# *Farm Management 9th edition Kay Solutions Manual*

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**CHAPTER 2**

**ANSWERS TO END OF CHAPTER QUESTIONS**

1. What is your own definition of management? Of a farm manager?

There is no single answer to either part of this question. It should be used to get students to put their individual thoughts into words and get them to think about the concept of management. However, it may be important to stress that any definition of these terms needs to mention decision making.

2. Do farm and ranch managers need different skills than managers of other businesses? If so, which skills are different? Which are the same?

This is another general discussion question, but the ability to recognize, analyze and solve a problem through good decision-making is important for managers of any type of business. Therefore, all managers need a knowledge of and ability to apply basic economic and financial concepts. Managers of businesses with employees may need more personnel management skills than a farm operator who works alone. However, the greatest differences are probably in technical knowledge and skills rather than management skills. To make good decisions, a manager must have at least some basic technical knowledge related to the specific type of business being managed.

3. How do strategic management and tactical management differ?

Strategic management defines the overall course of the business, while tactical management keeps the business on that course from day-to-day.

4. Would you classify the following decisions as strategic or tactical?
    a. deciding if a field is too wet to till today
    b. deciding whether to specialize in beef or dairy production
    c. deciding whether to take a new partner into the business
    d. deciding to price wheat today or wait until a price target is met

a. tactical
b. strategic
c. strategic
d. tactical

5. Why are goals important? List some examples of long-term goals for a farm or ranch business. Make them specific and measurable, and include a time line.

Goals provide a focus and direction for the entire management process. How can a decision be made without having a goal? Without a goal, how does a manager determine if one alternative solution is better than another? The probable outcomes from alternative solutions must be measured against how well they each contribute to achieving the goals of the farm or ranch. Goals also provide a standard against which future results can be measured.

Long-term goals might be to increase profit by 15% per year for the next 5 years, to purchase a 160-acre farm within five years, to increase the size of the cow herd by 50% in three years, or to avoid losing net worth. A number of other long-term goals are listed in the "Formulating the Goals of the Business" section of this chapter.


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6. What are some common goals of farm and ranch families that might be in conflict with each other?

Many people have multiple goals rather than a single, dominant goal. This sets up a situation where goals may be in conflict. For example, maximizing profit may conflict with minimizing risk, spending more for family living expenses, buying new machinery, or increasing farm size. Encourage students to come up with other examples.

7. What are your personal goals for the next week? For next year? For the next 5 years?

Encourage students to think about their own personal goals, to write them down and refer to them from time to time. This exercise also can be used to demonstrate that goals will likely be different depending on the time horizon being used, and that both short-term and long-term goals are needed. However, point out that short-term and long-term goals may also be in conflict, and these conflicts should be noted and resolved. For example, taking an expensive vacation this year conflicts with saving money to purchase a vehicle or pay off debt.

8. What internal characteristics of the farm should a manager consider when developing a strategic plan?

Physical resources: land, buildings, livestock, equipment, and established crops
Human resources: number and availability of workers, special skills and interests
Financial resources: owner equity, cash savings, credit worthiness, outside income sources

9. Identify several trends in technology or consumer tastes that a farm manager should consider when developing a strategic plan.

Examples of new technology include new characteristics of crop varieties, improved gathering and processing of data, and automatic steering and manipulation of machinery.

Examples of changes in consumer tastes include desire for leaner meat, higher protein grains, seedless fruits, fresh fruits and vegetables that keep longer, and increased demand for biofuels.

10. List the steps in the decision-making process. Which steps are part of the planning function of management? Implementation? Control? Evaluation?

Identify and define the problem (planning)
Identify alternative solutions (planning)
Collect data and information (planning)
Analyze the alternatives and choose one (planning)
Implement the decision (implementation)
Monitor and evaluate the results (control)
Accept the responsibility for the decision (evaluation)

11. What characteristics of a decision affect how much time and effort a manager devotes to making it?

Importance, frequency, imminence, revocability, and number of alternatives.

12. What are some characteristics of agriculture that make managing a farm or ranch different from managing other businesses?


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Dependence on biological processes and weather, a fixed supply of farmland, small business size of most farms and ranches, the existence of perfect competition in most of production agriculture, and others.


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## THE DECISION MAKING PROCESS

The objective of this exercise is developing an example of the decision-making process that a farm manager might have to go through.

Give an example of a management decision a farmer might have to make in order to achieve one of the farm's goals. Outline the steps you would go through to make and carry out this decision. Be specific.

1. Define the question or problem that requires a decision:
   (example: need to improve breeding stock)

2. Identify alternative actions (list at least 3):
   (example: buy, lease, raise your own, AI)

   a.

   b.

   c.

3. Collect information (list at least 3 possible sources):
   (example: machinery dealer, bank, Extension office)

   a.

   b.

   c.

4. Analyze the alternatives and make a decision (choose one of the alternative actions from above):

5. Implement the decision (explain how you would carry out your decision):

6. Monitor and evaluate the results (what would you look for or what information would you collect to tell you if you made the right decision?):

7. Accept responsibility for your decision:

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**Sample Answer**

**Chapter 2**: **The Decision-Making Process (Sample Answer)**

The objective of this exercise is developing an example of the decision-making process that a farm manager might have to go through.

Give an example of a management decision a farmer might have to make in order to achieve one of the farm's goals. Outline the steps you would go through to make and carry out this decision. Be specific.

1. Define the question or problem that requires a decision:
   (example: need to improve breeding stock)

   **Early spring floods have inundated 80 acres of soybeans.**

2. Identify alternative actions (list at least 3):
   (example: buy, lease, raise your own, AI)

   **a. Leave the soybeans alone and hope they recover.**

   **b. Disk them up and replant to soybeans.**

   **c. Disk them up and plant an alternative crop.**

3. Collect information (list at least 3 possible sources):
   (example: machinery dealer, bank, Extension office)

   **a. Check insurance coverage from your crop insurance agent.**

   **b. Get a yield estimate from a crop consultant.**

   **c. Check local buyers for forward prices for soybeans and other crops.**

4. Analyze the alternatives and make a decision (choose one of the alternative actions from above):
   **Replant to soybeans.**

5. Implement the decision (explain how you would carry out your decision):

   **Obtain seed, prepare the land, plant, control pests, and harvest. Market the crop. Apply to insurance company for replanting payment.**

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7. Monitor and evaluate the results (what would you look for or what information would you collect to tell you if you made the right decision?):

**Record additional costs, final yield and selling price. Compare the expected profits if the original crop had been left, based on the expected yield. Compare yields with other farms that experienced flooding.**

7. Accept responsibility for your decision:

**Record results for future decision-making.**

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