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Comment 1 on ‘Farm management’ by Malcolm and Wright

Malcolm Wegener[†]

The Malcolm and Wright article reminds us that the University of New England was influential in the development of farm management economics in Australia. Staff and past students of that institution contributed substantially to early farm management practice and agricultural economics research.

However, this comprehensive, reflective account of the contribution by AARES members to the evolution of farm management economics in Australia and New Zealand does not include some significant issues.

The business environment in which Australian and New Zealand farmers operate has changed enormously over the past 60 years. When the Society held its first conference, there were many more farmers in Australia, farms were much smaller, and farming systems simpler. Wool production was the dominant industry, and wheat–sheep farming dominated southern Australian agriculture. Farm machinery and technology was basic in the era before conservation tillage, and government had much greater influence over farmers’ decisions. Farming was generally profitable following the Second World War when exports of farm products to the United Kingdom dominated our international trade, and the weather was mostly kind to farmers.

Now farms in Australia are much larger (typically averaging 2000 hectares with about half sown to cereals), and many operations across all industries are much larger. With climate change, droughts have become more frequent, more intense and have longer duration. Governments have largely stepped away from involvement in agriculture, markets are more diverse and prices volatile, while community attitudes towards farmers are not as supportive as they were. Decision making for Australian and New Zealand farmers is much more challenging, although the top group in most farm industries achieve exceptionally good returns on capital. Many others struggle to remain viable.

When the Society formed, there were many instances of poor management in large-scale farming ventures in Australia. Now, many Australian and New Zealand farm managers successfully control very large agricultural enterprises, often still family owned, in cattle, grains, cotton, horticulture, sugarcane and dairy.

[†] Malcolm Wegener (email: malcolm.wegener@uq.edu.au) is an Honorary Senior Research Fellow at the University of Queensland.

The paper defines the 1940s as the start of formal farm management economics activity in Australia and the establishment of the Division of Marketing in the NSW Department of Agriculture in 1941 might be a convenient starting point but, as Malcolm and Wright point out, there were much earlier contributions.

The influence of the NSW Department of Agriculture on the development of the farm management discipline in Australia from the 1950s was considerably greater than Malcolm and Wright acknowledge. Many internationally known agricultural economists including Dillon, Donaldson, Duncan, Freebairn, Ryan and Randall started their professional careers there.

Two institutions helped drive the development of the agricultural economics profession in Australia: the Rural Credits Development Fund of the Reserve Bank and Commonwealth Extension Services Grants. The fund, representing accumulated profits from the Reserve Bank lending to statutory marketing authorities, supported most of the first academic appointments in agricultural economics/farm management at major Australian universities. Ironically, many of them strongly criticised statutory marketing of agricultural commodities.

In Queensland from the mid-1960s (and probably in other states), the Commonwealth Extension Services Grant funded the appointment of state government regional economists who worked closely with farmers and advisory staff, doing useful applied research and improving extension advice. In Queensland, they encouraged farmers into farm accounting groups although Malcolm and Wright point out the futility of comparative analysis and benchmarking. Accountants had a significant impact on early farm management work (Burns 1966), and the history of farm management accounting, especially the development of the forward-looking ACCRA code, was reported by Lisa Jack in a recent AARES conference paper and subsequent publication (Jack 2015).

Malcolm and Wright lament the poor standard of farm economic advice offered by consultants, underpinning policy and used in analysis of R & D investments. This might be explained by the decline in farm management and agricultural economics training offered by the major Australian universities. One significant teaching initiative, not recognised in the paper, was the development of simulation modelling for farm management training (Menz and Longworth 1976). The Central Tablelands Farm Management Game and its successors were used in farm management training in Australian universities for 34 years.

References

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