

# Farm Management

To understand the principles of farm management, it is important to first understand what a farm is and then the concept of management. Basically a farm is an economic unit where inputs are transformed into outputs through an interaction between manmade and natural factors. A combination of inputs also called productive resources or factors of production are usually employed in various proportions using the managerial acumen of the operator of the business who is called the manager. That is the dynamics of the farm as an economic unit.

The process of organising and coordinating personnel, materials, and processes in an organization towards the achievement of the organization goals is termed as management.

## **What is Farm Management**

There are different definitions of farm management. However farm management is mainly concerned with the decisions which affect the objective function of the farm business. A cardinal objective function of farm management is that of profit maximization especially in the case of commercial farms.

Farm management is a decision making process in which the available but limited production resources are allocated to selected production alternatives, so as to operate the farm business in such a way as to attain some set objectives.

If the farmer wants to run his farm as an economic entity, his aim should be to produce output in which the total value exceeds the total value of input. This results in the profit of the farm. On the other hand, there will be loss if the total value of the inputs is higher than the total value of the output. The total value of the output in financial terms is called Gross Revenue while the total value of all inputs utilized is called the total cost of production.

Farm management is a decision making process. It is a continuous process because of the continuous changes taking place in the economy and in an individual agro business. The decisions are concerned with allocating the limited

resources of land, labour and capital among alternative and competing uses. The allocation process forces the farm manager to identify goals and objectives to guide and direct decision making in the farm.

### **Importance of Farm Management**

It is important to appreciate the fact that modern business management principles can assist the farmer or farm manager no matter how small his farm may be and however meagre his capital. This is because of the two major tasks facing today's farm managers, which are :

How best to incorporate new technologies into the farming enterprises and

How to be sufficiently flexible, mentally and financially, to adjust the management of resources to meet changing costs and prices and varying climatic conditions.

If proper management principles and techniques are applied by farmers it helps them to meet these and other challenges with some good level of success. There are real advantages in utilizing ideas of farm management along with new technical advances and capital. All things being equal, there are always wide differences in net farm incomes per hectare between those farms where modern management ideas are utilized and those where they are not. Some dramatic improvements have been made on farms, which have engaged management specialists to assist in their technical and economic planning. Most farmers who have followed management advice have recorded increase in profit, in comparison to those farmers who have not done so. When the reason for the poor financial performance of a farm is analysed, it is frequently found that activities are not being carried in the best way.