SHIFTING FROM TECHNICAL ASSISTANCE TO HOLISTIC FARM MANAGEMENT CONSULTANCY ADVICE - A BRAZILIAN EXPERIENCE.

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ABSTRACT

Presently farmers being serviced by agricultural co-operatives in Santa Catarina State, Brazil, may receive advice from 3 to 4 technicians each following their speciality - eg. oranges, pigs, dairy, and crops. No concern is given to the farmer's needs or to his financial and management problems. No one attempts to understand the whole system, with its constraints, threats and opportunities. Farmers have been dissatisfied with the conflicts and problems. This has imposed the recent introduction of whole farm management methods to Brazil has opened an opportunity seen by many to offer a solution to improve the efficiency of their farming systems.

Three co-operatives have begun the transition of converting the activities of their technicians from restricted technical assistance to whole farm management system advice. While the technicians, farmers and the principals of the co-operatives are enthusiastic about the approach it is yet too early to precisely measure the success of the transformation.

In the paper the current status of the transition and related problems and successes of one cooperative (CooperArco-Íris) are described. Methods used to introduce the recommended process, clarification of the objectives and expected immediate and long run outcomes are then discussed with recommendations to others facing the same transition.

INTRODUCTION

The Regional Co-operative "Arco Íris", usually named Cooperaco, is based in Palmitos, in the state of Santa Catarina, Brazil, has 2200 associate farmers and has an important

role in five counties in the Western area of the State. In a recent study, it was concluded that although the co-operative had provided intensive technical advice to its associate farmers, they were dissatisfied with the results of that effort. Several clear cases of failure could be identified, with some farmers' properties made unsustainable by recommendations leading to high levels of debt, unsatisfactory investments and a countless number of badly used or lost profit opportunities. The analysis of their problems made it very clear that the farmers were needing something more than simplistic technical advice limited to the technologies of current production. A strategic decision was made to improve and re-orientate the focus of the technical staff to improve the efficiency of their activities and their ability to create profits for their farmer clients.

An agreement was reached between EPAGRI and Cooperarco in 1998 to train Cooperarco's technicians with the appropriate skills needed to apply the farm management techniques required to give soundly based holistic advice to the farmers. This article presents the reasons that had driven Cooperarco to change its focus from strictly technical information to whole farm management advice, the process of change, the difficulties encountered, the current situation and first results, and future perspectives.

The project was accepted with enthusiasm by the farmers, showing that they are becoming more aware that for their farm business to prosper it takes more than the technical knowledge of how to produce; it also demands sound knowledge of the appropriate management and administrative skills to understand the linkages in the interlocked components of the management system and to allow advice to be targeted most efficiently.

A PROBLEM OF EFFICIENCY

The conventional technical advice provided to the farmers by the 20 professionals of the rural extension department of Cooperarco (4 of whom provide support and co-ordination functions for the others), has fixed priorities to increase the productivity of the farms and livestock (Spies, 1998). Their effort has been tied to products relevant to the technical expertise of each extension officer. As a consequence, farmers may be assisted by many technicians, depending on the number and type of products they produce. Holistic perceptions of the farmer's problems and opportunities, needed to give best advice, have

been a secondary matter or have been ignored. As well very little emphasis has been given to matters of control and assessment, that according to Bonilla, 1994, in the philosophy of Total Quality Management, means to manage or administrate.

With the globalization of the World's economy and the rising competition for market share, and given the impact of new technologies forcing down costs of production, farmers have been assaulted by constant falls in product prices and the profit margins of their businesses. There is less tolerance for mistakes and waste, demanding ever increasing efficiency and professional management to hold profits. Farmers must now run to stand still. The pace of enforced change has quickened if farmers wish to survive.

Table 1 and Figure 1 show the changes in the volume and value of products delivered by Cooperarco's farmer associates in the 1995-1998 period, and the cost of technical advice. At this time we are unable to establish individual net farm profits and are restricted to gross output measures. In the absence of individual farm accounts, changes in profitability cannot be determined. The volume and value total value of farm output delivered to the Cooperarco by the 1158 higher income farmers increased by approximately 20% in the 1995-1998 period (Cooperaco, 1999). Although the figures relate to the farmers who have the highest volume of business with the cooperative, their average annual gross income of U$12,985.00 in 1998 is still too low for an adequate standard of living (Cooperaco, 1999). More than 50% of the gross income of all farmers is from pigs, (Figure 2) but this activity is present on only 25% of the farms. The majority of farmers have an even lower gross income, although they have the potential to increase this through increased production intensity and better management of current prodution activities. Note that the $value measures in Table 1 are payments made to the farmers after the Co-op has recovered the costs of feed or other inputs supplied.

TABLE 1 – Changes in volume, production value and total and percentage cost of technical advice at Cooperarco: 1995 - 1998. (US$)

Number of farmer associates: 1158

PRODUCT	1995		1996		1997		1998		Change; 1998/95	
	Volume kg	Value U$	Volume kg	Value U$	Volume kg	Value U$	Volume kg	Value U$	Volume %	Value %
Soybeans	802.126	157.242	864.516	236.666	1.515.177	450.778	2.016.762	454.363	151,43	188,96
Wheat	20.049	3.026	130.443	18.505	34.888	4.080	19.783	2.592	-1,33	-14,34
Maize	7.064.570	858.468	3.238.874	524.018	5.353.806	622.372	3.594.178	492.138	-49,12	-42,67
Processed maize	101.897	10.003	46.599	6.191	109.123	10.045	70.818	7.358	-30,50	-26,44
Beans	4.591.520	2.402.018	3.275.323	1.928.959	3.185.524	1.782.799	1.299.988	1.125.540	-71,69	-53,14
Pigs	6.231.448	6.724.671	5.900.390	7.144.122	5.627.713	8.090.129	7.322.781	9.429.236	17,51	40,22
Chicken	1.105.578	827.275	1.048.316	759.513	1.383.953	933.171	1.530.871	934.405	38,47	12,95
Beef Cattle	91.632	87.499	75.791	57.522	123.122	96.989	90.638	76.252	-1,08	-12,85
Oranges	1.053.427	245.886	1.347.771	67.878	3.394.953	110.011	3.537.161	209.675	235,78	-14,73
Dairy (Milk)	4.073.339	1.068.941	6.196.740	1.432.422	8.927.048	1.886.337	10.799.899	2.306.344	165,14	115,76
TOTAL	**25.135.586**	**12.385.029**	**22.124.763**	**12.175.795**	**29.655.307**	**13.986.711**	**30.282.879**	**15.037.905**	**20,48**	**21,42**
Average Gross Receipts.		10.695		10515		12078		12986		
Costs of Technical Assistance										
(a) Wages		269.255		242.358		224.589		216.184		
(b) Transport		94.890		85.411		79.149		76.187		
Total		**364.145**		**327.769**		**303.738**		**292.372**		
technical advice as a % of gross receipts.		**2,94%**		**2,69%**		**2,17%**		**1,94%**		

Source of primary data: COOPERARCO-ÍRIS

Figure 1 - Volume of production delivered to Cooperarco by 1158 associates - 1995 to 1998

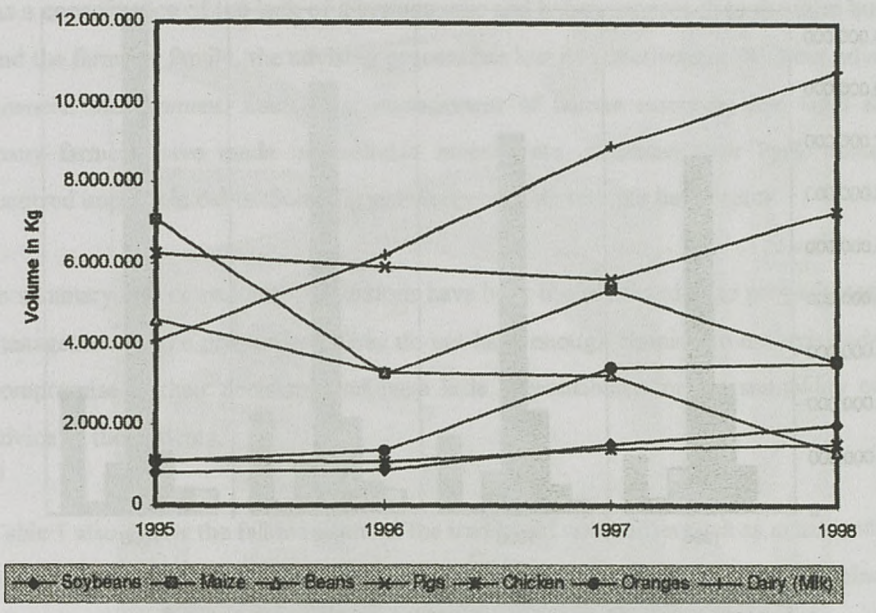
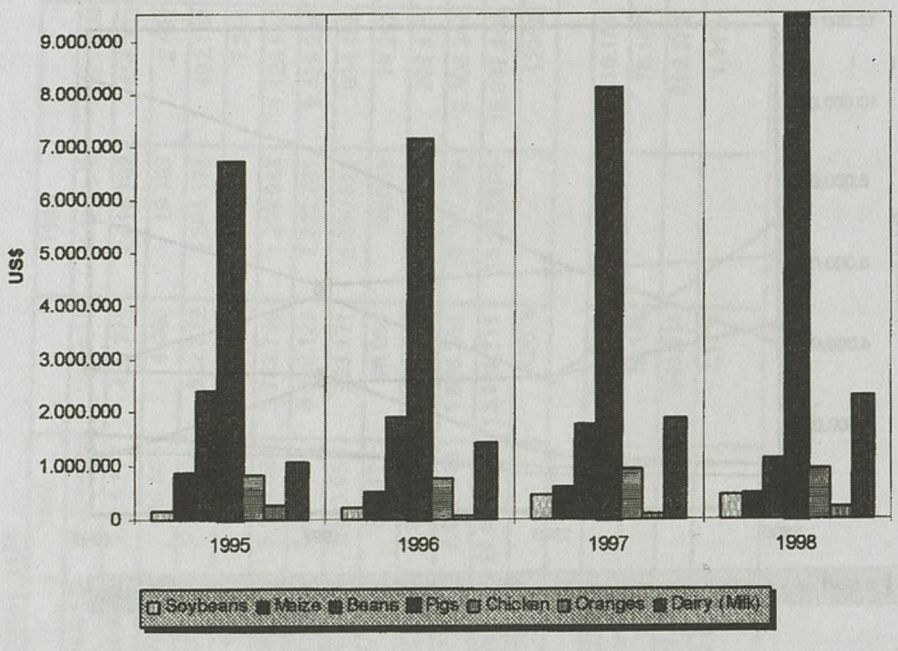


Figure 2 - Total value of selected products delivered to Cooperarco by 1158 associates - period 95 to 98



The way in wihch the technical consultants of the co-operative have been acting, focusing uniquely on biological technologies, with litle attention to management issues, highlights their lack of focus on overall farm profitability and reinforces the need to improve the efficiency of this advisory system. Their advice based on technical "demand" has been expensive too, as each farmer has to be visited by three or more consultants, depending on the number of production activities on the farm.

Table 1 also shows the average cost of providing technical advice. It reached 2,27% of

the total value of the products delivered to the co-operative. However, the consultants rarely have an understanding of the whole farm management system, although the principal need of the farmers is for integrated technical, management and financial advice. As a consequency of the lack of a systemmatic and holistic approach to the farm business and the farmer's family, the advising process has lost its effectiveness. Without advice on financial management, marketing, management of human resources and legal advice, many farmers have made unprofitable investments, missused their bank loans, and incurred unpayable debts. Some farmers have been driven into bankruptcy.

In summary, the consultant' perceptions have been too restricted to to properly assist the management of the properties. They do not have enough training to excercise adequate compromise in their decisions and have little responsibility for the suitablility of their advice to their clients.

Table 1 also shows the fall in output of the traditional comodities such as maize and beans delivered to the Co-op in the period 1995-98. These products have been displaced by other commodities, such as dairy, oranges and pigs requiring new knowledge and more capital and forcing farmers to accept higher levels of risk and strengthen their management and control capabilities. Attention must now be centered on improved management.

IMPLEMENTATION OF THE WHOLE FARM MANAGEMENT CONSULTANCY APPROACH

Initially the whole of Cooperarco's technical body was trained in farm management basics. In this 36 hour training course, theories and practical aspects of the management of agribusiness were revised. In a real case study, which was developed in the course program, the technicians learned to analyze the internal environment, the availability of resources, the real problems and opportunities of each farm, the objectives and market restrictions and opportunities, infrastructure and legal aspects. The analytical method follows the methodology recommended by Dr. Gerald Frengley, of Lincoln University, in New Zealand. By conducting the analysis in a structured and systematic way, the group learned how to analyze and plan each activity for the next year, elaborating activity budgets, which aimed to optimize the total gross margin for the whole farm system. For the execution of farm plans, EPAGRI has developed and made available to the co-operative, software designed to assist the management planning adapted to that methodology. From that production plan, the consultants, together with the farmer and his family, develop an activity and labor matrix for the next year, as well as the budget and cash flow.

For the first stage of the restructuring process, Cooperarco selected a 55% of the associate farmers; the 1200 that have the highest economic turnover with the cooperative, and alocated them to their 16 consultants. The number of farmers serviced by each technician varies from 53 to 82, deppending on size, location and complexity of the production system.

The consultant in charge, together with the Cooperco's directors promoted a meeting with each group of farmers to explain the new advisory system. Although the producer does not pay the technical assistance costs directly, the real costs of the service was fully undersood by the farmers who looked toward an improvement in the system.. From this phase onwards, the consultants in charge assume the responsibility for holistic advice to their farmer clients. Only in exceptional cases, when sepecific expertise is required, will the advisor call for support from specialists within or outside the co-operative. The holistic management approach establishes a relationship of trust and credibility between

the farmer and consultant.

The interval between consultancy visits should not exceed 42 days (Frengley 1998). Otherwise, the farmer will exclude the consultant from the decision making process. The farm programme is planned once per year, with a complete study of the farm, and a budget of each potential activity. On each visit, the consultant will analyze the progress on the farm plan, discuss the adjustments needed and provide advice on technical issues.

GROUP ADVICE FOR THE OTHER ASSOCIATES

The other farmers not included in the group that receive a complete farm plan, will be serviced by group activities, such as discussion groups. These groups are organised with 10 to 15 farmers of one community, with similar farming systems. Each month, they meet at a different farm, where they discuss the host's farm management and technical problems, as well as problems confronting other members of the group. The consultant acts as a facilitator at these meetings (Giles & Stansfield,1990). Other methods, such as courses, seminars, field days and radio programs are used to reach other farmers.

FARM MANAGEMENT BENCHMARKS FOR FARMING SYSTEMS AND ACTIVITIES

From July 1998 onwards, thirty five typical farms for the region are being monitored for full physical and financial records to establish standards for technical and economic performance. These benchmarks, based on the best performances, will be used to support advice to other farmers with similar farming systems. Software developed by Epagri (CONTAGRI) is being used to build the data-base and to facilitate comparative analyses. Data collection and monitoring to develop benchmarks requires special training which will be provided to five selected consultants. These benchmarks will be published in a yearly report and subsequently discussed in a seminar.

CONCLUSIONS, BASIC REQUIREMENTS AND RECOMMENDATIONS

Although the project is still at an early stage, farmer reception of the methodology is very good. Farmers and consultants recognise that efficiency is improving through more

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focused advice and a more professional approach for each visit. Now, the consultant and the farmer know exactly the objectives and goals to be achieved. Each visit has a well defined objective, and a hand written report is produced allowing the farmer and the consultant to recall the history of each activity, check results and do follow up monitoring and consultation.

According to Spies, 1996, successful farm management consultancy requires credibility, responsibility and a strong technical basis, as well as an understanding of the whole farm system and the agribusiness chain. The consultant has to be a good communicator, well informed and to be able to understand people, their objectives, goals and preferences He must have the have the capability to put technologies in an economic environment. The new approach at Cooperaco has developed these skills for the consultants. Frengley, 1998, stated that the consultant's mission is to make their clients happier through their advice. This implies that apart from strong technical, management and economic knowledge and skills, consultants must also have a strong knowledge of human capabilities and frailties, to understand farmers and their needs. The consultant must use his knowledge and judgement to supply suitable information to assist the farmer's decisions, but final decisions must always be the prerogative of the farmer and his family.

From Cooperarco's experience, it became clear that for the methodology to be successful, training the technical staff in farm management is absolutely essential. Knowledge of the use of computers to facilitate their job is also important. Software for financial and production planning and farm accountancy are also helpful. Farmers have to be trained as well. Improvements to their knowledge of planning and control will facilitate the consultant's work. Specialist assistance should be requested whenever the situation requires this and finally, consultants must have straight and easy access to information sources to keep well informed and provide up-to-date advice to their clients.

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