



FARM MANAGEMENT

Approaches and Tools in a Changing Environment

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PREFACE

The conceptualization of this book dates as far back as more than a decade ago because it has long been recognized that the country needs a production and farm management book suited to the local setting. The 90th Foundation Day Celebration of the Department of Agricultural Economics finally pushed the authors to make this planned book a reality.

The book is a useful reference material in Farm Management for teachers and students in State Universities and Colleges as well as researchers in the Philippines and in other developing countries in Asia. Likewise, agricultural extension agents will benefit so much from this book particularly because the language used is simple and easy to understand and they can easily impart some lessons to their farmer-clients. The readers can easily relate to the examples given and they can follow the step-by-step process of solving the quantitative examples. The use of the local setting and the addition of the chapter in Market-Oriented Production Planning make this book different from the existing farm management books that are locally accessible but under a foreign country setting.

The book is well substantiated by empirical and quantitative examples that facilitate better understanding of farm management concepts and analytical tools. Examples given are empirical results of previous studies done on agricultural and agri-based products. Hence, the reader can easily understand the true nature of the Philippine agricultural sector. It is comprehensive in that it discusses how the agricultural production process should be planned and implemented up to the time the harvested produce is to be marketed. It is very timely in the sense that it recognizes the importance of environmental factors (e.g. climate change and other environmental concerns affecting sustainable agriculture), information technology, globalization, technological developments, food and health safety concerns, and changing consumer demands, among others that impact on the farm manager's decision-making process and therefore on the agriculture sector in general.

The book is organized into 10 chapters. Chapter I, Farm Management Decision-Making Process and Environment, provides an introduction to farm management. The distinct functions of management, the importance and the logical steps in strategic management as well as the tactical decision-making process are covered in this chapter. The presentation in this chapter is conceptual rather than empirical. Chapter II, The Changing Landscape that Shapes Farm Management in the 21st Century, characterizes recent developments in the global food system wherein farm management is intricately interfaced. It focuses on the changing landscape that now permeates farming in a global and sustainable perspective. Chapter III, Economic Principles of Production Used in Farm Management

Decision-Making, discusses the importance of some economic principles that would enable a farmer or a farmer manager to make better decisions regarding farm operations. The discussions presented in this chapter are, however, not as detailed and encompassing as is done in basic economics books but rather focus more on the application of economic principles that will help farmers and farm managers make decisions on problems of what to produce, how to produce, and how much to produce. Chapter IV, Farm Record Keeping and Accounting, introduces the basic steps in farm record keeping, its importance and uses in farm management decision-making as well as the different types and forms of farm records. Valuation and different methods used for computing depreciation of farm properties, as well as, the components of a balance sheet and an income statement are also discussed.

In Chapter V, Farm Planning and Budgeting, the discussion on farm planning and budgeting takes off from a problem-oriented viewpoint. Five types of planning and budgeting techniques as well as linear programming as a whole farm planning tool are discussed in this chapter. Chapter VI, Market-Oriented Production Planning, discusses important marketing concepts as applied to market-oriented production planning and in relation to farm management decision-making that will help a farmer answer the questions of *what to produce/sell? when to produce?* and *when and where to sell?* Whenever possible, practical examples are given to facilitate better understanding of the given marketing concepts as applied in production planning. Chapter VII, Farm Resource Management, discusses different concepts and approaches in managing the diverse resources necessary for farm planning and implementation, which include land, labor, and capital.

Chapter VIII, Farm Business Analysis covers topics on using the basic tools in financial analysis, Analysis of Net Farm Income, Analysis of Farm Size, Analysis of Technical and Economic Efficiency, Enterprise Analysis. Techniques on how to trouble-shoot the farm profitability problem are also presented in the chapter. Chapter IX, Farm Investment Analysis, presents various forms of farm investment distinguishes farm income analysis from farm investment analysis, and compares the undiscounted and discounted measures of profitability of an investment. The effects of risk on the profitability of a farm investment are also illustrated using sensitivity analysis. Similarly, financial feasibility analysis of an investment in relation to loan payments is also tackled. Finally, Chapter, X, Managing Risk and Uncertainty, defines the concept of risk, uncertainty, and risk management as used in farming. Other discussions include: different sources of risk, methods of measuring risk, types of risk attitudes and factors affecting risk-bearing ability of agricultural producers, sources of information that can help farmers in their decision to manage risk, decision-making process under risk and uncertainty, ways of quantifying the results of each possible outcome for each strategy, ways of reducing or controlling

risk and uncertainty, and the application of break even analysis and sensitivity analysis in farm decision-making under a risky and uncertain environment.

At the end of every chapter is a brief summary and review questions. References for more detailed discussions on some subject matters are also suggested.

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The Authors

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