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**F.R. TOMLINSON GEDENKLESING**  
**F.R. TOMLINSON COMMEMORATIVE LECTURE**

**The 1999 F.R. Tomlinson Commemorative Lecture was delivered on Friday 23 April 1999 at the Rob Roy Hotel at Botha's Hill near Durban.**

## **THE ROLE OF AGRICULTURAL ECONOMICS IN AGRIBUSINESS MANAGEMENT**

Rex Hudson

It is a great honour to have been asked to address members of the Agricultural Economics Association of South Africa on this occasion on which we honour annually the memory of one of the truly great pioneers of our profession in this country. However as well as honouring the memory of Professor Tomlinson I would particularly wish to pay tribute to the agricultural economics profession. I became an agricultural economist by accident thanks to the advice of a perceptive Dean of Agriculture. Since then agricultural economics has been part of the fabric of a magic carpet which has transported me, a farm boy from the fringes of the Kalahari to a new world of interesting places, remarkable people and memorable events.

When I initially received your invitation and it was suggested that I might wish to use my experiences in the field of agribusiness as a basis for my thoughts, my first reaction was " but I am an agricultural economist, a profession of which I have always been proud - what do I really know of agribusiness?" Then as I came to read and reflect on the relationship between agricultural economics and agribusiness I was led to a better understanding of certain apparent conflicts which had become of increasing concern to me. This process has assisted me in formulating, however crudely, a few thoughts on the matter. These I offer in the hope that they may be of some interest to those of you who are involved in the training of a new generation of agricultural economists and agribusiness practitioners.

However as a background to this discussion I believe it is necessary to briefly examine the exceptional growth and development of the agricultural economics profession in South Africa during the past half-century. When we

look back to the early 1950's the general perception at that time of all agricultural degrees was that they were intended to produce graduates who would become research workers, agricultural advisors or farmers. The most popular majors were animal science, crop science and the horticultural sciences. Agricultural economics was regarded as a less favoured, rather theoretical option with a relatively small enrolment and which equipped graduates to conduct cost of production studies or collect marketing statistics. Employment opportunities were virtually confined to the government service or lecturing. Unfortunately there are still those who cling to the outdated view that any degree with an "Agric" attached qualifies the holder only for a career in farming.

However the situation was beginning to change dramatically. It was during this decade that Heady and his numerous collaborators started producing the body of work which substantially restated the scope and nature of production economics as the most widespread specialisation in the field of agricultural economics. It firmly focused the attention of agricultural economics on farm resource use and productivity and gave considerable impetus to the mathematical analysis of farm production relationships. The concepts so well enunciated in this discipline formed the basis on which an increasing number of agricultural economists were beginning to find employment in a wide range of allied professions

Also during the decade of the 50's a number of young South African agricultural economists undertook post-graduate studies in the United States and Europe and by the early 60's a number of these were teaching in the various university agricultural faculties or holding senior positions in the Department of Agricultural Economics and Marketing. This Department provided valuable experience for a large number of new graduates as well providing something of a "think tank" for the younger emerging agricultural economists.

In addition to the influence which the overseas trained economists were exercising on course content at universities they were increasingly in demand as speakers at a range of agricultural occasions. This exposure provided further publicity for the agricultural economics profession and provided a stimulus for increased demand from prospective students in agricultural economics. It also drew attention to the capabilities of the agricultural economist and the wide range of occupations for which his training fitted him.

The following major impetus to the agricultural economics profession took place in the late 1970's and 1980's with the creation of Homelands and Independent States and the Development Bank of Southern Africa. These events created further employment opportunities for agricultural economists and stimulated the provision of development economics as a new major field in the university departments.

The late 1980's and early 1990's were also a period of considerable stress and strain in regard to agricultural policy. In response to adverse climatic circumstances and economic problems in agriculture, government agricultural policy became increasingly more interventionist. At this time certain leading academic agricultural economists, and here I must mention Professors Kassier, Groenewald and Nieuwoudt, brought great credit to our profession by their steadfast opposition to the path being taken by agricultural policy makers.

Unfortunately this interventionist agricultural marketing policy also resulted in a neglect of the very important field of agricultural marketing as a degree option. Stimulating employment opportunities were lacking in either state employment or in the private sector. One trusts that this situation has changed and that with the demise of state interference in marketing, due attention is being paid to the field of marketing by both the university departments and prospective students.

An early sign of the vigorous growth of the agricultural economics profession was the formation in 1961 of the Agricultural Economics Association of South Africa. This initiative for an organisation to provide a forum for the exchange of ideas among agricultural economists in South Africa originated in the Department of Agricultural Economics and Marketing and was supported by the academic fraternity. In keeping with his status as the doyen of South African agricultural economists Professor F.R. Tomlinson was elected as the first president of the Association.

In the foregoing brief outline of the growth and development of the agricultural economics profession and of accompanying changes in university course options, I have deliberately omitted mention of the direction in which the most significant growth of employment opportunities has taken place, namely in what is broadly identified as agribusiness. This development took place largely unheralded and often without recognition, even by those persons involved, that they were in fact pioneers in a new profession.

Interestingly, the changes first were foreshadowed in the paper delivered by Professor Tomlinson to the 21st annual conference of the Agricultural Economics Association of South Africa in April 1983 and titled "The Versatility of the Agricultural Economist". In this paper the author enumerated a large number of professions in which agricultural economists held prominent positions. The paper was undoubtedly prophetic in its naming of the various branches of the economy in which agricultural economists were making their mark. However, it was equally significant in not making any real distinction between those members who could be said to be following the practice of agricultural economics and those in the practice of agribusiness.

This was an interesting oversight and one which has tended to persist until very recently. However, I also accept that the majority of the persons named in the paper would have regarded themselves as agricultural economists irrespective of the nature of their employment. In fact, I believe that it is only in retrospect that one trained in agricultural economics is able to establish that he has become involved in agribusiness. In fact, it is significant that although the term "agribusiness" has become an accepted part of our terminology, there is no term to describe a practitioner in that field. This is not surprising in view of the diversity of operations and functions encompassed in the term agribusiness. The persons employed in this general sector would tend to be identified by their positions within the industry in which employed.

Significantly the term "agribusiness" did not originate from the American Land Grant Colleges which have been the source of so much innovative thought and terminology in the field of agricultural economics. It appears that the term "agribusiness" was first used by Davis and Goldberg at Harvard in 1956 and 1957. In 1956 Davis defined "agribusiness" as **"In brief agribusiness refers to the sum total of all operations involved in the production of food and fibre"**. The following year Davis and Goldberg attempted a more specific definition as follows: **" Agribusiness comprises all farm inputs, farm production, and food and fibre processing and distribution entities involved in the production and distribution of food and fibre products to domestic and international consumers."**

Another source has sought to define the field of agribusiness in terms of activities, namely:

- (1) Firms producing seedstock for crop and animal production.

- (2) Firms producing purchased inputs namely pesticides, fertiliser, feeds and machinery.
- (3) The diversity of type and size of farms producing crops and livestock.
- (4) The initial handlers and merchandisers of agricultural commodities.
- (5) The processors of food products.
- (6) The marketers and distributors of food products.
- (7) The support sector comprising financial and managerial services, research and development.

Agribusiness then by definition embraces a wide range of operations and activities most of which are of a technical nature. The training and qualifications of staff holding such positions are largely beyond the province of agricultural economics. It is to the important core role of agribusiness management training that that agricultural economics should be devoting its attention. Accordingly for purposes of this discussion I would prefer to consider the following simplified definition: **"Agribusiness management comprises the business management aspects of farm input production and marketing, farm production and marketing, and food and fibre processing and marketing"**.

The first agricultural economists who entered the wider private business sector were in most cases originally employed to undertake tasks such as commodity cost calculations, provision of farm management advisory services and similar tasks. However the key interpersonal, communication and business skills which constitute an integral part of the agricultural economist's training inevitably resulted in them displaying an ability to undertake a much wider variety of tasks and to compete successfully for managerial positions. The results of this development were already obvious by 1983 in terms of the number of agricultural economists holding senior agribusiness management positions. This trend has continued to the present.

There is thus a precedent for agricultural economics to be regarded as the logical root from which more specific agribusiness management training should proceed. However, despite this success which agricultural economists have achieved in a wide variety of business fields it has become obvious to me both from my own observations and from discussion with colleagues that there may be a need to rethink the relationship between agricultural economics and agribusiness management. I tend to believe that despite their

common roots and complementary nature there has been a tendency in practice for the two to diverge and become separate disciplines. The divergence has probably arisen from the fact that agribusiness is continually involved in practical issues while agricultural economics is perceived as largely theoretical.

I must emphasise that I do not believe that the differences between practical agribusiness management practice and conventional agricultural economics are insuperable. However, it is also clear that the time has arrived for the provision of specific degree courses designed to produce graduates with the necessary agribusiness management skills. I believe that this can be achieved by combining the most applicable aspects of the agricultural economist's training with the business orientated courses necessary to enable the holder to compete with any other commerce graduate at any level.

I am aware that in most agricultural economics departments there is currently considerable change either taking place or being contemplated and I would hope that it is to aspects such as these that our educators are giving attention. I would also hope that in this planning, educators are seeking the assistance and advice of agricultural economists and other leaders who have succeeded in the field of agribusiness.

Just over a decade ago Litzenburg and Schneider made a most valuable contribution to the field of agribusiness management training with their report on the AGRI-MASS survey of agribusiness managers. Because of my own particular interest in the field I found the basis of the survey and resultant report of particular relevance. This was particularly so because it reflected the views of practising agribusiness managers.

The motivation for the investigation was the perception that the changes taking place in the field of agribusiness were of such a major nature as to require a re-evaluation of agribusiness management education. The changes were seen as affecting particularly two aspects of agribusiness firms, namely (a) the changes in size and complexity of production units, and (b) advances in food processing and biotechnology which would require new and advanced skills in management and marketing.

An important aspect of their report was the ranking by the respondents of the skills and personal characteristics seen as necessary for success in the field of agribusiness management. Insofar as acquired skills were concerned, interpersonal communication skills ranked highest followed by business and economics skills and thereafter by technical skills. "Boardroom" type skills,

namely the ability to identify objectives and goals, monitor and evaluate key performance areas and co-ordinate human and physical resources were also highly ranked by respondents.

In respect of personal characteristics the most highly rated was self-motivation. This was followed by a positive work attitude and thereafter by high moral and ethical standards.

Two very important points made by respondents were: (1) that agricultural economics had provided much of the historical teaching and research for agribusiness and would continue to do so, and (2) that agribusiness itself must play an important and active part in directing the agribusiness efforts and training of universities.

It is to these specific aspects that I would now wish to direct my closing remarks. Having spent some considerable amount of time examining the relationship between agricultural economics and agribusiness management and despite my many years of involvement in the latter field I have come to realise that I am still an economist at heart. The initial training and possibly the inclination and interest are still strong. Possibly I still have a greater urge to try to explain how systems work than to actually be part of making them work; for therein I believe lies the essential distinction between agricultural economics and agribusiness. I would accordingly like to believe that in belonging to two worlds I have been fortunately placed to objectively contribute to the major change currently taking place in agricultural education and particularly in the field of agricultural economics and agribusiness management.

Obviously this is neither the time nor the place to engage in detailed discussion of curricula. However, the aim should be to produce graduates with a specific business and financial management orientation. In this regard I believe that the key to successful agribusiness management training lies in taking the best of agricultural economics training and combining it with a thorough and practical business management training.

The next major question is whether the degree should be offered in the department of agricultural economics or in business administration. Here I believe that the degree should be offered by agricultural economics but subject to the reservation that the agribusiness management courses should be taught by an agribusiness management specialist preferably with practical experience. The focus should be on agribusiness management and not on an agricultural economics' perception of the subject.



I have the highest regard for our academic agricultural economists who I believe compare with the best in the world. However, I also detect an unconscious attitude of academic arrogance; of what Pasour has described as "the increased preoccupation with formalism and technique". There can be no place for this type of attitude in the design and teaching of agribusiness management which requires an open-minded approach to what in many respects is a new discipline.

Ideally one would wish to see a separate department of agribusiness management with strong ties to agricultural economics within the Faculty of Agriculture. However, under present financial constraints this aim appears to be not achievable at most universities. Accordingly, the best alternative would appear to be an agribusiness management major within the agricultural economics department but subject to the reservation that the focus of the teaching is at a practical business management level.

Reference was previously made to the management training requirements of graduates in other agricultural disciplines. An agricultural economics department providing adequate agribusiness management courses as degree majors should also be capable of providing non-major management courses to students in other agricultural disciplines.

Insofar as post-graduate studies are concerned it is suggested that a well-structured agribusiness management major would be best supported by a course of post-graduate study along the lines of an MBA. A qualification of this nature should prove adequate to meet the practical requirements of the field of agribusiness. As with accountancy or business management there appears to be little reason for further academic studies. Alternative post-graduate study for those so desiring should preferably lead to higher degrees in agricultural economics.

Thanks to the assistance of the Heads of Departments of agricultural economics at various universities, I have had the opportunity of gaining an insight into the manner in which they are approaching the training of agribusiness managers. While there appear to be some basic differences in the approach adopted it would be presumptuous of me to attempt either to pass comment or suggest change. I feel that I can best assist by emphasising that they are in fact confronting a marketing problem. The market lies in the agribusiness sector which has already shown a favourable reaction to the employment of agricultural economists. However, that market, including agricultural economists employed therein, has indicated a requirement for a more practically orientated training with enhanced management and financial

planning skills. It is doubtful whether these requirements can be met simply through a mere revision of the agricultural economics curriculum. The need is for a complete re-evaluation leading to a revised course of study and degree awarded.

It is necessary at all times for those who will ultimately guide policy in this matter to remember that agribusiness management is a practical matter dealing with practical day-to-day issues. Here I must emphasise the opinion expressed by participants in the AGRIMASS Survey that "agribusiness itself must play an important and active part in directing the agribusiness efforts and training of universities". Ongoing contact and liaison with practical agribusiness managers can be most valuable both in the design of course content and equally important in assisting in the teaching, particularly in regard to the practical aspects of agribusiness management. In the final analysis the aim of the agribusiness management training should be to produce graduates, who in their chosen field, are able to compete with and exceed the best product available from any other source.

I offer the foregoing thoughts without apology on the basis that it is better to have made a constructive criticism than merely accepted conventional wisdom. I stress again that the comments and the suggestions made are made in the hope of being able to assist in some small way in the future development of a profession which has been such a large part of my life and career.

I thank you once again for the honour you have accorded me. May the Agricultural Economics Association of South Africa go on from strength to strength.