

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?

Cite as: Okojie, L.O. and Ayinde, I. A. Course materials for AEM 302, Principles of Farm Management. Open Courseware, University of Agriculture, Abeokuta, Nigeria. Downloaded on (DD Month YYYY).

- 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 fluctuate considerably from year to year because of climatic variability, and prices will fluctuate considerably because of market volatility?
