

BOOK REVIEW

Economics of Farm Management in a Global Setting

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University of Minnesota, Published November 5, 2010, copyright © 2011 (www.wiley.com/college/olson) by John Wiley & Sons, Inc., (Hoboken, NJ). 560 pp. Hardcover: ISBN 978-0-470-59243-4. Price \$123.95 USD/£42.99. E-book, March 2012: ISBN 978-0-470-91377-2. Price \$74.50 USD/£26.87.

The study of the economics of farm management covers an enormous area especially when viewed in a global and competitive setting.

This new and up to date textbook offers a refreshingly original and agreeable style and has the capacity to be used at different levels, from the basic understanding of farm management through to those seeking a more advanced level where it can be of value for reference or applied to the development of farm business plans.

In the context of global change following recession this book is a welcome addition, one of the main objectives of the book being to introduce readers to the key concepts of farm management and its application for decision making in the industry.

The book, through its wide subject base and the applied practical nature of its content, meets its objectives to suit and be appropriate for its varied level of target audience. The focus takes the reader not only through operational procedures but the development of farm strategy and production of a viable and sustainable business plan. The author guides the user on how to derive the maximum benefit from the text and suggests varying sequences for use in academic sessions depending on the level and output sought.

The chapters in the book are logically laid out, building up a picture of the economics of farm management and the practical implications in a global setting. Each chapter progresses through the activities logically through to the events that relate to the specific subject area; including activities, economic environment, the functions, associated skills and the decision processes. Tables are well constructed, user friendly and well-illustrated. Financial costings and legal aspects are dealt with from a US viewpoint but this does not tend to distract from the sound methodology which can be applied across boundaries. Each chapter ends with summary bullet points and has review questions which probe the reader's understanding, together with guidance for further reading. Additional study notes and further examples which incorporate updating are available via the author's website together with PowerPoint slides for lecturers - an innovative development.

In the first section the author incorporates chapters 1–3 which consider the concept of a global economy and give a good insight into the functions of management activities incorporating planning, controlling and the decision process with good examples given regarding the application of a business plan.

The second section summarises lessons from economics and considers policy issues on a world stage.

Chapters 4, 5 and 6 specifically look at microeconomics for the understanding of business and the decisions of others followed on by the concepts of macroeconomics, all-important after the global recession where economic growth, inflation, employment, trade and banking issues are considered. Although the emphasis tends to be on the US, lessons can be applied across borders. Policy issues and the resultant impact on world trade are discussed; this is good reading from a student perspective and gives a broad overview, but may be passed over by practitioners.

The third section, Chapters 7–11, introduces and focuses on strategic planning, its values and objectives. External and internal analysis including traditional techniques such as SWOT and Porter's Five Forces are considered with examples illustrating application in a commercial situation. The author goes into considerable detail regarding the crafting of a strategy, and this may prove a little heavy for some readers; however tests for evaluating strategies including risk are incorporated in the text and have applied practical uses. The section concludes with marketing; despite the chapter implying it deals with only the basics it gives excellent coverage, illustrating to great effect how the need to know how markets function and how businesses can benefit from a good marketing strategy.

The fourth section, Chapters 12–14, covers financial statements, incorporating the key issues of analysis and financial positioning of businesses. The concepts are well illustrated and the point is well made that businesses that lack knowledge of how to build, understand and interpret statements will struggle in the global economy post-recession. Traditional measures such as solvency, profitability, liquidity, repayment capacity and financial efficiency are covered. Appropriate consideration is given to sources and uses of funds, discount rates, credit and control. All these areas are approached with sufficient detail to make them a useful applied management tool. The text is well illustrated with clear tables and suggested layouts for statements: again the reference is to US standards but this does not detract from the sound information absorbed from the text which can be readily applied to most farm business situations.

The concept of farm planning is brought together in the fifth section, Chapters 15–19. From the building blocks of enterprise budgeting through partial budgeting to whole farm planning and cash flow budgets and the concept of linear programming, coverage is good in terms of text and illustrative tables. Novel and useful additions such as balanced score cards for measuring against targets are given consideration; areas like this strengthen the book's standing. Operations management and quality management and control are given detailed coverage allowing the material to be applied in a very practical way.

Section six covers Chapters 20 and 21. Here investment analysis, also known as capital budgeting, is considered, where the reader is taken through identification, evaluation and feasibility of investments covering all aspects likely to be considered in a farm situation.

Pay back periods, net present value (NPV), and internal rate of return (IRR), subject areas often deemed complex are treated in an accessible way allowing the concept to be understood whilst examples illustrate how they can be used to great effect for various purchasing opportunities. The section concludes by looking at land use and control, including purchasing, leasing, and renting and the subsequent financial implications: whilst the transferability of examples may be limited by geography the advantages and disadvantages of tenure options are highlighted well.

The important concepts of risk management are covered in the seventh section. Chapter 22 focuses on sources, including production risk, marketing risk, financial risk, legal risk, and human resource risk. Here managing risk and the implications of risky decisions are considered through various scenarios for risk management planning. This chapter gives a good overview of business' exposure to and tolerance of risk and covers many management options that can readily be identified on farms, as well as how to distinguish between risk and uncertainty. Chapter 23 looks at production contracts and considers a process for evaluating them with appropriate examples and checklist.

The eighth section, Chapters 24–27, covers the all-important aspect of human resources including business organisation and succession planning. In Chapter 24 the

general principles of employee needs and the basic steps of human resource management planning are covered, together with a section on recruitment through to evaluating performance and how to improve labour efficiency. This is a useful chapter giving a good synopsis of this subject area. The next two chapters cover business organisation and structures and succession planning and transfer. Both these areas give the reader a good insight into how planning can directly influence future outcomes and how vital it is for this to be considered within the business life cycle. The final chapter considers the opportunities and challenges of farming in the future. Whilst post-recession crystal-ball-gazing may be deemed hazardous, opportunities and challenges need to be considered by global farm managers of the future and this chapter looks at niche markets, the value chain, redesigning production systems, the adoption of new technologies and the need for increasing management skills.

This is an extremely useful and topical book that is well organised and covers a wide range of material that is presented well. The material is current and relevant to the economics of farm management in a fast-changing global market

The book will appeal to a wide audience and is an asset to those involved in farm management.

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