

# Business Management In Agriculture

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## Planning The Farm Business

A joint project of the Cooperative Extension Service,  
Farm Credit and Chicago Mercantile Exchange

# Question

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How do you make an acceptable living without endangering your financial survival in the risky business of farming?

Stronger  
buyer  
demand

Short  
supplies

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graph TD; A[Stronger buyer demand] --> B[Generates profits]; C[Short supplies] --> B; B --> D[Production expansion]
```

Generates  
profits

Production expansion

Surplus  
of  
supplies

Weak  
buyer  
demand

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graph TD; A[Surplus of supplies] --> C[Generates losses]; B[Weak buyer demand] --> C; C --> D[Production cuts]
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Generates  
losses

Production cuts

# Risk Management Means

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- How much to accept?
- What kinds to take?
- How much, and what kinds to avoid?

# Profitable But Not Feasible

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- Cover cost of production.
- Fail to service previous debt.

# Feasible But Not Profitable

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- Cover cash flow commitments and debt with other than profits

# Management By Objectives

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- Integrates decisions
  - Production
  - Marketing
  - Financial
- Focuses
  - Enterprises
  - Activities
  - Management functions
- Achieves
  - Overall objectives



# Functions Of Management

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- Planning
- Implementation
- Evaluation

"Easy as P.I.E."

# Marketing Decisions

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When?

Where?

How much to market?

- Which marketing functions to perform?
- Which to leave to middlemen?

# The Pricing Strategy:

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A plan for getting an "acceptable" price for whatever you have chosen to produce.

# Marketing Rule

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Stick with your pricing strategy.

# Evaluate Decisions

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Determine whether you achieved your objective -- not whether you got the highest possible price or profit.

# Farm Managers Must Accept Discipline of the Marketplace

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- Produce for markets
- Don't expect markets to be created.

# Marketing Strategy

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- What to produce
- Marketing methods to use
- Pricing strategies
- Getting the most out of what is produced