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FARMING THE LEAN AND HUNGRY WAY -
CHARACTERISTICS OF SUCCESSFUL FARM MANAGERS IN AUSTRALIA.

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1. SUMMARY

Farm managers in Australia face a continued cost-price squeeze and the major uncertainties of climate, product prices and input costs. The top farm managers have evolved management strategies to cope with this situation. These include:

- . skill in producing quality products
- . low cost structures per unit of output
- . suitability of enterprises to the environment
- . diversified business structures
- . high equities
- . use of off-farm capital
- . high level business and marketing skills
- . problem solving attitudes
- . persistence, timeliness and anticipation
- . conservative but progressive management styles
- . skill in using other people
- . skilled information management
- . aggressive personal development
- . appropriate balances between physical work and business decision making

Many of these characteristics apply to farm managers world wide but their particular development in Australia's best managers has helped produce highly competitive farm businesses, well adapted to the physical and economic environment.

2. INTRODUCTION

Farm managers in Australia have had to cope with significant changes during the last 40 years.

- . the 1950's were generally profitable times with emphasis on application of technical research to increase production.

- . the 1960's saw a gradual decline in profitability and an increasing emphasis on the business side of agriculture. Farm numbers fell by 6.5% but surviving farmers were able to use large machinery and relatively cheap finance to achieve economies of size.
- . the 1970's were times of turbulence with both booms and busts in each of the major agricultural industries. The emphasis changed to more efficient production rather than more production. Farm costs tripled while commodity prices little more than doubled. Farm numbers fell by a further 6% as the more efficient expanded and the non-viable left the industry.
- . the 1980's have seen: a major drought over most of Australia which resulted in increased farm debt; surpluses in many commodities world wide; deregulation of the banking and the exchange rate system; a change in interest rate/inflation rate relativities requiring a different investment philosophy; and, an increasing awareness of the influence on farming fortunes of macro-economic and fiscal policies both in Australia and overseas.

Australian agriculture continues to be dominated by family farms. Government financial support for agriculture is at very low levels. Much of Australia's agriculture is conducted in areas where rainfall is relatively low and unreliable. Labour costs are relatively high, land costs are relatively low and costs and returns are subject to market forces. The country has a huge resource base of rural land with an immense potential for increased efficient production of food and fibre.

Successful farm managers have developed skills and attitudes to cope with the uncertainties of climate and markets. It has been my good fortune to work with and study these farmers over 20 years in agricultural research, extension and education in many areas of Australia. It has become a habit when visiting any farm to ask 'why is this farm surviving or not surviving?'

In most cases the answer lies in the characteristics of the people involved, their philosophies, attitudes and skills.

It is impossible to adequately cover all farming industries although most conclusions apply to all industries. I will concentrate for any specific examples on the major low input agricultural industries - sheep, cattle and grains all of which have strong export orientation.

To help paint the background for my discussion of the characteristics of successful farm managers I have selected a few representative sheep, cattle and cropping properties. They are briefly sketched in the next section.

3. SOME PEN PICTURES TO ILLUSTRATE THE ENVIRONMENT, THE LEVEL OF INPUTS (ESPECIALLY LABOUR) AND THE CHARACTERISTICS OF THE MANAGER.

Farm A

Location: North East New South Wales
Area: 4250 ha. (10500 ac.) in 3 blocks, each 40 km (25 miles) apart.
Rainfall: av. 840mm summer dominant
Type: 80% non arable, 12% semi-arable, 8% arable
 Grazing with small areas of oats for feed and grain.
Enterprises: Beef cattle breeding and fattening (total 1340 cattle)
 Merino sheep breeding and fine wool production (total 15400 sheep)
Labour: Average 4 labour units, contractors are employed for shearing, crutching and very limited other tasks.
Characteristics of the Owner/Manager: Leads by example. Is a calculating man who does a lot of physical work and always seems to find the time to ensure that no matter what decision he makes it is 100% thought out and is the best one possible. Open minded - listens to both his men and family and he makes a point of making them feel included in the running of the farm.

This farm has high labour productivity, with relatively low machinery capital - a lean operation with a skilled and dedicated manager.

Farm B

Location: Central New South Wales
Area: 1950 ha. (4817 ac.)
Rainfall: av. 750 mm (29.5 in.), evenly spread

Farm B (Continued)

<u>Type:</u>	20% arable, 40% improved pasture, 40% native pasture
<u>Enterprises:</u>	Grazing, cropping for livestock feed Beef cattle breeding (1000 cows and replacements) Cattle feedlot (approx. 700 head p.a.) Merino sheep (600 wethers) Deer (60 head) Cropping 325 ha. (803 ac.) (barley, triticale, peas, oats, hay production)
<u>Labour:</u>	Average 3.5 labour units
<u>Equipment:</u>	Highly mechanised - some equipment shared with neighbour.
<u>Characteristics of Owner/Manager:</u>	Doesn't shy from taking risks but he always justifies his actions. 'Steady' nature. Involves family and employee in decisions.

This grazing farm incorporates a cattle feedlot. Labour productivity is quite high and machinery capital is also quite high by Australian standards. The owner/manager typifies the sound, well researched approach taken by many progressive and successful farm managers.

Farm C

<u>Location:</u>	South West Queensland
<u>Area:</u>	567,000 ha. (1.4million ac.), 200km (124 miles) from the nearest town of 350 people - 15 main paddocks (fields)
<u>Rainfall:</u>	300-355 mm (11.8 - 14 in.)
<u>Type:</u>	Extensive grazing
<u>Enterprise:</u>	Beef cattle breeding and fattening (store cattle production in poor years) 18000 cows, 500 bulls, 10000 sale cattle
<u>Labour:</u>	20 labour units - most for 8-10 months each year.
<u>Equipment:</u>	3 trucks, 6 four wheel drive vehicles, grader, bulldozer, 3 tractors, 10 motor bikes, Cessna aeroplane, hired helicopter
<u>Characteristics of Manager:</u>	Shrewd, hard working, uncanny knack of employing the right people and maintaining a good working team. Seeks ideas from employees.

This extensive grazing enterprise covers a vast area in an isolated environment. Machinery capital is relatively low (except for aircraft). Much of the labour is unskilled jackaroos. People management is especially critical to performance.

Farm D

<u>Location:</u>	North West New South Wales
<u>Area:</u>	4800 ha (11856 ac.) in 2 blocks 40 km (25 miles) apart
<u>Rainfall:</u>	Av. 470 mm. (18.5 in.)
<u>Type:</u>	Grazing and cropping

Farm D (Continued)

<u>Enterprises:</u>	Merino and Merino X Border Leicester sheep (total 4000) Beef cattle breeding and fattening (total 390 cattle) Wheat 320 ha. (790 ac.) Oats 45ha. (111 ac.)
<u>Labour:</u>	1.5 labour units (all family labour) Contractors are used for shearing, crutching and harvesting
<u>Characteristics of Owner/Manager:</u>	Has spent all his life on the home property, Conservative but open minded and willing to look at new ideas. Has steadily increased the area of the farm. Close family man, approachable with practical goals.

This mixed family farm has fairly good labour productivity and moderate investment in machinery.

4. CHARACTERISTICS OF SUCCESSFUL FARM MANAGERS**. different business are successful for different reasons**

The first obvious thing is that different managers are successful for different reasons. Successful managers capitalize on their strengths and develop strategies to overcome their weaknesses. Many of the following characteristics are applicable to good farm managers all over the world, but some have particular relevance to farming in Australia.

. skill in producing quality products

In the words of Graham Peart, a farm management consultant, 'good farm managers do ordinary things extraordinarily well'. Basic to farming the harsh and uncertain environment of Australia is the ability to do the physical job well using up-to-date methods. The margin between poor quality and high quality farm products is becoming greater and the costs of production are usually about the same.

. low cost structures per unit of output

The cost/price squeeze of the last 20 years has resulted in fewer larger farms. The survivors have dramatically increased labour productivity and adopted labour saving technology especially large scale machinery.

Critical to success has been the ability and low cost of the family labour force. By low cost I don't mean peasant labour working for low rewards, but flexible, motivated labour able to achieve adequate leisure but prepared to pioneer new techniques and equipment and fit in with the rigours of working in a rural environment. There has been an increase in the role of women so that all family members may have important roles in the farm workforce, including physical jobs such as mustering and tractor driving.

. **suitability of enterprises to the environment**

Good farm managers are in tune with their environment and choose only those enterprises best suited to their region, climate and soil type. In the increasingly competitive world of agricultural trade, the law of comparative advantage must be obeyed.

. **diversified business structures**

Returns from farming in Australia are becoming more unstable rather than less unstable. Traditionally farmers have diversified their enterprises so that 'all their eggs were not in the same basket'. Now Australian farmers use enterprise diversification less, but many do have farms in different climatic areas to spread risk. Overhead and operating costs have steadily increased so that the 'busts' cause considerable cash flow problems.

The response by many top farm managers has been financial diversification - seeking off farm income through investment or off-farm employment to buffer the booms and busts and retain on-farm decision making flexibility.

. **high equities**

The average equity in Australian farms is over 80%. Time honoured rules of farming under uncertainty in Australia have led prudent farm managers to be very wary of high debt levels.

Deregulation of interest rates has added further uncertainty in recent years. Borrowing in overseas currency has generally been a disaster for individual farm businesses.

. **use of off-farm capital**

Many farm managers, particularly of properties owned by city farmers, are successful because of injections of capital from outside the farm for taxation, capital gain and other reasons. However, there are few remaining taxation concessions for agriculture and capital gains tax has been recently introduced so profitability in hard business terms is increasingly required.

Family farms have traditionally been fiercely financially and managerially independent. It is increasingly difficult for many family farms to own all the assets and still achieve economies of size and adopt new technology. Some farm managers of the future will trade off financial independence for adequate access to capital through property trusts, syndicates and other equity sharing arrangements.

. **business management and marketing skills**

The top farm managers have responded to increasing complexity, the cost price squeeze and increasing financial instability by developing improved business management and marketing skills. Many other farmers have failed to do this. Agriculture has swung very much back to business from the 'way of life' attitudes of earlier times.

These days farm managers have to base enterprise decisions on productivity calculations rather than just expected production.

Market research is increasingly important as fashions and currency fluctuations make consumers even more fickle.

Australian farmers have been shielded, through the activities of marketing boards, from direct involvement in marketing some major commodities such as wool and wheat. Many top farm managers now see that a more vigorous, flexible and responsive approach to marketing offers considerable potential especially as the tyranny of distance becomes less important.

. **problem solving attitudes**

A characteristic of rural people in Australia is that they have generally been brought up to be problem solvers.

Research has indicated that country people are disproportionately represented in executive decision making positions in Australian organisations. The best farm managers show ingenuity and practicality and direct their energies to problem solving rather than blaming the government, the weather or other people.

. **persistence**

It is a well known maxim that there are three important approaches to business success - persistence, persistence and persistence! The top farm managers in Australia are outstanding in their single minded determination to succeed. Through droughts, floods, market fluctuations and other potential crises they pursue clear goals with flexible strategies and demonstrate a high degree of resilience.

. **timeliness**

There is an old English saying that 'the difference between a good and a bad farmer is about two weeks'. This is equally applicable 'down under'. The penalties for lack of timeliness are high in agriculture the world over and it is of no surprise that top Australian farm managers are characterised by being organised, having suitable equipment, achieving high maintenance standards and giving attention to detail.

. **anticipation**

Many farms in Australia now run over 10000 sheep, 1000 cattle or 800 ha (2000 ac.) of crop per labour unit. With these pressures on labour, failure to anticipate disease outbreaks such as blowfly strike or other seasonal problems can be disastrous. Good farm managers have long memories and know when to monitor situations closely.

. **conservative but progressive management styles**

It is an apparent paradox that the most successful farm managers in Australia are often described as being conservative. A harsh and fickle environment and uncertain markets mean that it is generally not the high fliers who are in the race at the end. Many overseas investors especially in the Northern Territory have learnt this lesson the hard way.

However, it is only when the approach of the so called conservative managers is analysed in detail that it becomes clear how they consistently but cautiously adopt new technology and also position themselves to take advantage of the ups and downs of agriculture.

. **skill in using other competent people**

A key characteristic of successful farm managers is their ability to use the skills of a wide range of competent people on and off the farm. Gone are the days of the 'one man band' ruling in a dictatorial way and only concerned with activities inside the farm fence.

Noticeable among effective family farms is the high degree of family teamwork involving clear objectives, good communication, ongoing skills development and a planned approach to leisure and other needs. Schapper has described this element of 'spirit' and unity of purpose as the 'X-EFFICIENCY factor' and it is a key ingredient in the ability of family farms to compete more than favourably with corporate farms under most circumstances.

Co-operation with neighbours and other farmers is increasingly important.

Farmers still have to be 'jacks of all trades' but as complexity increases, managers need to know when to employ specialists for on farm tasks or marketing, financial, etc. services.

There is a new era in Australian agriculture which will see people management and communication skills being critical to success.

. **skilled at chasing up and interpreting information**

Farm managers are increasingly saying that one of their most difficult tasks is handling the information explosion. Some have enormous telephone bills, others employ consultants and more are buying computers and subscribing to information networks.

. **personal skills development**

In the past, most skills for a successful farm manager were able to be acquired on the job. Now many required skills in business management, marketing, communication, information

management, people management, etc. are not easily acquired on farm. Many farm managers recognize the need for formal skills training, but participation rates are still low relative to those in Europe and the U.S.A.

• **appropriate balances between physical work and business decision making**

In Australia, more so than most other western countries, farm managers are still dominated by physical work. The ethos of rural Australia, a legacy of pioneering days, discounts the importance of formal planning and 'office' work and promotes the physical farm tasks. Financial work is left for rainy days and planning is often carried out at the end of the day when the manager is physically tired. Top farm managers are recognizing the need for a shift in priorities of time allocation towards analysis, planning and financial management.

5. CONCLUSION

A number of the above characteristics are possessed by all of Australia's successful farm managers. However, the field of farm management performance is well spread out. Some emerging skills needs, especially those not easily acquired on farm, require high levels of participation in relevant training programmes or many more farm families will be forced to leave the land. Those farm managers who are able to maintain top levels of performance will be highly competitive on world markets and can anticipate excellent futures in the business of agriculture.

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