**1. DEFINITION, SCOPE AND IMPORTANCE OF FARM MANAGEMENT**

**Farm Management**

It is the science of organizing and combining people, natural and material resources for the

purpose of crop and livestock production in order to maximize profit while optimizing input use.

Such resources include land, labour, management skill, specialist knowledge, capital (financial

and equipment), sunlight, irrigation, plants and animals, livestock feed, fertilizer, agrochemical,

time, etc.

Farm management is best examined and understood under the whole farm situation. This include

a study of the

a) Human elements

b) Technical elements

c) Economic, financial, growth and investment aspect

d) Risk and uncertainty

Economics is the core of farm management, since the key task of farm management is making

choice between two or more alternatives.

**Important Questions a Farm Manager Must Ask**

A farmer should be able to answer the following key questions for the farm business to grow:

a) What is likely to be the return on all the capital invested in the business, as it currently operates?

This is also known as the efficiency, or productivity, of the resources invested in the business.

b) What is likely to be the return on our own capital invested in the business, as it currently

operates?

c) How much is our net worth likely to grow?

d) How might we improve the most likely future return on the capital invested in the business?

 e) Of the alternative means of improving the productivity of the resources in the business, which

means are likely to be best?

 f) What combination of our own and other people’s capital is the business likely to be able to

service?

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g) What combination of our own and other people’s capital are likely to enable our own capital (net

worth or equity) to grow at a satisfactory rate?

h) What will be the best means of acquiring the services of land, and what should we pay?

 i) What will be the best means of acquiring the services of a particular piece of machinery or

equipment?

 j) Should we add capital to the existing land resources that are under our control in order to improve

productivity of the whole farm resources?

 k) How will we set the business up to cope with the reality that yields and quality of product will

 uctuate considerably from year to year because of climatic variability, and prices will uctuate

considerably because of market volatility?