MANAGERIAL SERVICES

by J. M. Holcomb*

Nielson, in his paper "Managerial Requirements of Farm Firms, 1980," discussed demand for managerial services and supply of managerial services for farms. He stated that during the next 15 years we will need to give attention to the managerial requirements of farm units with fairly wide diversification, those which specialize in one product but carry it forward through a number of stages in processing, and those which specialize down to one stage on one product. In the next 15 years there will certainly be an increase, perhaps a doubling, in the average size of farms. He also stated that there will be increased similarities between farm and non-farm businesses.

I expect the demand for management assistance to increase as these changes take place in larger operations as well as highly specialized operations.

Before we look at future managerial services let us review the services available today. Farm management services are provided today primarily (1) by individuals who manage farms they operate as an owner or as a tenant, (2) by individuals who manage for a group of absentee owners, (3) by resident managers on large farms held under one ownership, (4) by management firms that employ two or more managers, (5) by banks that manage farms on both agency and trust accounts, (6) by suppliers, manufacturers and distributors, and (7) by marketing firms.

Services Provided

In the Corn Belt most of the service provided by professional managers is in the management of absentee owned farms operated by tenants and in appraisals of farm property. In the southeastern, southwestern, and western states, and in some metropolitan areas, their emphasis shifts to the management of farms, plantations, and ranches operated by hired labor. Farm appraisals are usually offered as another service by these firms. Some farm management firms offer allied special services such as farm accounting, programming, and agricultural engineering work for their own clients as well as to other farm owners who are interested in these services.

*Professor of farm management and finance, University of Illinois

1 See James Nielson, "Managerial Requirements of Farm Firms, 1980," pages 51-75 of this report.
A continuing increase is being reported in the amount of consultation work being done by existing farm management firms in Illinois. Both firms specializing in the field of farm management and banks that have farm management departments do this work for a fee. Manufacturers, suppliers, and marketing firms often do it without a direct charge as a service to customers.

Where Are They Located?

Firms offering management services for a fee are concentrated in the Corn Belt, with the greatest number operating in Illinois. On the other hand one large firm has headquarters in Phoenix, another in Denver, one in New York City, and one in Albany, Georgia. Farm managers working for manufacturers, suppliers, and marketing firms are usually located in the home or branch offices of these firms.

Major Changes in Services Provided
Since 1920

During the 1920 to 1930 period, professional management was largely limited to the management of absentee owned tenant-operated farms in the Corn Belt.

During the period from 1930-1940 many insurance companies, that acquired farm land through foreclosure hired agriculturally-trained men, vocational agriculture teachers, and extension workers to assist with land management. As the land moved back into private ownership, the managers moved with it. Often they formed small management companies or started businesses of their own.

It was during this 10-year period that considerable growth occurred in the management of hired labor units, especially in Ohio. A few firms increased emphasis on farm accounting and agricultural engineering by offering an accounting service to farmers whose farms were not managed by the firm and by offering the services of an agricultural engineer to farm operators and owners who requested it.

Few banks had yet started offering farm management as an additional service. In fact, most of the increase in management services in Illinois by banks has occurred since 1950. Some banks employ men to do farm management only, others on a part time basis with the agricultural man spending some of his time in agricultural credit. In 1958, 18 percent of the farm managers in Illinois were affiliated with banks. Five years later 28 percent of them were connected with banks.²

²J.J. Wallace, paper given to Iowa Society of Farm Managers and Rural Appraisers, January 30, 1964.
More suppliers, manufacturers, and marketing firms have recently been adding farm managers to their staffs. These men program farming operations, offer advice to customers when requested, administer production contracts, and assist in making sales and collections.

Present Situations

Professional managers are combining several farms into one operation under one tenant. For example one Illinois bank rents several farms with a total of over 2,000 acres to one tenant. An Ohio firm rents to one tenant 2,200 acres owned by two people.

An increasing number of manufacturers, suppliers, and marketing firms are employing farm management specialists to provide a variety of services to their customers. They offer recommendations and program farming operations on request. Right now a large chemical firm is trying to locate three managers to assist them on a full time basis primarily with management problems of corn production.

I expect some farm cooperatives now providing supplies and equipment to farmers to add farm management, consultation, appraisal, accounting, agricultural engineering, and legal services to their businesses. Some of the cost of the services offered by these organizations will be recovered, as some manufacturers do today in the sale of products. And I think the services available will be offered for a fee to members requesting them.

Some management firms are conducting special studies for manufacturers, suppliers, marketing firms, processing firms, and service companies. City banks are placing increased emphasis on farm management problems. Several city correspondents are employing men who are what I choose to call management specialists in farm finance.

An increasing number of professional managers, as determined by interviewing 20 such men in Illinois, are doing more consultation work for farm operators who are neither clients nor tenants.

How These Services May Structure into the Management Requirements of Farm Firms, 1975-1980

The farm manager, whether he is an individual with a management firm or a bank that offers management to absentee owners, will continue to combine farms held under several ownerships into one operation. In so doing he will encounter a number of problems with which he will need the help of research and extension people as well as of management specialists. For example, they may need help in leasing, in determining who will furnish the headquarters and at what cost, and in selecting, training, supervising, and paying farm labor. They may also have problems dealing with fringe benefits, retirement programs, and incentives.
Some increase in specialization on the part of management has already taken place, and I expect this increase to continue at an accelerated rate as farms, ranches, and plantations become more specialized.

The number of management firms employing several men will probably become more specialized. The firm with one, two, or three managers will find it difficult to specialize enough to effectively handle the management problems confronting them. I expect these small firms to hire outside consultants to assist them. As one farm manager said, "The day of the individual farm manager as we have known him is almost extinct. He will find it very difficult to get started. He will go to a company or a bank to seek employment."  

We seem to be moving in a direction similar to that taken by the medical profession. We will have fewer and fewer "general practitioners" and more specialists. The general practitioner will rely more and more on specialists and consultants to help him.

The number of manufacturers, suppliers, and marketing firms employing their own farm managers will increase materially. One of the big questions here is, How will the farmer accept the recommendations of these men who probably will be interested in increasing sales or improving the quality of marketed commodities?

I believe large industries, on the other hand, will employ their own specialists rather than employing outside consultants. By so doing they will have more control over their activities and the recommendations given to farm customers. Feed companies may want management specialists in swine, in beef cattle, in dairy, or in poultry.

Marketing firms and processors will also tend to employ their own managers. I expect them to employ some consultants to work with them on highly technical problems. Canning companies, for example, will probably need an entomologist or plant pathologist on a part-time basis.

There will probably be an increase in the number of family partnerships and corporations. Specialists to help form these organizations are needed today, and I think much more similar help will be needed in the future. A team made up of a manager and an attorney is a desirable combination to cope with these problems. A tax consultant might also be added to this team. Very few of these people are available today. Our universities have some responsibility for developing these specialists, who will be able to assist materially in this area.

Managerial Services for the Smaller Farm Operators

It is very doubtful that the smaller farm operators will be willing to pay directly for the management service they need. I believe most of the service will be provided by manufacturing, supply or market firms and lenders

3H. M. Primm, immediate past president, American Society of Farm Managers and Rural Appraisers.
with which these farmers deal. It will be supplied as it is in many instances today, with a bag of feed, a ton of fertilizer, or in a production contract.

The smaller farmer needs management help and will continue to need it. This conference, however, deals primarily with the commercial farmer, but we should keep the small farmer in mind. He may not be able to become re-trained and hold another job. He may be better off as a small farmer than seeking other employment in the city. Perhaps our best way to help him is through the supplier.

**Competition for Personnel**

The farm management profession will continue to compete with industry for the managers we are attempting to structure into commercial agriculture. Because manufacturers and suppliers serving agriculture presently are and will continue to be competing vigorously for men with the management ability and potential that we are seeking, we will find it increasingly difficult to attract them. We may get only those who are dedicated to serving the farmer as a manager. We can, however, provide opportunities for them to participate in continuation studies in farm management as well as workshops and seminars in strategic locations throughout the states in which we work.

**Who Will Pay for It?**

The "general practitioner" manager who manages farms for absentee owners and who does consultation work for a fee for farm operators, farm owners, manufacturers, suppliers, and market firms will continue to be paid by those who employ him. Specialists, who are primarily consultants, will also be paid by those who employ them.

Manufacturing, supply, marketing, and service firms will hope to increase sales, and service and to improve products to pay for their full-time firm managers.

Banks will be paid in part through management and consulting fees but will also hope to attract more loan and trust business through their farm departments.

In reality the farm owner, operator, or tenant will pay for it. He either will pay a direct fee, or the cost will be hidden and added to what he buys or sells, or to the capital he borrows.

**Relations Between Professional Management and Extension Personnel**

Several members of the Illinois Society of Farm Managers and Rural Appraisers were interviewed on this question.
One of the problems is a geographic one. It is relatively easy for a manager located near the university to call or stop and see an extension specialist, a research professor, or the classroom teacher of his choice. Not so with those who live some distance away.

Extension personnel frequently are not familiar with the job of the professional farm manager, especially with his relationship with his client. The manager may feel he knows more about the problem than the specialist.

Management needs during the coming years of increased specialization and larger units can be provided if extension specialists become more familiar with the problems of the professional manager and his client. This problem is not peculiar to extension farm management personnel but to all specialists who work with the professional farm manager. Extension specialists can in this way reach many people presently not being reached.

**Relation Between Managerial Services and the Press**

Farmers have been slow to request help for specific management problems. I believe there are two major reasons for this: (1) They do not know where to turn for help, and (2) they dislike admitting that they need help. Industry and educational institutions have moved much faster in the direction of employing consultation than the farmer.

The press can be of considerable help in this area, however, by reporting what other farmers have done using managerial services provided by individuals, management firms, or manufacturers and suppliers who have their own management specialists.
Requirements for Success in Farm Management Firms

A. Present
1. Practical farm "know-how"
2. Technical agricultural knowledge
3. Ability to sell ideas and services
4. Ability to work with people
5. High degree of intelligence
6. Thorough knowledge of management principles
7. Ability to program farm operations

B. Future -- increased emphasis on present requirements, plus the following:
1. High degree of specialization in one field
2. Ability to judge potential long-time income from any given farm operation over a period of years
3. High degree of ability in analyzing a farmer's requirements for power and equipment
4. An increasing reliance on experiment station and extension personnel
5. An increased interest in public relations
6. Participation in a continuing education
7. Ability to select, train, supervise, and develop incentives and fringe benefits for farm labor
8. Ability to motivate farmers who are not tenants on managed farms to accept their recommendations
9. Ability to work within the policies and framework of large manufacturing and distributing firms
10. Develop more ability in financial management
11. A willingness to use consulting specialists when he needs them