

2 Managing the agribusiness

Objectives

- Define management and explain the role of a manager
- Understand the decision-making environment for agribusiness managers
- Describe the tasks of planning, organizing, directing, and controlling in agribusiness management
- Understand the steps in the planning process
- Define leadership and compare it to management
- Explain the differences among policies, procedures, and practices
- Describe management by exception, and understand how this idea is used by agribusiness managers

Discussion questions

1. **Define management in your own words. What are the differences in the four tasks of management and the four functions of an agribusiness?**

Management is defined as the art and science of successfully pursuing desired results with the resources available to the organization. The key concepts are:

- Management is both an art and a science
- Desired results and goals are spelled out and management pursues these goals
- There are certain resources available to the organization that sets the boundaries for what can be done

The four tasks of management are: planning, organizing, directing, and controlling while the four functions of an agribusiness (from Chapter 1) are marketing management, financial management, supply chain management, and human resources management. To be successful, the agribusiness management must be able to execute the four management tasks for each of the four basic functions of the agribusiness.

2. **Pick any food or agribusiness firm. Compare this firm and the market it serves to the list of distinctive features of the food and agribusiness markets. Which of these features seem to be most important for the firm you have chosen?**

Some or all of the following distinctive features of the food and agribusiness markets may be applicable to the particular food or agribusiness firm chosen.

- 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

3. How and why does planning change as one progresses up the organizational ladder?

Line employees are mostly concerned with day-to-day planning. These plans are often fairly simple in nature, very specific to the day-to-day operations, and are seldom written down. The plans are operational and generally relate to using the existing resources in the most efficient manner so there is not a lot of flexibility.

Middle management is most often concerned with tactical and contingency planning. Tactical plans typically encompass short-term plans consistent with the strategic plan and translate the strategic plan into actionable steps. Contingency plans look at alternatives in case business does not progress as planned. There is more flexibility with this type of planning than at the day-to-day planning stage but it is less flexible and shorter term than the strategic plan.

Top management is more concerned with the big picture as they create the strategic plan. The strategic plan tends to be more flexible, longer range, written, complex, and broader in nature. These plans can change the level of resources in the agribusiness over the longer term.

4. Describe the steps in the planning process. Using these steps, develop a plan for obtaining a summer internship with a food or agribusiness firm.

Though answers will vary, the six steps involved in the planning process include:

1. Gather facts and information.
2. Analyze the situation and the problems involved.
3. Forecast future developments.
4. Set performance objectives, the benchmarks for achieving strategic goals.
5. Develop alternative courses of action and select the most suitable.
6. Develop a means of evaluating progress and readjust the plan as the process unfolds.

5. What are the most important components of the agribusiness manager's role as director?

Directing involves leading, supervising, motivating, delegating, and evaluating those people that the manager manages. It consists of guiding personnel toward a common goal. It is accomplished by:

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

- Seeing that the job is done and done properly

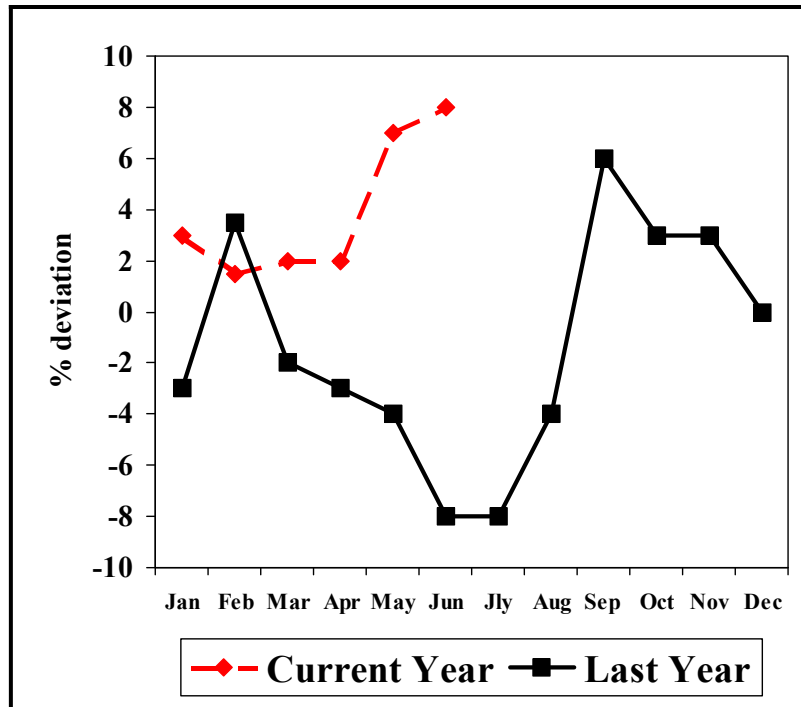
6. What are the advantages of using the management by exception approach to control programs?

Management by exception is based on the premise that managers should not spend time on areas that are progressing according to plan. Instead, they should concentrate on areas that are not progressing the way they were planned. The benefits of management by exception are that by identifying areas that deviate from the forecasted path, managers:

- find it easier to ignore areas where performance is on target
- can see the whole situation at a glance
- find it easy to prepare and easy to explain to others
- get a clearer interpretation of the situation than be using raw data

7. Assume that Phoenix Fertilizer reported actual sales of 1006 and 1083 thousand tons for May and June of the current year. Using these data, add two months to the Phoenix management by exception graph. Interpret the deviations for these two months. What actions might be suggested by these results?

	April (in text)	May	June
Actual sales	959,000	1,006,000	1,083,000
Sales forecast	940,000	940,000	1,003,000
Difference	19,000	66,000	80,000
<u>Difference</u>	<u>19,000</u>	<u>66,000</u>	<u>80,000</u>
Forecast	940,000	940,000	1,003,000
Deviation (%)	2%	7%	8%



Sales are 7% and 8% higher than forecast for May and June. Because the management team had decided that deviations greater than 4 percent would require remedial action, new plans need to be made. Areas that the management team would need to look at include reallocating the inventory of raw and finished product, production scheduling, capital and cash positions, labor needs, advertising and promotion programs, and pricing policy.

Case study: Hart Cherry Cooperative

The Hart Cherry Cooperative was organized two years ago to pit and freeze member-farmers' cherries. The cooperative is experiencing difficulty in keeping grower-members' cherries separate. Most of the cherries are harvested mechanically by shaking them from the trees. They are placed in pallet tanks by the grower and brought into the plant for processing. The cooperative owns all the pallet tanks. When the grower unloads the pallet tanks on the concrete pad, the cherries have to be cooled with running cold water until they are ready for processing. There is considerable variation in quality among the loads of cherries brought in by members. Some loads have large quantities of small twigs and leaves in them, some are rotten or soft, and some have other undesirable qualities.

This is the first year that the cooperative has owned all the pallet tanks. The cooperative board decided that it was best for the cooperative to own them, since growers had been continually taking other growers' pallet tanks whenever their own were unavailable. The policy of the cooperative board and management is that each grower's cherries must be identified so that growers can be paid separately, on the basis of the quantity and quality of their product.

The practice as it had developed this year was for the members to unload their pallets onto the pad. Each member was then supposed to put a name card on each pallet. The problem was that

sometimes the growers' new, or inexperienced, uncaring truck drivers were failing to put cards on, cards were falling off, or sometimes two or more cards were on the same pallet.

1. Develop a procedure that will help solve the problem by ensuring that each grower's cherries are properly identified.

Solutions may vary. Important facts to consider include:

- Because the cooperative owns the pallet tanks, all are the same color and size.
- Truck drivers bringing in the pallet tanks are often inexperienced, new, or careless.
- ID is a critical component in how growers get paid for their crop because the quality varies.

2. Develop a plan to ensure the procedure you develop will be carried out in practice. Include in your plan how the procedure will be communicated to both employees and grower-members. Include in your plan steps to receive feedback on the procedure from both employees and grower-members.

Key components:

- How to communicate to employees, including why employees will benefit from this program?
- How to communicate to grower-members—why would they care about complying (especially those with lower quality cherries)?
- How will success be measured (from the cooperative's perspective, grower-members' perspective and employees' perspective)?
- What are some alternatives if the program is not successful?