



Chapter 2:

Managing the Agribusiness

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Objectives

- Definition of management
- Decision-making environment for agribusiness managers
- Planning, organizing, directing, and controlling
- Steps in the planning process



Objectives

- Definition of leadership
- Differences among policies, procedures, and practices
- Management by exception



Manager's Task

Managers must efficiently combine
human, financial and
physical assets to maximize
long-run profits
by satisfying the firm's
customers' demands



Managers Must Be:

- Technologically knowledgeable about products and services
- Effective communicators
- Able to motivate people
- Proficient in management technical skills such as accounting, finance, and forecasting

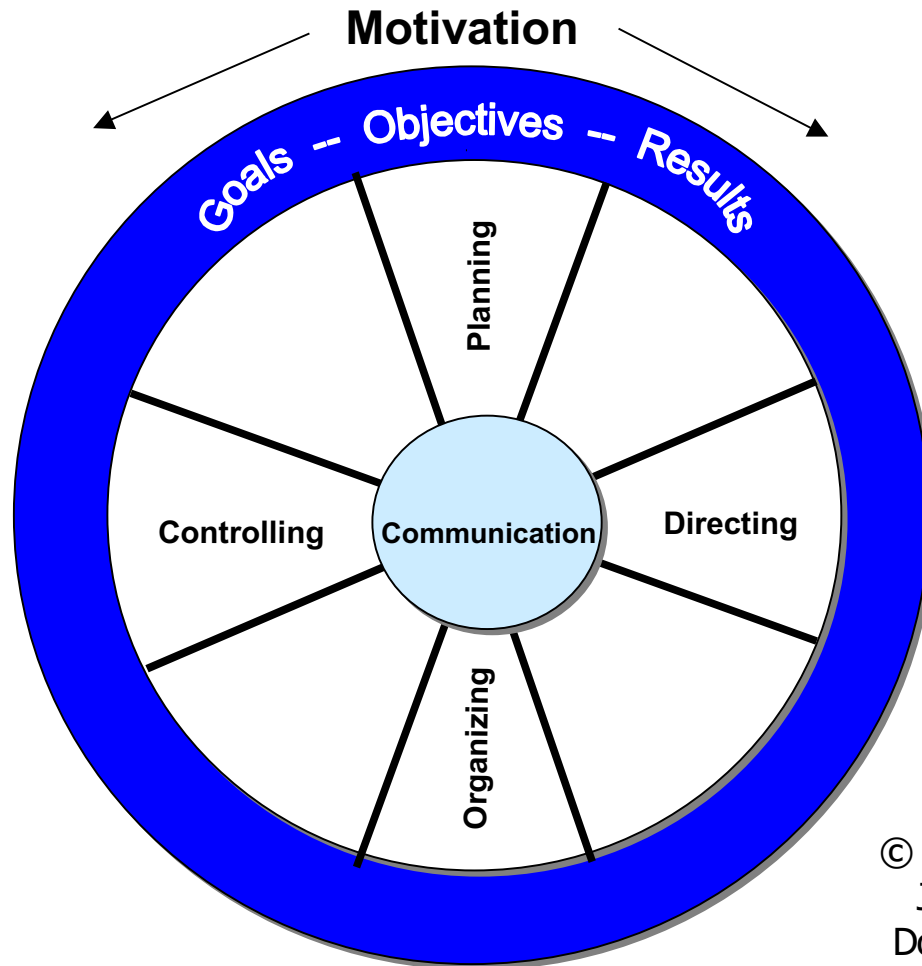


Definition of Management

The *art and science* of
successfully pursuing
desired *results* with the
resources available
to the organization

Figure 2.1

The Wheel of Management



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Table 2.1 Unique Elements of Agribusiness

- Food as a product
- Biological nature of production agriculture
- Seasonal nature of business
- Uncertainty of the weather
- Types of firms
- Variety of market conditions
- Rural ties
- Government involvement



Key Tasks of Agribusiness Managers

- I. Planning
- II. Organizing
- III. Directing
- IV. Controlling



Types of Planning

- Strategic planning
 - Mission statement
 - Key markets (who we serve)
 - Contribution (what we do)
 - Distinction (how we do it differently)
- Tactical planning
- Contingency planning



Table 2.3 Levels and Nature of Planning in the Agribusiness Firm

Strategic level	Tactical level	Day-to-day level
Top management	Middle management	Line employees
Very flexible Long-term Written analyses Complex, detailed Broad	Somewhat flexible Intermediate-term Written reports Less detail, outlined General	Inflexible Immediate Unwritten Simple Very specific



Figure 2.2 Levels of Planning and Goals for Seed Company

Levels of Planning

Level 1: Corporate Strategy

↓ Formulated by CEO and executive team

Level 2: Line of Business Strategy

↓ ↑ Formulated by business division heads

Level 3: Functional Area Strategy

↓ ↑ Formulated by functional heads/department heads

Level 4: Operating Level Strategy

↑ Formulated by heads of operating units/production facilities

Goals for Seed Company

Corporate Objective

↓ Generate \$5 million in profit

Soybean Division Objective

↓ ↑ Sell 200,000 units soybeans @ \$20/unit, hold production cost to \$15/unit

Soybean Division Sales Department

↓ ↑ Sell 200,000 units of soybeans @ \$20/unit

Sales Territory 1

↑ Sell 500 units of soybeans @ \$18/unit



The Planning Process

- Gather facts and information
- Analyze
- Forecast
- Set performance objectives
- Develop alternatives
- Develop means of evaluation



Tasks in Organizing

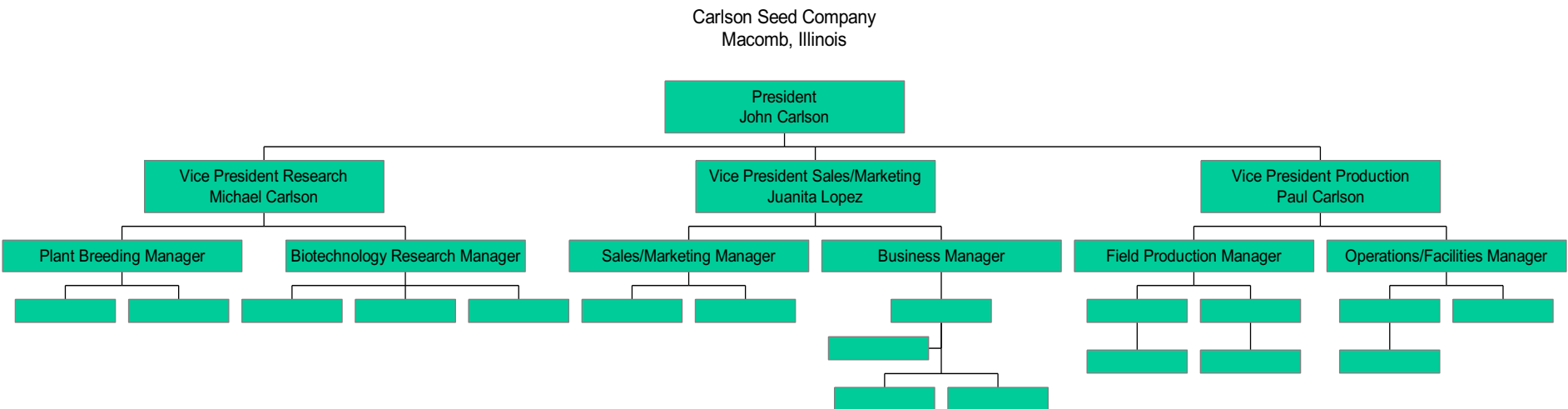
- Set up the organizational structure
- Determine the jobs to be done
- Define lines of authority/
responsibility
- Establish relationships within the organization



Organizational Chart

- Division of labor
- Chain of command
- Bureaucracy

Figure 2.3 Organizational Chart for Carlson Seed Company





Directing

- Selecting, allocating, and training personnel
- Staffing positions
- Assigning duties and responsibilities
- Establishing results to be achieved
- Creating desire for success
- Seeing the job is done and done properly



Management vs. Leadership

- Management involves performing management tasks and functions
- Leadership involves influencing the attitudes and behavior of followers and motivates them to do their best work



Shaping the Work Climate

- Set a good example
- Conscientiously seek participation
- Be goals- and results-centered
- Give credit and blame as needed
- Be fair, consistent, and honest
- Inspire confidence and lend encouragement



Policies, Procedures, and Practices

- Policies

- General guidelines for decision-making that guide the thinking process, set boundaries

- Procedures

- Step-by-step guide to implementing a policy

- Practices

- What is actually done in the firm



Controlling

- Monitoring and evaluation of activities
- Performance is measured and compared with standards set
- Includes an information system monitoring plans and processes



Management by Exception

- Basic premise:
 - Managers should concentrate on areas in which things are not progressing as expected
 - Focus on deviations from forecast



Figure 2.4 Phoenix Fertilizer Company's Sales Forecast

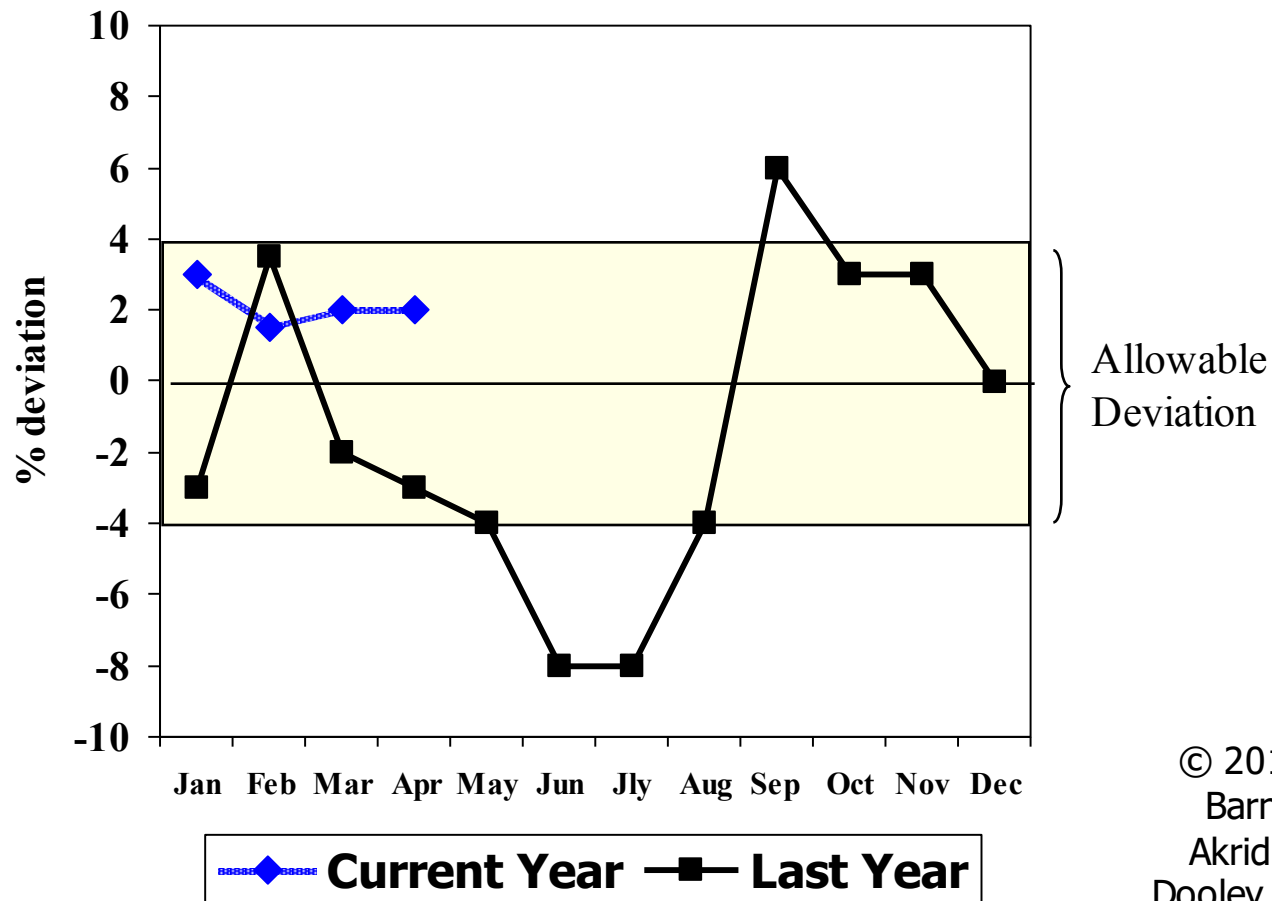
Sales Forecast – Current Year (1,000 tons)

	Jan	Feb	Mar	Apr	May	Jun
Dry Fertilizer	575	690	699	690	720	751
Liquid Fertilizer	252	250	244	250	220	252
Total	827	940	943	940	940	1003

	Jly	Aug	Sep	Oct	Nov	Dec
Dry Fertilizer	610	590	700	700	650	630
Liquid Fertilizer	270	277	240	250	255	260
Total	880	867	940	950	905	890

Figure 2.4

Phoenix Fertilizer Company



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Phoenix Fertilizer Company

Calculating Deviations

Actual sales (April) 959,000

Sales forecast (April) 940,000

Difference 19,000

Difference / sales forecast = deviation

19,000 / 940,000 = 2% deviation



Benefits of Management by Exception

- Easier to ignore areas where performance is on target
- See whole situation at a glance
- Simple/easy to prepare, easily understood
- Clearer interpretation than raw data



Major Areas of Management Responsibilities

4 basic functions of the agribusiness

1. Marketing and selling
2. Financial management and planning
3. Production and operations
4. Personnel or human resources