

BASIC FEATURES ESSENTIAL TO AN EFFECTIVE ADVISORY SERVICE IN FARM MANAGEMENT ¹⁾

E. H. M. HARTMANS

Chief Extension Specialist in Farm Management, Netherlands Ministry
of Agriculture, Fisheries and Food

INTRODUCTION

Since the turn of this century great progress has been made in technical agriculture. Our farms are more productive to-day than ever before. This has been achieved through the application of new techniques, furnished by a flourishing agricultural science and in most Western European countries propagated by a well organised Educational and Extension Service. The farmer makes to-day more use of science in all his farm operations, growing better yielding varieties, raising more productive livestock, using better cultivation methods and more efficient insect and disease control.

In view of this development our attention must be drawn to the following:

- 1 Any change of some aspect of the farm business through application of better farming practice, may also necessitate other changes in the entire organisation of farming. The aim of the farmer is, to apply such improvements and to make such changes in his farm practice, that the total farm yields the highest net income or an income which the farmer has set as his goal. Question is not so much to obtain a maximum result from any one crop, livestock or other activity, but rather from the farm as a whole while maintaining its resources i.e. managing the farm as an economic unit.
- 2 The application of new methods calls all along for higher investments and higher total running costs. Good financial management is therefore indispensable. At the higher technical level the farm becomes more vulnerable, especially in times of less favourable prices, as the endproducts usually show a stronger decline than production means. The farm manager must be aware that the application of new techniques indeed increases the total product, but may not decrease but increase production costs per unit and even may sometimes decrease the net income.
- 3 With the improvements in technology the farmers are increasingly producing specialised crops for the market. The selection of the best time and place of buying production items and selling farm products and the quick adjustment to changing economic conditions are of great influence on the final result of the farm.

¹⁾ Received for publication June 30, 1953.

With these three points I have in my opinion indicated the field of farm management. The science of farm management does not tackle new problems, but problems which have always existed. In the past they were left to be solved by the farmer himself.

The advisory service in my country and I believe so in many other countries has until recently spent almost all attention to the various technical production problems of the farm and forgot about the managerial problems of operating the farm as a unit in which all the technical devices have to be fitted together so that the farmer and his family will reach their goal: a high standard of living and pleasure in their work, generally both to be obtained with high net returns.

With this introduction I have briefly described the scope of farm management extension work. Within these limits I will treat the topic "What are the basic features essential to an effective Advisory Service in Farm Management". Are there basic features to all countries in common?

In order to give a definite answer to this question I made a short survey in all countries of the Western free world. One or a few outstanding farm management extension specialists of these countries were requested to describe briefly what they believed to be the basic principles. I received an excellent reply and I like to express my appreciation and thanks to all of them for their fine co-operation.

I find that there exists almost no difference of opinion about the subject matters belonging to the basic features. It was commonly agreed that in this respect attention must be given to:

- I The Farm Management Advisory personnel.
- II The working methods in farm management.
- III The attitude and participation of the farmers.

These three subject matters will be discussed now briefly on the background of my own experiences, but I will try to indicate simultaneously what principal differences of opinion there are among countries in this regard.

FARM MANAGEMENT ADVISORY PERSONNEL

The primary objective of the farm advisor is helping farmers to make the type of decisions they are called upon to do. In order to do this the advisor actually should meet all the qualifications of a practical farmer and be able, with or without help of specialists on all kinds of farms and under all the different conditions of a particular area to make the most of it i.e. to manage those farms so that they all will provide the highest possible income. He therefore must know current agricultural conditions and the details of customary farm practices. A thorough training in technical agriculture is a first requisite. He must have the ability to appraise each new technology and fit it into the business of agriculture. Over and above this knowledge and practical experience he needs a good economic insight. He must be familiar with the principles of farm management and the fundamentals of economics. These principles and fundamentals are not a working tool but they have to provide the framework of his thinking and the direction of his action and advice. Such all round training in the technical and economic field will give the qualification of a real generalist.

Usually is referred to farm management people as specialists. I believe this to be wrong. All our local advisors should be farm management advisors i.e. generalists assisted by a number of specialists in mechanisation, disease control, dairy and livestock, fodder and pasture crops etc. For the local advisor is the one who actually has the close contacts with the farmers and individually can assist farmers with their plans. He has been actually practicing farm management extension work in the past, though he missed, at least in our country, the necessary training and tools. This we are trying to change.

In the Netherlands we have at present 1 local advisor for every 400 farmers. Approximately 20 local advisors with 8000 farmers form a district of which an academically trained district agent is the head. The latter also has approximately 8 specialists who are of assistance to the local advisors. Among these specialists there is one in charge of farm management extension work. All these district farm management specialists are professionally guided by a national expert. At present the district farm management specialists are additionally being trained in a 2 years' course in the theoretical and practical subjects which will help to fulfil their task more adequately. As plans are, the specialists, who have received their certificate, will start courses in farm management for all local advisors of the district and train them in their turn in practical farm management work. In two districts courses in farm management to the local advisors are already started. In this way we hope within a few years to give our local advisors a training as "real generalists", hence as farm management advisors.

From the replies of the different countries I get the impression that almost no country, except perhaps Denmark and some States in Germany, will leave farm management work in charge of the local advisor. In most countries it is believed to be done by specialists who will work with a relatively small number of farms. The analyses of these farms there are being used for mass information. I believe this general information to be fully inadequate on farms which have reached a rather high level as we know many of our farms in the Netherlands have. General standards obtained from the analysed farms may be a good starting point on farms with a low level; but then still they have to be interpreted for the situation of the particular farms.

Out of the primary objectives of the farm advisor — helping farmers to make decisions under their special circumstances — follows automatically that the personal contact between advisor and farmer is almost indispensable. No two farms and no two farmers are identical, which immediately calls for an individual approach of the problem. Technical advice in the way of crop rotation, milk control, fertilisation, etc. may lend itself initially more easily to mass media like demonstration, press, radio, bulletins, films, meetings etc. However, the adoption of these practices within the organisation of a farm, taking into account the ability and the family of the farm operator can only most effectively be advised upon individually. The possibility to do this is created in the local advisor if he has adequate training, does not have to serve too large a number of farms — approximately 200 — and can depend on a more central organisation which will furnish him with the necessary tools and information or even give personal assistance in very difficult problems. National or regional farm management specialists connected with a research institute in farm management should be available. They also may disperse general information in order to get farmers recognise important problems, raise intelligent ques-

tions and create an awareness of problems that need individual attention. On this general basis only the most intelligent farmers will be able to solve their particular problems. Many will desire and need individual service to be given by the local advisor. Both the individual and the broad approach may well be parts of the same programme.

Last but not least the farm management advisor must be able to appraise the human element involved in order to determine which particular advice could or would be used. He must recognise that different people have a different set of values and it is his job to determine what these values are and what it is that the farmer wants to maximise.

the farmer's information, a sufficient analysis can be made if the local advisor is at least raised on the farm and has a thorough understanding of farm people. In that way he will have a personal and social standing in the community which will command respect and confidence of the farmers.

THE WORKING METHODS IN FARM MANAGEMENT

In the light of former discussion it is evident that I want to make a distinction between farmers practising farming methods with a low and with a high technical level. At the lower level first of all interest in farm problems must be aroused with all the usual advisory ways, as they are practised in all European countries: press, radio, meetings, demonstration fields and especially demonstration or pilot farms. Once the interest of the farmers is aroused I think very efficient service can be given by the local advisor without having much of an administrative service. After the farm has been thoroughly inspected on the basis of some elementary bookkeeping figures or even on the basis of the farmer's information, a sufficient analysis can be made if the local advisor disposes of a model with which to operate. This model must make it possible on account of certain standards to get a quick insight in

the labour efficiency,
the productivity of crop and grassland,
the livestock production,
the feeding practices.

After discovering the weak points, the farmer may set up a new farm plan in which the advisor must be able to show him how the different sections of the farm fit together and in which way a particular change brings about a greater utilisation of resources and may influence the farmer's income — a kind of budget analysis. Such regional standards and such a model of analysis must be obtained by research. A central or regional research institute therefore must be available either connected with a college or university or on an independent basis. We in the Netherlands are trying to follow the above course of action at the farms with the lower technical level. In some areas the usual means may not arouse the farmers' interest. In such cases a more direct course of action is followed in order to activate the farmers. In a few sample communities of 100–200 farms a general survey is being made in order to find the weak points of management of the farms in a certain area. On the basis of these weak points an urgency programme is set up. By way of local papers, meetings with the farmers, local organisation and formation of special study groups the most important issues are discussed. The farmers receive a report in which the

results of the survey are shown and in which also an analysis of their own farm is given.

In this way the attention of the community is simultaneously aroused and it is my experience that such a community is ready for advice and action. After the first injection given through the results of the survey and the analysis of the individual farms, the farmer should take the action and the local advisor has to play a passive role, otherwise the farmers may feel being pushed too much. With these surveys not only the sample community is served, but the whole area may be brought to better and more productive farm practice.

On farms with the higher technical level like most of the demonstration farms much more accurate advice must be given. To do so a good *economic bookkeeping* is indispensable in order to analyse the farm business. A method of analysis widely used in farm management extension work is the *direct external comparison* method. According to this method changes in organisation and management of an individual farm are based on the experiences of a large number of other farms following the same type of farming, the most successful farmers being the example. As a starting point this method may be used, but only to draw the attention to certain differences among farms, certainly not to indicate the necessary changes simultaneously. There is no proof that the farm practices of the most profitable farm will maximise or even increase the income of an individual other farm. Especially the comparison with group data as the mean or medium or the highest one third etc. obscures the true relationships of the factors involved. Across the board recommendations are in opposition to economic principles and underestimate the individual management problem. The managerial ability varies from farm to farm, institutional factors may be involved, the goal of the farm may not simply be maximisation of profit, etc.

After the starting point of direct comparison which only calls the attention to certain spots, an analysis of the own possibilities in the light of the farmer's ability and environment and conditions must be made. This may be done with the *budget analysis*. A budget is simply a plan for the use of resources based on specific factor costs and output relationship. Such a budget may be backward or forward looking. If backward looking the plan does indicate the alternative possibilities the farmer has had, assuming he had the ability to execute them. The method has merits in testing alternative practices and systems of farming and may give suggestions for the coming year. The forward looking plan which is also being practised in the Netherlands, in the United States and also in Western Germany — "das Betriebsmodell" — is based on anticipated cost and output relationships. The validity of this method depends largely on the accuracy of the input-output data and on the extent to which prices of resources and products are realistic. I recognise the great problems with regard to future prices and costs, problems which never will be solved completely, even with a great deal of marketing research and price analysis. However, every farmer has to make plans on the basis of anticipated prices and it is therefore part of his farm manager's task to get as good an idea as possible about future prices. It therefore will be of the utmost importance that in all European countries more attention will be paid to price and marketing analysis by specialised persons located at a central research institute formerly mentioned. The obtained information should be disseminated with the necessary tact among local advisors and farm people. I am personally convinced that through

thorough studies, eventually on an international level and with international co-operation, much assistance can be given to the farmers in making their farm plans. Of course, the local advisor should always leave the responsibility to the farmer himself, especially with regard to expected prices. However, once prices are assumed an efficient farm plan can be set up which takes into account all the circumstances of the particular farm. The great advantage of making a farm plan is the possibilities such a plan gives, in discussing the different sections of the farm and in making sure that every detail of growing, feeding, intensity etc. is being set up in the most efficient and rational way with the best utilisation of labour and other resources.

Among countries the direct comparison method is being practised to a great extent, especially with regard to comparison with pilot farms. In countries with modern agricultural technics this method should not be overemphasised. We in the Netherlands do gradually believe that for farm management purposes a farm can only be compared effectively with itself over a number of years.

Comparison with other farms assumes too many factors to be equal a.o. kind of soil, size of business, level of intensity and especially the managerial ability of the farmer. Therefore, with the comparison method the individual approach must be used also.

Many countries do not believe that it is the task of the Advisory Service to assist farmers directly in making their farm plan. They believe that the dissemination of general information is sufficient and that the farmer should to that respect not individually be influenced by the local advisor or farm management specialist. Of course, they argue that the advisor must be very careful in not giving the wrong suggestion, as he otherwise will lose the farmer's confidence. I do agree that the advisor must be careful and I want to have the farmer make the final decision with regard to expected prices, but besides the expected prices there is a great deal more in a farm plan. The advisor gets the opportunity to discuss the whole set up of the farm and shows the farmer, how all the sections fit together and how in the best way the farmer's goal can be reached.

With the planning method or any other method the advisor shall always keep in mind that he serves the farmer and not a certain agricultural policy. In many cases the national goal and the individual goal may harmonise completely, in other cases they may not. If a government pursues certain goals in agricultural policy it has to take such measures that on account of individual interest such goals will be reached. The farmer never may get the impression that the advisor is the executor of a certain national policy.

Finally as to the administrative part of farm management work, I have already mentioned the great importance of a good bookkeeping. I think there should be a central or regional office — depending on the size of the country — in which the cost and return data are gathered and analysed on the basis of the farmers' bookkeepings. However, the farmers may need assistance from time to time with their bookkeeping; the necessary assistance may be furnished by the central or regional office. This latter may be done also by the local advisor — the farm management advisor — however, then the number of participants should not be too large. The government should furnish funds to get such an organisation started, but the farmers should pay part of the costs of controlling and analysing their bookkeeping themselves. If none of

the costs are carried by the farmers, as some experts of other countries suggest, they may think farm management work to be of purely government interest and not in the first place their own. After all farmers will benefit financially quite rapidly – within 2 or 3 years – as we experience in the Netherlands. This organisation has to include also a research staff, in order to furnish the necessary tools to the local advisors and to develop new methods of approach and give better economic insight. This staff also should give general information with regard to regional standards of labour efficiency, market conditions, price outlook etc. and may assist the local advisors personally with very difficult problems.

The administrative and research part of the organisation for farm management extension work should be governed by a board in which both the farmers or farm organisation and the government are represented. If the government alone has the central authority, farmers may easily see the organisation as a means towards controlling production and prices.

THE ATTITUDE AND PARTICIPATION OF THE FARMERS

The active participation of farm people in the planning and co-ordinating process on the central and local level is essential to a vital farm management service. This will also eliminate any bias against the work, which may easily exist in the present economy of planning and regulating.

In my country understanding of farm management problems was being disseminated first through the already in many areas existing farm study groups. These groups originally were started by the farmers on the local level to discuss farm technical problems, in many cases they even appointed a special advisor for the group members. Within these groups, interest arose for farm management problems and in many cases they wanted to start an economic bookkeeping and kept time and motion records of which they paid part of the costs of analysis. In certain areas they even wanted to pay all of the costs. Due to the limited capacity of the Agricultural Research Institute at the Hague which analyses the bookkeepings and has a staff of research people to study farm management problems, not all the farmers could be satisfied. At present 1500 regular farms and 300 pilot farms have a bookkeeping but next year these figures may be doubled.

We strive, however, at the same time in getting farmers do their own bookkeeping and analysis so that the local advisor gets all the data from the farmer himself.

Around 100 farmers do it in this way and I am sure this number will increase considerably in the near future; a development which is much favoured by the extension service as it provides the opportunity of an unlimited expansion of farm management extension work. The results of the analysed bookkeepings are placed at the disposal of the participating farmers and the extension service in the form of so-called standard "summaries". Usually the farm management advisor calls a meeting of the farmers and discusses the results of these summaries. In this way first impressions are obtained and statements can be made of obvious strong and weak points of management of the farms. The second step follows after these first group discussions, in which the individual farmer together with the farm management specialist or/and local advisor, discusses the results of the farm, which are shown in an individual farm analysis. Then the best crop and livestock programme for the particular farm

is discussed and if already a farm plan was made last year, the actually obtained results are compared with the results of last year's proposed plan. Differences between the two sets of figures are discussed and possible causes of deviation are indicated, in order to benefit of this knowledge for the set up of next year's plan. In some areas groups of 3 or 4 farmers visit each other's farms once or twice a year and discuss at the end of the year together the obtained results with the assistance of the farm management advisor. In this way farmers are actively participating in advisory work and I believe it to be one of the best ways.

I recognise that we have not yet an ideal system at all, as farm management advisory work in my country is of very recent date and as I already indicated, in a stage of development. However, we do feel that we have to give the farmers a still greater part of active participation. Besides we feel the need of better education in farm management matters of the farmers themselves. In our agricultural schools a greater part of the programme should be dedicated to farm management subject matters. In co-operation with the farm organisations, provisions are being made recently to stimulate interests of farm youth for farm management by way of field projects, much similar to the methods being used in the United States in 4 H. club work. I recognise also the need of greater participation of the farmer's wife especially in those countries, where she almost exclusively cares for the poultry and hog business and does much of the milking and feeding chores. No common rules can be designed. Each country has to adapt its methods to its own circumstances, the educational level of the farmers and the existing institutional factors.

As conclusion I like to repeat that I have indicated a number of basic features, which principally are in common to all our countries. However, the approach to the problems in this paper must be seen from the background of conditions in my country and of my own experience. Other people's experience may dictate a somewhat different set of conditions and approaches.