongly supports minimum government intervention and an independent Reserve Bank charged only with maintaining price stability (controlling inflation). It also supports the maintenance of a freely floating exchange rate and the elimination of import tariffs.

Onucheyo attributed food and agricultural problems (famine and poverty) in sub-Saharan Africa to inadequate attention to policy and management issues. Governments needed to provide farmers with incentives to produce (attractive prices and proper marketing arrangements), while international aid institutions should realize that a blanket set of stipulations regarding exchange rates, food prices, wage rates, interest rates and subsidized inputs cannot be applied across all countries. He recommended support for reliable non-governmental organizations as useful tools for enhancing management capacities of the small-scale farmer. Large-scale (commercial) farmers could also provide technical assistance to small-scale farmers.

2.2 Hungarian agriculture in transition

Agriculture plays a major role in the Hungarian economy, contributing 17% of Gross Domestic Product and 25% of exports. The current transition from a command economy towards an agricultural sector based on a market economy, private initiative and private ownership takes place in an environment characterized by:

- the loss of previously guaranteed export markets in Eastern Europe due to currency shortages and the collapse of the Soviet Union;
- reduced local demand due to declining real per capita incomes in Hungary; and
- drastic cuts in government subsidies to every sector of the Hungarian economy.

Papers by Rasko, Horvath et al, Csaki, Finlayson and Szekely and Nemessalyi outlined how the transition has affected land reform, farm structure, the development of extension services and farm management training.

The land reform process involves three distinct issues: the establishment of a legal framework for private land ownership and land markets; decisions about eligibility and allocation of land to new owners; and the creation of a new farming structure, including the restructuring of large-scale, 'inefficient' State and co-operative farms. In 1991, landowners and dispossessed owners of other property received vouchers redeemable for agricultural land and other assets, which essentially gave monetary compensation to prior owners. Land auctions organized by government agencies provide voucher holders and others with an opportunity to purchase land. This strategy may, however, lead to accumulation of farm land by non-farmers and even non-rural residents. Landowners who continued to hold title to land managed by co-operatives (it was mandatory to rent land to co-operatives at a rate set by the State) were granted unconditional restitution of their ownership rights.

The land reforms outlined above have initiated a major restructuring of State farms and co-operatives. Prior to the current transition, over 80% of arable land was cultivated (though not owned) by State farms (average size of 7600 hectares) and co-operatives (average size of 3800 hectares). A range of 'new' farm types is emerging:

- some State farms are kept for seed and breeding stock supply (about 2% of all arable land);
- remaining State farms are being privatized (mainly into relatively large units run by previous employees);
- 'new', medium size co-operatives which rent land and assets from their members;
- 'new' service co-operatives run by people who elect not to rent land and assets out to production co-operatives;
- plots rented out to State farms, co-operatives or private farmers by elderly beneficiaries living in urban areas; and
- small or medium size farms run by private individuals on a full- or part-time basis.

Small, medium and large farms were not clearly defined, although reference was made to 'small' farms generating up to US $6000 per annum and 'medium' farms being about 300 hectares (new private entrepreneurs and smaller co-operatives). Grains and sunflowers continue to be produced on larger farms, with smaller farms growing vegetables, fruit and grapes (wine production). Livestock production occurs on small, medium and large farms.

Technology transfer (extension) has been disrupted by farm restructuring, due to the retrenchment of technical staff from State farms and co-operatives. A small number of firms and groups provide private advisory services that have evolved from State plant and soil laboratory services which are now privatized. Major constraints on the development of extension services include:

- lack of capital to pay for services;
- prejudice against former State and co-operative staff; and

- a perception that agricultural economic/financial management is not an extension task.

A two-tier extension system based on private sector participation is envisaged, providing economic/financial advice to medium size farms and co-operatives and encouraging a network informal discussion groups for smallholders. The private sector is more likely to deliver cost effective, individual service and to gain client confidence (especially with regard to financial information). Large scale farming units (privatized State farms and larger co-operatives) will probably continue to employ their own technical advisory staff or purchase the required assistance at full cost from private extension services. Parliament has provided US$4 million in 1993 to subsidize farmers and practitioners who participate in the scheme.

Transition to a more market-orientated agriculture and farm restructuring has necessitated more emphasis in farm management training on:

- risk management;
- wider application of marginal and time preference principles;
- further development/application of computerised decision support methods and systems;
- cash-flow analysis and control;
- use of marketing methods;
- use of strategic thinking and planning;
- developing extension methods and training programmes for new entrepreneurs; and
- retraining of agricultural experts.

Further international support to develop education and research contacts (for example, exchange programmes) and curricula are needed to up-date training to assist farmers in the transition.

2.3 Agricultural education and advice

Murcia outlined trends in agricultural management education in Columbia and Latin America since 1960. Production economics courses were traditionally included in the last semesters of farm management curricula which emphasized the basic sciences. This changed after 1970, when new schools were created mainly to teach agricultural administration or the administration of agricultural businesses. With national economies becoming increasingly integrated into a global economy during the late 1980's and early 1990's, curricula now focus on the farm as an open system.

Courses are designed to improve internal management (communication, motivation, finance, goal-setting, budgeting,technical skills, computer use) and increase awareness of how external factors affect the farm (changes in world and regional trade agreements and protectionist measures).

Webster discussed some recent developments in farm management education in the United Kingdom (UK). With reform of the EC's Common Agricultural Policy, many farmers are looking to non-farm income, such as leisure based enterprises, or adding value to traditional products as ways to maintain incomes. This requires that managers think more strategically and become more customer orientated. Specialist undergraduate degrees in Agricultural Business Management were thus introduced in the early 1980's and vocational training in agricultural management is currently being upgraded. The Master of Business Management (MBA) degree has had little impact so far on managers in agriculture, but this may change soon due to:

- the rise of distance learning programmes, such as the Wye College (University of London) External Programme M.Sc. or Diploma which emphasizes agricultural development but includes a course on Business Management for Agricultural Enterprises; and
- the development of a part-time MBA for the Food Industry and Rural Sector by the University of Reading. This has a compulsory core of six general management modules, a choice of six specialist and a management project.

Smith identified major changes affecting the US Extension System and the challenges they will create for future management extension programmes. The main adjustments will are expected to include:

- less public funding for extension;
- more emphasis on the environment and sustainability of agriculture;
- decreased farm subsidies;
- farm policy that focuses on a more market orientated agriculture; and
- changes in farm structure (trend towards fewer but larger farms).

The challenge facing smaller future US extension farm management staffs will be to prioritize their programmes. This could well lead to:

- programmes targeted at small, medium and large farms, particularly in marketing, financial and risk management;
- an interdisciplinary approach to farm planning that focuses on sustainability of agriculture, and environmental issues. The demand for farm record analysis programmes (record books and/or computers) will increase as US farmers will have to keep detailed records of pesticide use (focus on water quality and the environment) from 1994 onwards;
- better trained extension agents who will work multi-counties or areas;
- increased linkages with the private sector (consultants, managers, accountants and lenders);
- private grant and/or contract funding to supplement public funding; and
- the charging of user fees.

2.4 Implications for agricultural economists and farm managers in South Africa

Local agricultural economists have already noted the allocative efficiency, income transfer, public-choice and transparency aspects of agricultural policy in South Africa. More attention must in future be given to assessing

the environmental/resource economic impacts of agricultural and food policies. This will help policy-makers better evaluate the costs and benefits of alternative programmes. Investment in science, suitable technology and education to raise living standards needs to be encouraged. Analysis and awareness of how macroeconomic changes - particularly in monetary, exchange rate and trade policy - affect agriculture should remain a priority.

Institutions and mechanisms for resolving land compensation claims and developing extension services/training for emergent farmers must also be considered. If the focus of future agricultural policy shifts from commercial to emergent and/or small-scale farmers, existing commercial farmers will likely make more use of private consultants. Agricultural economics and farm management curricula should probably place more emphasis on macroeconomic and trade issues, particularly in a post-sanctions era.

3. Group sessions

3.1 Marketing (Adding value to farm production/alternative agriculture)

Farmers responded to economic liberalization in New Zealand by adding value to farm production or pursuing non-traditional enterprises (Gow and Lough, Gardner, Heard). 'Adding value' entails transforming a product or service into something of higher value by further cultivating, processing or marketing it.Exposure to international forces and a more market-related domestic economy saw family farms in New Zealand having to adapt in order to survive. The process of adjustment created a new version of the family farm which is well suited to face future pressures for change.

New activities undertaken in rural New Zealand included: manufacturing (for example, electric fences and pasture measurement devices), farm stays (overnight accommodation), horse "trekking", tourism, retail gardening, crafts, herb growing and the production of new specialist crops such as lentils and prairie grass.

3.2 Improving the farm business

3.2.1 Improving farm decisions

McGrann reported that standardized methods for measuring production and financial performance in ranch management are becoming an important management tool in the US. Standardization facilitates education data base development and more effective performance analysis.

3.2.2 Improving professionalism of farmers and managers

Lugg described the role of the Institute of Agricultural Management in the UK in bestowing professional status on farmers and managers that qualify for membership, and helping to harmonize qualifications on an international basis. Hutchinson discussed professionalism of farm managers through the American Society of Farm Managers and Rural Appraisers, by legislation, and in business and industry. Both speakers listed Farm Management amongst the recognized professions and outlined the need to relate academic qualifications with practical experience.

3.2.3 Optimum machinery management

There is probably an optimum level of machinery replacement on each farm and ideally this level should form an integral part of the overall farm plan (Klug and Darroch, Givan). The key determinants of optimum replacement are capital availability; ownership costs and operating costs; taxation allowances; interest rates; technological change; relative costs of alternatives to purchasing new machines; and more efficient machinery planning, scheduling and operating.

3.3 Support for management

Zachariasse described the planning and development of information technology (IT) at the farm level in the Netherlands since the early 1980's. A co-ordinated approach supported by farmers, institutions, agribusiness and government aimed to stimulate management IT applications. While agricultural research will continue to play a critical role in the adoption of IT, the rate of IT applications is below expectation. Appropriate socio-economic research on the content of management information systems and the attitude and behaviour of farm managers is necessary.

King *et al*, demonstrated that farm information systems are needed to support management processes. A workshop was developed to help farmers determine their information needs and improve their farm information systems based on sound conceptual foundations. The workshops are a source of data for analyzing farm information needs, including critical success factors (CSF's) and information system strengths and weaknesses. Workshop participants had information needs which varied by farm type and according to their own goals. High product quality, production planning, cash-flow management, marketing and price risk management were frequently selected CSF's.

3.4 Changing to a market economy

Heinrich showed that trends in farm restructuring in East Germany after monetary union with West Germany were similar to those described in the current agricultural transition in Hungary. Private farming now occurs on more than half of the arable land, while many of the former co-operatives have become limited companies or partnerships.

3.5 Implications for agricultural economists and farm managers in South Africa

If government support to commercial farmers is reduced in future, economists and managers must consider the potential (costs, benefits and skills) for appropriate value-adding and non-traditional activities. As information needs for decision-making will likely increase, more research on farmers needs and views on future critical success factors is necessary, to develop suitable advisory services and risk management strategies.

4. Selected contributed papers

4.1 Policy issues

Van Zyl *et al*, compared expenditure patterns of households participating in Farmer Support Programmes (FSP's) of the Development Bank of Southern Africa with those of non-participants in Lebowa and Venda. The FSP group had relatively more food security, implying that the provision of support services can make a positive contribution towards the food security of rural households with access to agricultural land.

4.2 Advanced approaches and tools of education and management

Cameron reviewed literature relating to the evolution of paradigms of agricultural science and farm management. The question of what constitutes good management was considered. Evidence that managerial ability depends largely on conceptual ability raised the question of whether conceptual ability can be enhanced by formal education. This question remains unanswered, but educational methodologies which foster deep rather than surface approaches to learning, and the principles of Action Learning, appear to be potentially useful in developing a conceptual and operational framework for the effective preparation of rural managers of the future.

A conceptual model developed by staff at Gatton College in Australia to equip students for the farm and agribusiness management environment of the future was described. The model contained three modules: the management environment, management process and management issues and applications. Limited staff resources and tension associated with finding a suitable guiding paradigm for farm and agribusiness management had limited implementation of the programme.

4.3 Changing development

Lyons argued that doing research through Bioscience Centres which link universities and industry is viable and cost effective. It provides a key nucleus of staff to direct new product development and improves the technical skills of sales staff. Small companies are better able to compete in world markets and can draw on a pool of well-qualified people capable of making the transition from bench top to industry.

4.4 Resource efficiency

Oosthuizen reported the application of a staff audit technique to diagnose the strengths and weaknesses in the staff management system of a farm business. The technique records both employee and employer perceptions of staff management practices such as leadership, motivation, communication, human relations, staff control and work performance. Results enable a farmer to develop strategies for improving productivity and work satisfaction.

5. Conclusion

Invited and contributed papers emphasized that farming worldwide is characterized by change, be it due to environmental and macroeconomic factors, agricultural policy shifts or land reforms. The ability to adjust to such changes is the key to successful farm management. In the 1990's, conceptual skills and strategies to better manage environmental issues, macroeconomic changes, agricultural policy changes and information must be developed.

Invited papers

CSAKI, C. Major dilemmas and future of agriculture in Eastern Europe.

FINLAYSON, P. The development of an extension service for Hungarian agriculture.

GARDNER, JWM. Alternative enterprises to agriculture in rural New Zealand.

GIVAN, W. Making the most efficient use of farm machinery.

HEARD, RF. Adding value to farm production: At the farm gate.

HEINRICH, I. East German agriculture - Changing to a market economy.

HORVATH, G, KANIZSAI, E, LASZLO, L, SZOKE, G and VOROS, M. The organization and ownership structure of Hungarian agriculture.

HUTCHINSON, JR. Professionalism of farm managers.

KING, RP, CROSS, TL, DOBBINS, CL and FULLER, EI. Lessons learned from farm information system workshops.

KLUG, JR and DARROCH, MAG. Optimum machinery management: A South African perspective.

LUGG, GW. Improving professionalism for farmers and managers.

McGRANN, JM. Standardized methods for improving farm decisions: Production and financial performance standards in ranch management.

MURCIA, HH. Agricultural management education in Latin American countries.

ONUCHEYO, E. Agricultural policies and their impacts: Developments in Africa.

RASKO, G. Hungarian experience with structural adjustment and privatization of agriculture.

SCHUH, EG. Agricultural policies in the USA.

SMITH, DB. Extension farm management education in the United States: Changes and challenges.

SZEKELY, C and NEMESSALYI, Z. Restructuring farm management training in Hungary.

TARDITI, S. Supported agriculture: The European Community.

WEBSTER, JPG. Some developments in farm management education in the United Kingdom.

ZACHARIASSE, V. Farm management information systems planning and development in the Netherlands.

Contributed papers

CAMERON, D. An action learning approach to farm management and agribusiness education.

GOW, NG and LOUGH, D. Value adding by New Zealand farmers: Case studies of farmer response to economic restructuring.

LYONS, TP. Bioscience centres: Forging links between industry and universities in the future.

OOSTHUIZEN, LK. A diagnosis of the strengths and weaknesses in the staff management system of a farm business with the aid of the staff management audit technique: A case study in a developing country.

VAN ZYL, J, SARTORIUS VON BACH, HJS and KIRSTEN, JF. Effects of a farmer support programme on food security in traditional African agriculture: Evidence from the Lebowa and Venda Homelands of South Africa.