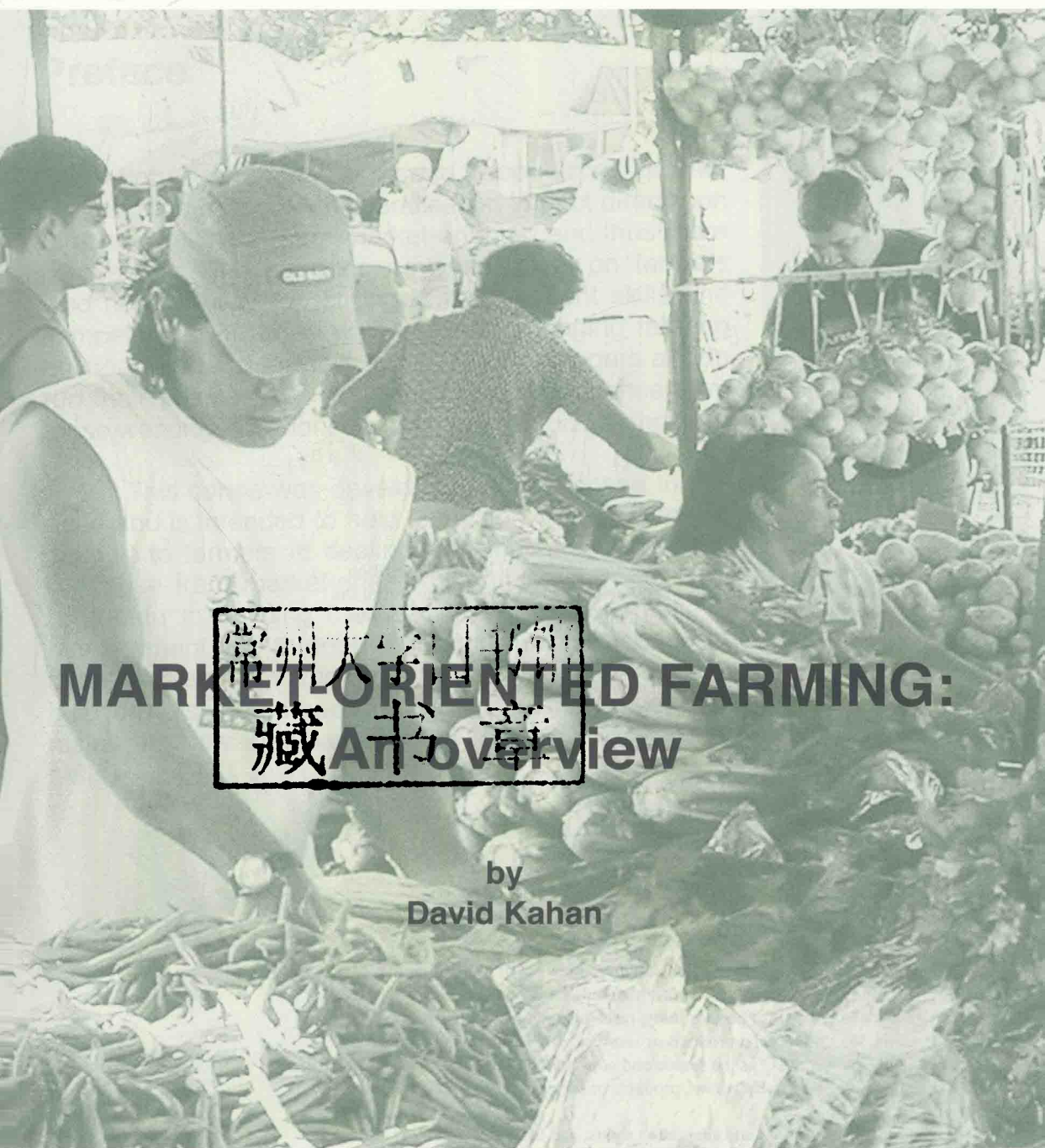


## **MARKET-ORIENTED FARMING: An overview**

# Farm management extension guide



## MARKET-ORIENTED FARMING: An overview

by  
David Kahan

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## Preface

The global changes of rapid population growth, urbanization and market liberalization impact directly on farming, making it more market-oriented and thus more competitive. These trends have an effect on farmers who need to develop stronger management skills and competencies to cope with the ever changing farming environment. For farmers to be better managers and to run their business for profit they need assistance from those working at various levels in agricultural extension.

This series was developed as a response to this need and is intended to help extension workers provide support to farmers in dealing with the new challenges that arise from market-oriented farming. The aim is to contribute to building their capacity and skills in farm management and through them, the capacity and skills of the farmers with whom they work. The intention is to help farmers understand why they make the choices they make and how they can improve their decision-making skills.



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## **Introduction to the series**



## **FARM MANAGEMENT**

*Farm management, for many extension workers, presents a challenge as their experience and practice is largely on production and technology transfer. This requires advice in marketing and business management as a way to increase farm income. What do we mean by farm management? Briefly it is a process of decision-making that includes planning, implementation and monitoring the farm as a business. This assumes an objective of making profits. Central to the process is an analysis of farmers' resources and markets.*

*This collection of materials has been assembled to provide extension workers with the support they need in farm management and a source of information and knowledge relevant as to promote market-oriented farming.*

*It compares the differences between traditional and market-oriented farming, reviews the changes rapidly taking place in farming systems today and it looks at some of the resulting management challenges facing farmers. It includes a review of the broad range of responsibilities of extension workers at all levels and supplies relevant concepts and practices that can be applied in meeting those challenges.*

*The series consists of six guides addressed to what has been identified as major issues in the development of market-oriented farming. Each is outlined and briefly described here.*

# 1

## MARKET ORIENTED FARMING: An overview

*Emphasizes building the capacity and skills of extension workers in farm management and through them the farmers with whom they work.*

The global changes of rapid population growth, urbanization and market liberalization, impact directly on farming making it more market-oriented and competitive. These trends have an effect on farmers who need to develop their management skills and competencies to cope with this changing farming environment. For farmers to be better managers and to run their businesses for profit, they need assistance from extension workers. For many extension workers, however, business management is often a challenge as their experience and practice has largely been focused on agricultural production and technology transfer. To provide support it is critical that extension workers understand some of the concepts and practices of farm business management as applied to their day-to-day extension work.

\* \* \*

## 2

### ECONOMICS for farm management extension

*Introduces agricultural extension workers to some of the key principles and concepts of economics that are relevant to smallholder farming*

Economics plays an important part in the lives of all people. Farm management requires an understanding of economics as it relates to the production and marketing decisions that are needed for the selection and combination of enterprises. The timely and proper allocation of resources is necessary in order to provide an understanding of how market-oriented farming functions and this in turn suggests how economics can be used to increase efficiency and profitability. This guide aims to provide extension workers with an understanding of some of the principles underlying economic thinking as applied to farming.

★ ★ ★

### 3

## MANAGING RISK

### in farming

*Presents the concept of risk, situations where risk occurs and management strategies that can be used to reduce or at least soften its effect.*

The intention of this guide is to enable extension workers and farmers to recognize and understand the risks that they are likely to face and assist them in making better farm management decisions that reduce the negative effect of the risks encountered in farming. It describes the main sources of risk categorized under the functional headings – production risk, marketing risk, financial risk, legal risks and human resources risk. The sources of risk influencing these categories include climate change, price volatility, the global financial crisis and personal health and wellbeing.

\* \* \*

## 4

### FARM BUSINESS ANALYSIS using benchmarking

*Outlines the factors that contribute to making the farm business profitable and efficient and to introduce the concept of benchmarking as a tool to analyze and better understand the farm as a business*

Benchmarking looks at collecting information about farms that are recognized as 'successful' businesses. With this information comparisons can be made with other farms and useful insights can be gained in understanding how production, marketing and management practices can be improved. These insights and discoveries can be used to improve farm performance. The guide provides a step-by-step approach on how to conduct benchmarking in the field.

\* \* \*

## 5

### ENTREPRENEURSHIP

#### In farming

*Provides an understanding  
of entrepreneurship and the qualities required  
of farmers as entrepreneurs*

This guide is intended to provide extension workers with a better understanding of the concept and practice of entrepreneurship in farming. Reference is made to the entrepreneurial environment of farmers, group entrepreneurship and some of the barriers and challenges facing smallholder farmers to become more entrepreneurial. It examines some of the ways entrepreneurial skills can be developed, how entrepreneurial farmers respond to the challenges of their business and the kind of support that extension can provide farmers in developing their capacity. The guide highlights the role of extension workers in encouraging farmers to be more strategic in their planning while creating an environment for innovation and risk taking.

\* \* \*



## 6

### The role of the FARM MANAGEMENT SPECIALIST in extension

*Deals with specialization in farm management  
to highlight the potential for  
farm business management and marketing*

This, the final guide in the series, is intended to raise awareness among extension policy makers, programme managers and field staff of the need to create positions within their extension systems to support this specialized function. It provides an understanding of the role of the extension specialist in this new technical area of work and their tasks as brokers of information and value chain facilitators. It goes on to detail the range of technical responsibilities that need to be covered including investigation, planning, marketing, training and extension.

\* \* \*

## CONCLUSIONS

*The changes in farming caused by the changes in the world's economy have wide implications for extension workers. Farmers increasingly find themselves making fundamental decisions about the nature of their farming activities. For many farmers – especially small-scale farmers – farming has been about producing food for their families. But now, as the world around them changes and requires them to have cash, these farmers are faced with the need to become more entrepreneurial and market-oriented and run their farms as businesses.*

*To make this transition they need more than technical solutions to production questions. They need information about markets, farm management and finance. They need to develop their capacity as entrepreneurs. They need the knowledge and skills to manage competitive and profitable farming, including managing input, managing production and managing marketing. All of these changes for farmers imply changes for extension workers. To support 'entrepreneurial farmers' extension workers need to acquire this same knowledge and skills.*

*Farm management extension can have a significant impact on helping farmers walk the pathway from traditional production-driven farming to market- and profit-driven farming. It involves helping farmers learn how to analyse, interpret and define their farming businesses in terms of the changes taking place around them. And it helps farmers identify and implement appropriate managerial action for themselves.*

