

# Farm Management

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## MEANING

A farm is a socio economic as well as a decision-making unit. It is a socio economic unit because it provides income to the farmer and also it forms a source of livelihood to the family. It is a decision-making unit as it facilitates many alternative uses for the available resources in the form of different crops and livestock enterprises. Each farm unit has the capacity to produce a given quantity of crop and livestock products. The contribution of each farm unit in the country when aggregated represents the total agricultural production of a nation. Thus, the welfare of the nation rests on the performance of the several millions of micro units. When we say the development of agriculture in the country, it is the development of all these individual farm units. Thus the prosperity of the country depends up on the prosperity of the farmers. The prosperity of the farmers in turn depends on their ability to make rational decisions in the allocation of resources and the adoption of new methods of production. In our country nearly 26 per cent of the national income is obtained from the agricultural sector. Since agricultural sector supplies raw material to industries, the prosperity of this sector depends on the farm sector.

In the context of increased accent on commercialization there is a greater need to improve the managerial abilities of the farmers. So far the managers in general have responded admirably to the technological changes that occurred in Indian agriculture. But response of some of the farmers is not in line with needed direction. We can always differentiate those farmers performing against those not performing. Hence, it is of paramount importance for the farm managers to identify the changes that take place and respond suitably, for, any lapse on his part does not help him to survive in the changing economy. This speaks of the need for the managers to sharpen the skills to tackle varying problems that crop up from time to time in the organization of farm business.

To enable the farmers to gear up to the situation, they need to have knowledge on various issues. The role of farm management, therefore, is to supply the information for the farmers for sound planning. All farm management tools are helpful to the farmers in solving their managerial problems for successful operation of the farm business. Nobody can deny the fact that it is the endeavor of the farming community only that helps realize the higher farm production. The field of management through research, teaching and training in this regard has provided the needed decision-making skills.



## SCOPE

The scope of a subject is seen in terms of the problems it solves. Farm management is considered to fall in the field of microeconomics. It treats every farm as a separate unit because of differences in the availability of resources, problems and potentialities. The main concern of farm management is the farm as a unit. Farm management deals with the allocation of inputs at the level of individual farms. The objective of farm management is to maximize returns from the farm as a whole. It is interested in the combination to grow, what crops, livestock enterprises and their activities to be performed, *etc.*, all these fall within the scope of farm management.

## DEFINITIONS

Various authors defined farm management in different ways as presented below:

1 Farm management is defined as the science that deals with organization and operation of the farm in the context of efficiency and continuous profits (J.N. Efferson).

2 Farm management is defined as the science of organization and management of the farm enterprises for the purpose of securing greatest continuous profits (G.F. Warren).

3 Farm management is defined as the art of managing a farm successfully as measured by the test of profitableness (Gray).

4 Farm management is defined as the art of applying business and scientific principles to the organization and operation of the farm (Andrew Boss).

5 Farm management is the decision-making process whereby limited resources are allocated to a number of production alternatives to organize and operate the business in such a way to attain some objectives (Ronald D. Kay).

6 Farm management is a branch of agricultural economics, which deals with wealth earning and wealth spending activities of farmer in relation to the organization and operation of the individual farm unit for securing the maximum possible net income (Bradford and Johnson).

7 Farm management, as the sub-division of economics, which considers the allocation of limited resources within the individual farm, is a science of choice and decision-making; and thus a field requiring studied judgment (Heady and Jensen).

## OBJECTIVES

1. To examine production pattern and resource use on the farm.
2. To identify the factors responsible for the present production pattern and resource use on the farm.
3. To determine the conditions of optimality in the resource use and production pattern on the farm.
4. To analyze the extent of sub-optimality in the resource use on the farm, and
5. To suggest ways and means in getting the present use of resources to optimality on the farm.

## FARM MANAGEMENT-ITS RELATIONSHIP WITH OTHER SCIENCES

Farm management integrates information from various disciplines *viz.*, agronomy, animal husbandry, soil science, horticulture, plant breeding, entomology, general economics, sociology, psychology, *etc.*, in its application to the farm. The relationship is examined here under.



## Biological Sciences

Biological sciences provide information on input-output relationships for various enterprises, which facilitate choices for the entrepreneur. Farm manager needs such information in the decisions related to production efficiency. Related to this, we can cite the field of agronomy, which provides the information on physical input - output relationships in crop production. Analogously, animal husbandry tells us the physical relationship between feed ingredients and body-weight of livestock. The field of agricultural engineering explains the efficiency of various implements and machinery in performing various farm operations. However, these branches of agronomy, animal husbandry, *etc.*, can only give the technical efficiency of the resources used in the production. But the farmers' interest is to measure the economic efficiency to derive the maximum net income. Farm management helps in this direction *i.e.*, identifying the point of maximum profitability.

## Economic Theory

Farm management in fact is a specialized branch of wider field of economics and it draws the tools and techniques from economic theory. The law of variable proportions, law of substitution, *etc.*, which are used in farm management analyses are the tools of economic theory.

## Supporting Sciences

Statistics provide the base for the farm management specialists to provide methodology in the collection and analysis of data pertaining to the specific farm problems.

## Social Sciences

Attitudes of the farmers towards decision-making on the farm reflect their psychology. Some farmers are risk-takers in farming, while some are averse to risk. It is the mental make-up of an individual farmer to take risky decisions or not.

Certain times, philosophy and religion influence the decisions of the farm managers, particularly in the selection of livestock enterprises. Religious feelings stand in the way of choosing a particular livestock enterprise, though it is profitable to the farmers.

The cultivation of narcotics is quite a profitable proposition to the farmers. But the decision to do so is limited by sociological and ethical considerations. Looking into the harmful affects these cause, a sociologist on the ground of social justice is likely to demand for reduction in their areas. On the ethical grounds people may demand a ban on the cultivation of narcotics totally.

## Government Policies

Government policies also influence the production decisions of the farmers. A liberal export policy of the Government for a product encourages the farmer to go for it. On the other hand, restrictions in the movement of foodgrains, supply of irrigation water, *etc.*, discourage them and opt for other alternatives.

In this way farm management is related to various fields of study regarding what to produce and how much to produce, and restrictions imposed by sociology, psychology, political sciences, *etc.*



# FARM MANAGEMENT DECISIONS

Farm management implies decision-making process. Several decisions need to be made by the farmer as a manager in the organization of farm business. The management decisions are broadly classified into organizational management decisions, administrative management decisions and marketing management decisions which are discussed as below:

## 1. Organizational Management Decisions

The organizational management decisions are further sub-divided into operational management decisions and strategic management decisions.

### i) Operational Management Decisions

Those decisions, which involve less investment and are made more frequently, are called operational management decisions. The effect of these decisions is short lived. These decisions can be reversed without incurring a cost or with less cost. These decisions are what, how and how much to produce. These are also known as tactical decisions.

#### a. What to produce?

Every farmer has to decide at the beginning of the every crop season about the type of farm commodities to produce with the resources available on the farm. It means whether to produce crops alone or livestock enterprises alone or a combination of crops and livestock enterprises. While selecting the enterprises and their combinations, farmers always aim at profit maximization.

#### b. How to produce?

Once the decision about the enterprises and their combinations to produce is made, the next immediate operational management decision to be made is with regard to the manner in which resources are combined or the production technology to be chosen. In the selection of resources and their combinations, farmer is concerned with cost minimization.

#### c. How much to produce?

After having made the above two decisions now the farmer has to decide about the amount of output to achieve in the production of farm commodities. This implies deciding upon the quantities of various inputs to be used in production as the level of production depends on amounts of inputs used.

### ii) Strategic Management Decisions

These decisions involve heavy investment and are made less frequently. The effect of these decisions is long lasting. These decisions cannot be altered. However, in the case of reversal of these decisions farmer has to incur high cost. These decisions are also known as basic decisions. Size of the farm, machinery and labour programme, construction of farm buildings, permanent improvements on the farm like development of irrigation facilities, soil conservation, reclamation, etc., are some of the examples of strategic management decisions.



### a) *Size of the Farm*

This decision assumes greater relevance to the farmer because of slow and low rate of capital turnover, but it is very difficult to decide on the most appropriate size of the farm to be operated, as it is influenced by several factors *viz.*, availability of financial resources, state laws, managerial abilities, climate, type of farming, *etc.* There are advantages and limitations in operating the farm business on different scales. Large farms enjoy low cost of production, whereas productivity is high on small farms. The advantages and disadvantages of operating enterprises on different scales must be ascertained, while making decision on the size of the farm.

### b) *Machinery and Labour Programme*

One of the important management problems is to choose appropriate resources and their combinations to produce output with minimum cost. Machinery and labour are substitutes. The availability and requirement of labour, the size of the farm, the financial resources, *etc.*, are important factors in deciding the combination of labour and machinery.

### c) *Construction of Farm Buildings*

This decision involves huge capital requirements. Here the decisions are made on construction of farm sheds, poultry sheds, dairy sheds, storage buildings, *etc.* Once the decision is taken about the design of a farm building and implemented then it cannot be reversed, for it involves high penalty.

### d) *Irrigation, Conservation and Reclamation Programmes*

All these programmes help in improving soil productivity. Adoption of these programmes will have ever lasting effect on the organization of the farm business. Size of the farm, availability of funds, availability of ground water, *etc.*, influence the decision on development of irrigation facilities. Mulching, bunding, contouring, strip cropping, *etc.*, are the various alternative measures of soil conservation. Chemical and cultural practices are adapted for soil reclamation. The farmer should choose most appropriate and economical method of conservation and reclamation programmes.

## 2. *Administrative Management Decisions*

Besides organizational management decisions, the farmer also makes several administrative decisions like financing the farm business, supervision, accounting and adjusting his farm business according to Government policies.

- a) *Financing the Farm Business:* Majority of the Indian farmers are capital starved, hence they have to depend on borrowed capital. For borrowing, he has to examine the decisions like from whom to borrow, when to borrow and how much to borrow.
- b) *Supervision:* To get the desired results on the farm, farmers should keep a close watch on all the activities performed in the production of crop and livestock enterprises.
- c) *Accounting:* Farmer should make a decision about the time and money to be allocated for the maintenance of farm records. Farm records provide control over the farm business.
- d) *Adjusting the Farm Production Programme:* The decision of allocating farm resources in the production of farm products should be in consistent with the price policies



of the Government. The Government as a welfare state exercises its control over production and marketing of farm commodities according to the situation.

### 3. Marketing Management Decisions

Marketing decisions are the most important under the changing environment of agriculture. These decisions include buying and selling.

- a. *Buying*: Every farmer makes an attempt to purchase necessary inputs at the least cost source. In buying resources, a farmer has to decide the agency, the timing, and the quantity to be purchased.
- b. *Selling*: Though farm product prices are not under the control of the farmer, yet by adjusting the timing of sales, farmers can obtain better prices. What to sell, where to sell, whom to sell, when to sell and how to sell are the important selling decisions that are to be made by the farmer.

## AGRICULTURAL PRODUCTION ECONOMICS VIS-À-VIS FARM MANAGEMENT

Following are the differences between agricultural production economics and farm management.

S. No.	Agricultural Production Economics	Farm Management
1.	It is a science in which the principles of choice are applied to the use of land, capital, labour and management of resources in the farming industry.	It is a science of organization and operation of farm with a view to earn continuous profits.
2.	Agricultural production economics is a specialized branch of agricultural economics.	It is an integral part of agricultural production economics.
3.	It is macroeconomic in its scope as it deals with the problems of farming industry.	It is microeconomic in its scope as it is concerned with the problems of individual farm.
4.	It deals with allocative efficiency of the use of resources in agriculture.	It deals with economic efficiency at the farm level.
5.	It is an inter-farm study.	It is an intra-farm study.