



OBJECTIVES

At the end of this chapter, students should be able to:

- define factors of production.
- mention examples of factors of production.
- discuss each factor of production.
- explain the meaning of farm manager.
- state the functions of a farm manager.
- state the problems that farm managers face in the production process

21.1 Introduction

Production involves the combination of natural, human and material (man-made) resources that brings about the creation of goods and provision of services. The society derives food, raw materials and income through a judicious use or combination of these resources. The resources used in the production of goods and services are called the factors of production. They are inputs in the creation of agricultural produce (goods) and services. Factors of production are classified into four groups: land, labour, capital and management or entrepreneurship.

21.2 Definition of Factors of Production

Factors of production are defined as productive resources (such as natural, human and material) that are used or combined in the process of creating goods and providing agricultural services. This can also refer to the inputs used in producing agricultural produce and services.

21.3 Examples of Factors of Production

The following are examples of factors of production:

1. Land: vegetation, minerals, soil and water
2. Labour: family labour and hired labour
3. Capital: fixed, floating, working or current.
4. Management or entrepreneur: farm manager

21.3.1 Land

Land includes all the natural resources used in the production process. It is the total of the earth and water, the plants and animals, and the minerals that exist in nature.

Land is also that portion of the earth's surface on which farmers plant crops and rear animals.

The quality of land varies from place to place because of its nutrient status, location and

prevailing climate.

21.3.1.1 Characteristics of land

- â Land is a natural gift not produced by man.
- â Land is fixed in supply or in quantity.
- â It is subject to law of diminishing returns.
- â It is limited in supply.
- â Land cannot be moved from one place to another (it is immobile).
- â Land depreciates (loss of value or fertility).
- â It can be improved through soil conservation and land reclamation.
- â Its use can be affected by climatic factors.
- â Land varies in quality and its value varies with its location.
- â Land appreciates in value.
- â The reward for land is rent.

21.3.1.2 Classification and uses of land

1. Agricultural Land

- â Planting of food crops
- â Tree crops plantation
- â Establishment of forest
- â Rearing of domestic animals
- â Fish farming (aquaculture)
- â Wildlife conservation
- â Grazing land

2. Non-Agricultural Land

- â Housing (housing estates)
- â Industry (industrial estates)
- â Mining (where there are mineral deposits)
- â Transportation (roads, railways, airports, seaports, etc.)
- â Socio-economic infrastructure: schools, hospitals, stadia, markets, recreational centres.
- â Religious – worship centre such as church and mosque.

21.3.2 Labour

Labour refers to all human resources or effort which may be mental or physical, skilled or unskilled, scientific or artistic, hereditary or acquired, which are used in the production process for a reward. It is the exercise of human, physical or mental powers in the creation of wealth. The supply of labour and labour efficiency is dependent on specialisation, otherwise called division of labour.

Specialisation leads to an increase in the amount of wealth which any given number of people can produce in any given time. It leads to a high degree of skill and dexterity and saves time.

21.3.2.1 Characteristics of labour

- â Labour is unique (provided by man).
- â It is an active factor of production.
- â Labour is mobile.
- â Supply of labour is basically inelastic.

- â Labour cannot be easily stored for future use.
- â Labour has feelings and cannot be used anyhow.
- â Labour can be skilled or unskilled.
- â The reward for labour is wages and salaries.

21.3.2.2 Classification of labour

Labour can be grouped into three classes as follows:

1. **Skilled labour:** This is the labour that has undergone a relatively long and specialised type of training. Examples include veterinary doctors, geneticists, accountants and entomologists.
2. **Semi-skilled labour:** Those who have undergone some form of training, but the training is not as specialised as that of skilled labour such as laboratory assistant, poultry attendants, drivers or tractor operator and mechanics.
3. **Unskilled labour:** Those who do not undergo any training such as labourers, cleaners and gardeners.

21.3.3 Capital

Capital refers to all man-made productive assets, wealth or resources used to produce other goods and services. It comprises machinery and equipment, buildings, motor vehicles, tools, fertilizers, chemicals, stock of animals, crops on the field, raw materials, fuel, fish pond, seedlings, seeds and money.

1. **Fixed capital:** This consists of the durable assets which do not change their form in the process of production. It can be used for many years. Examples include tractors, farm buildings, motor vehicles, dams or ponds, farm implements, workshop and barn.
2. **Working or circulating capital:** These are assets that are used up during production process. Examples are fertilizers, chemicals, water, fuel, feeds and drugs.

21.3.3.1 Characteristics of capital

1. Capital has money value or price.
2. It must be capable of satisfying human wants.
3. Capital is limited in supply.
4. Capital can be bought or sold.
5. The ownership of capital can be transferred from one person to another.
6. Capital is basic for production.
7. Capital takes different forms such as security, fertilizers and money.
8. Capital is man-made, it is thus accumulated.
9. Capital may be in a fixed form such as factory, buildings and machinery.
10. Capital can depreciate with time.
11. Capital is an indicator of scale of production.
12. The reward for capital is interest.

21.3.4 Management or entrepreneur

This is at the centre of production processes. It is the factor that organises and coordinates the human and material resources in the production of agricultural produce. Entrepreneur is also referred to as the innovator, risk-bearer or decision maker. His reward is profit.

21.3.4.1 Characteristics of entrepreneur

1. He combines all other factors of production.
2. He has a unique function regarding what and how to produce.
3. The risk he bears is not transferable.
4. His reward is a residual profit.
5. He recruits workers and also supervises work.
6. He is also known as the farm manager.

21.3.4.2 Meaning of farm manager

The farm manager is the person charged with the responsibility of directing the affairs of the farm. In agriculture, the farm manager is also referred to as the entrepreneur.

21.3.4.3 Qualities of a farm manager

The farm manager:

1. Must be flexible
2. Must be willing to accept responsibility at all times.
3. Must be innovative.
4. Must be able to take decisions.
5. Must be impartial in the affairs of his staff.

21.3.4.4 Functions of a farm manager

The functions of a farm manager include:

A. Evaluation

- (i) He sets targets for achievement.
- (ii) He keeps records on the farm
- (iii) He supervises accounts
- (iv) He develops strategies and plans for further improvements on the farm.

B. Administration

- (i) He employs the right type of staff.
- (ii) He arranges for staff welfare
- (iii) He rewards or disciplines staff.
- (iv) He helps to supervise work.
- (v) He organises for the training of staff
- (vi) He assesses staff performance.
- (vii) He prepares a work roaster.

C. Organisation

- (i) He determines what to produce.
- (ii) He secures land for production.
- (iii) He determines the scale of production.
- (iv) He secures loans for expansion.
- (v) He decides which enterprise to embark on.

D. Production

- (i) He purchases farm inputs.
- (ii) He combines resources to maximize profit.
- (iii) He ensures adequate security on the farm.
- (iv) He arranges for regular supply of feed.
- (v) He takes proper care of the crops and animals.

(vi) He sets production targets.

E. Marketing

(i) He determines the prices of goods

(ii) He determines the quantity of produce to sell.

(iii) He determines when, where and how to sell to make maximum profit.

(iv) He decides which produce to process further before marketing.

(v) He obtains market information that will help him make good marketing decision.

21.3.4.5 Problems facing farm manager

A farm manager encounters some of the following problems in the course of his duties:

1. Inadequate capital: As a result of inadequate collateral to obtain loans.

2. Government policies such as restriction of imports may discourage the activities of the manager.

3. Marketing problems like not knowing when and where to sell the farm produce.

4. Poor personal relationship with the personnel could lead to poor performance.

5. Inadequate personal competence: Not employing the right kind of staff could lead to poor quality work.

Activity

Suppose you are given some money to start a small-scale poultry business enterprise.

List out all the factors that are likely to affect the procurement and the location and management of the business. Suggest how you will overcome the observed or identified challenges.

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—† Land includes the natural resources used in production process.

—† Labour includes all human efforts directed towards production.

—† Capital refers to goods and assets used by human agent for further production.

—† Management is the one that combines all other factors of production.

SUMMARY

Factors of production are defined as productive resources such as natural, human and material that are used or combined in the process of creating goods and providing agricultural services. They are classified into four groups: land, labour, capital and management.

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Revision Questions

Essay Questions

1. Give an account of the importance of labour and capital in agricultural production.

2. In what ways do management affect agricultural production?

3. List and discuss four functions of a farm manager.

4. (a) State three characteristics of land.

(b) State five roles expected of a farm manager in a farm enterprise. (WASSCE 2004)

5. (a) Name and explain three factors of production in agriculture (WASSCE 2003)

(b) State two characteristics of labour.

Objective Questions

1. Land is often different from other factors of production because it

- (a) is a free gift of nature.
- (b) has different grades.
- (c) constitutes one-third of the entire world.
- (d) is owned by individuals.

2. Which of the following is the reward for capital?

- (a) Rent
- (b) Profit
- (c) Subsidy
- (d) Interest

3. To which of the following factors of production does the law of diminishing returns relate?

- (a) Land
- (b) Labour
- (c) Capital
- (d) Management

4. All the following are the characteristics of land except it is

- (a) fixed in supply.
- (b) immobile.
- (c) very expensive.
- (d) free gift of nature.

5. Capital in agriculture includes the following items except

- (a) tree crops.
- (b) livestock.
- (c) labour.
- (d) machinery.

Answers to Objective Questions

1. a 2. d 3. a 4. c 5. c