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THE CONSULTANT AND THE PASTURE REVOLUTION
 by

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Technology is the basis of consulting

The large research effort directed towards lifting dry matter and protein production of pastures in tropical and sub-tropical Australia is beginning to show promising results. We can say, without doubt, that there is a technological advance awaiting widespread farmer adoption. Technological advance means that a greater amount of output can be produced from every unit of input. Thus the definition covers two situations:

- (a) Where total inputs decrease and total output is unchanged;
- (b) Where total inputs increase, but total outputs increase more rapidly.

Most of the technological advance available to the farmer requires, for full and successful exploitation, a re-organization in farm practices, finance, labour, managerial attitude and perhaps additional structures such as water facilities, fences, buildings and roadways.

The farm management consultant's main job is to assist the farm owner in solving the problems associated with the incorporation of technology into his farm organization.

The growth of consulting from two or three practitioners to the present number of over 130 has been a phenomenon of the past 10 years. The growth has occurred mainly in the temperate parts of Australia and has come about because, in this zone, there were three main new technologies available for exploitation, together with some economic pressure on producers to increase income. The three technologies were:

- (a) Extra pasture production via super, trace elements and potash.
- (b) Recognition of the role of stocking rate in pasture utilization.
- (c) Cereal species better adapted to dryer areas, combined with advances in machine capacity.

At the current level of organization of Australian agriculture, it would be very difficult for a farm management consultant to establish a viable practice in an area unless there was scope for the application of technology. Increases in net income of the order of at least 30% have characterized the work of most consultants *on properties where they have the willing co-operation* of their farmer clients. It is difficult to conceive of such increases coming about, simply by streamlining management techniques alone — better technology is the main source of the extra income.

The clientele of consultants comprises mainly the keener, more progressive, better farmers. Such people are fairly strongly motivated to be interested in, and make use of, new technology. Their use of professional advice has led to the comment that the people who use consultants are those who least need them! The question of how to motivate the bulk of those engaged in farming to interest themselves in technology and management is one that troubles extension administrators the world over; it need not be discussed further here.

Historical process of business decision making

The great advances in on-farm productivity which have been made since settlement, have been achieved by the individual farmer selecting those items of technology which he considered relevant to his property, weighing up their pros and cons, and then applying them if they met his appraisal criteria. The job of appraisal was left to the manager, because the purveyors of technology were generally not primarily concerned with the full management implications of their advice.

There is no denying that this system has worked reasonably well to date, but as the technology becomes more complex and capital dependant, and the penalties for failure much higher, many managers feel the need for assistance in the area of decision making and evaluation of alternatives.

The Consultant and current business decision making

The consultant assists the farm manager in his business decision making in two ways:

- (a) He acquaints himself with the full range of technology likely to have application on the clients property.
- (b) He clarifies, for the manager, the financial, risk and managerial implications of likely alternative courses of action—i.e. he enters into the sensitive area of decision making, formerly the exclusive province of the manager. However, his role is most definitely *not that of decision-maker; rather it is one of decision-enlightener.*

Difference in approach between subject matter specialist and farm management consultant

There are several fundamental differences in approach between the subject matter specialist and the farm management consultant.

- (1) First and most important is that the consultant's brief is to assist the farmer to define and to achieve his personal goals, whether these be maximization of income, minimization of effort, or simply to "pay the place off over the next 30 years". Thus, he is not an agent of Government, stock firm or butter factory policy with objectives such as "raising production", "boosting exports", or "increasing efficiency" which may be completely different from the objectives of his client. Instead, he is a trained person, who contracts to provide management advice, tailored to the farmers personal goals and circumstances, for a fee.
- (2) The consultant's advice is aimed at producing action and results, which means he has to tailor it to the personal strengths and weaknesses of the individual manager, e.g. though it may be technically possible to produce a net profit of \$15 per acre from a given farm, the consultant, quite rationally, may suggest a plan which leads only to \$10 per acre profit, because the \$15 plan would be so frightening or unacceptable to the manager that he would reject it, perhaps even in favour of a "no action" course.

In tailoring his suggestions to the individual manager's attitudes and capabilities, the consultant has to attach considerable weight to such personal factors as :

- (a) the ability of the manager to handle the increased work and problems connected with intensified and expanded production.
 - (b) his ability to withstand the worry associated with increased debt. Plans for intensification frequently require borrowing extra capital, and it usually takes seven or eight years to repay the extra money borrowed.
 - (c) Willingness to accept the full consequences of the course decided upon. For example, the success of the programme may depend on having "x" units of livestock, to convert the extra feed grown as a result of increased fertilizer usage, to extra revenues. The manager may be prepared to spend funds on fertilizers, species, fences and water, but may have a mental block about carrying extra stock, with the result that he puts on only "x" units of livestock, thus thwarting the plan.
- (3) The third major difference is in the degree of professional accountability. The farm management consultant is identified in the client's eyes with the programme decided upon. Thus, he has the responsibility, both to himself and the

client, of making sure that the client knows the risks and penalties, as well as the likely rewards, associated with the plan decided upon. An ideal basis for fee charging would be for the consultant to share in a percentage of the increased revenue which resulted from the co-operative venture, though this would not be possible for a new consultant firm starting off unless it had considerable capital backing.

- (4) Continuing contact with the manager in later years. As the programme is executed, this permits the consultant to provide follow up advice and thus to make the inevitable modifications to the initial plan. In addition, it assures the manager, when the initial programme is being drawn up of both the bona fides of the consultant and the quality of his recommendations.
- (5) The philosophy of the consultant's approach is to work himself out of a job with a particular client. His contribution to the client's income can be expected to lessen as the years pass and the client develops his own expertise. He believes that sufficient new work will be forthcoming if he has a good record with existing clients.
- (6) Farmers tend to take more notice of advice for which they pay a fee than for that which is available for nothing.

THE "WHOLE FARM" APPROACH

Nearly everyone who has thought or read about extension knows of the "whole farm" approach. Consultants claim to embody this approach in their work. It is not simply a way of thinking which puts things in an economic setting — rather it is an approach to the farm and the farmer which allows him to make good business decisions; such decisions provide the link between (a) the farmer's goal attainment; and (b) the resources (physical, credit, financial and managerial) at his disposal.

What are the main ingredients of a good business decision?

- (1) All possible forms of income production from the farm are considered.
- (2) Each possibility is looked at in the light of —
 - (a) its contribution to total income
 - (b) its relationship with other alternatives.
- (3) Effect of current technology. An appreciation of possible contribution to net income of new technology is basic to any good business decision. Some practical aspects of the consultant's use of technology are :
 - (a) the need for input-output data; frequently this is lacking, and he is forced to use intuition and "guesstimation";
 - (b) because of the pressure on him to produce results, the consultant has on occasion to do his own research aimed at uncovering technical relationships;
 - (c) it is apparent that he cannot be encyclopaedic, therefore he has a great need of help from both research workers and subject matter specialists;
 - (d) as the consultant has to preside over the adoption of new technology on his client's properties, he is in a good position to feed back, to the research planner, the gaps in knowledge, and to suggest the relative weights which, from his point of view (not the only one of course) should be attached to various research activities.
- (e) Economic assessment of alternatives —
 - i. The techniques for such assessment have now reached a high level of accuracy (and, if required, sophistication). Gross margin analysis, linear programming, development budgeting are the commonest of the tools.
 - ii. It should be noted that annual net trading profit is not the sole criterion in evaluating alternative uses of technology — capital gain is a most important consideration, as are also tax and probate.

- (4) Variability—A business decision which ignores variability can rarely be a sound one. The three main sources of variability with which the consultant concerns himself are: climate, price and long term market prospects. Climatic variability is probably the most important to the farm manager as it affects dry matter production, feed quality, establishment of species, persistence of species, magnitude of fertilizer response e.g. N, K, trace elements, level of income and thus ability to repay capital.

Price variability has to be taken account of in future budgets — the “expected value” approach, based on probabilities, seems to be the best means of taking account of this. Long term market prospects, based on industry studies, are an essential consideration.

- (5) Tax, probate and sources of finance—Each of these three factors can affect the financial outcome of any business decision quite markedly. The consultant is not skilled in the intricacies of each field. Thus, he needs help of people such as accountants, lawyers and bankers who have specialized in them. Joint consultation between such specialists, the client, the consultant and often the stock agent in the formulation of a property plan is a valuable and perhaps unique feature of the consultant’s work.

Some special roles of the consultant are in the field of credit application, inspection of properties for potential purchasers, and in providing profit-orientated feed-back to research. A good deal of his time is spent in assisting his client to obtain funds to finance development plans. It should be noted that the long term interest of banks, consultants and clients are co-incident—i.e. the consultant is concerned with his reputation—he does not want to help his client to get himself into financial trouble; the banker is interested in lending his to successful projects—he has no wish to repossess the client’s land, and the client does not want to go bankrupt.

The lender feels that his funds are more secure if his client is working to a properly thought out, jointly planned, programme.

Inspection and reporting on properties for potential purchasers occupies an increasing amount of the consultant’s time. As it is difficult to get a sound start in farming in many areas unless the potential purchaser has \$70,000, it seems reasonable that an increasing number of farm buyers are seeking qualified advice before committing their (frequently hard won) capital.

STRUCTURE OF PROFESSION

Most consultants have a degree in Agricultural Science, wide field advisory experience and an interest in agricultural economics. They operate either as single individuals, in group practice, or as employees of a group of farmers, known as farm advisory groups. Consultants have a national body, codes of ethics and internal training schools. We hope to make it a profession able to provide good salaries, opportunity for professional advancement and study leave, and able to continue to attract the abler of the young graduates.

DISCUSSION

What sort of effect have your services had upon increased productivity of your clients? Could you give some examples of some successes and failures?

Mr. Makeham: In Victoria over the period 1960-1964 my clients were of two interests, sheep farming and dairying. The sheep men showed an overall increase in productivity of 30% (range of 100% to 0%). The dairy men showed a more spectacular increase, averaging 50%. In this group most of the top men after 3 or 4 years required assistance in budgeting for purchasing more land. With dairying there is an overall higher level of motivation since the sheep men are better off to start with than the dairy men.

As far as failures are concerned, there were no complete failures. The only real cause for failure was when a market changed unexpectedly or did not eventuate after advice in that direction had been given.

What was the most important factor contributing to the lift in dairy production?

Mr. Makeham: The production of winter dry matter and the system of grazing management used to exploit this. Calving time is important here, too.

How are the consultants paid? What are the prospects for the profession?

Mr. Makeham: They are paid fees on an annual retainer basis. The fees range from \$240-460 but may go as high as \$1400 for larger projects involving lots of time. The demand for consultants is greater than the number entering the profession. After several years a client does not need the consultant's services nearly as much as earlier on. Generally it is the best farmers who use these services. There is generally a feeling of suspicion and sometimes ridicule toward them by the surrounding community. They are often criticised for requiring management services.

Will farm consultant services spread to Queensland?

Mr. Makeham: There is no reason for this not happening on a large scale eventually. Problems which tend to limit this development at present include an inadequate technological knowledge at present existing in some important fields and a general lack of a firm basis for advice. The initial scope for consultants is undoubtedly with large scale investors and newcomers to Queensland from other States. Increase in consultant activity in Queensland will probably keep pace with technological progress. While there are a few groups in Queensland, there is some motivation for farmers to move to Queensland from the southern part of Australia where land prices, property size, population density and so on make it difficult to obtain a high return on capital.

Was there any correlation between the person approaching a consultant and (1) the stage of development he had reached, (2) his financial revenue, or (3) equity in his property?

Mr. Makeham: Generally speaking clients on the sheep areas had properties well fertilized with good pasture production of around 7,000 lb. dry matter per year and doing well financially. They were still anxious to improve, asking "but what do we do next?" In contrast dairy groups were on poorer soils, chronic potash deficiency, copper and molybdenum troubles, pastures reverted to poorer quality grasses and altogether forcing lowering returns. It generally follows, however, that property owners with a high equity did not want to intensify quickly. Those with low equity were willing to borrow more to obtain extra returns quickly. Usually these people had no suitable reserves and, even if they did, would usually prefer to borrow.

Are consultants fees tax deductible? What effect did different land tenure systems have on the willingness of farmers to use consultants and did land agents use these services?

Mr. Makeham: Fees are tax deductible which is an incentive to farmers to use consultants. Leaseholders seek consultant advice less than freeholders but it is still profitable for leaseholders to use consultants. Agents and their clients use consultant services in land transactions.

Has fodder conservation been actively fostered with the consultants clientele? If so, how has it worked out?

Mr. Makeham: Fodder conservation is recommended and adopted though not primarily as a drought insurance or to provide security but rather as a means to carry more stock and also as an adjunct to grassland management?

Would it not be better to risk loss of income rather than prepare for drought by holding conserved feed reserves?

Mr. Makeham: This depends again on the level of equity one has in the property. It is sensible, if equity is low, to have a drought reserve as an insurance against loss of the farm. Generally, the choice is between reserves or more income through, say, more stock which would give immediate productive response, though with higher risks.

What level of record keeping have your clients adopted; does lack of these hinder your work?

Mr. Makeham: There is no doubt that lack of records makes it more difficult to assess any situation and we endeavour to encourage our clients to keep records. Records of this type are all the more useful since accountants records are available too late to be of great use except in hind-sight. It is possible consulting services or accountants could supply farm secretarial services to keep such records. Bi-monthly costs and returns could be processed rapidly by computer and recommendations then made from the results.

One of the features of primary industry was the paucity of input and output data. How does the consultant get sufficient to enable him to give sound advice?

Mr. Makeham: This is a real problem and one which is constantly plaguing us. When information is not available experience must suffice.

What influence has Marcus Oldham College and similar institutions had on the management of Victorian farms?

Mr. Makeham: The present father-son relationship in which the young graduate or diplomat comes home with ideas that the father will not implement is a barrier to progress that is frequently apparent. Thus it is too soon to ascertain the full impact of such educational institutions on the proficiency of the junior managers in the industry, though I am most optimistic about their contribution.

Are there any trends to increase Family Company set-ups?

Mr. Makeham: There is a rapid trend in this direction, particularly when incomes are high.

Mr. W. Ritchie closed the discussion by proposing a vote of thanks to the speaker. He felt the first private consultant a brave man, particularly as he was not offering free advice. He suggested that the better consultants could work themselves out of a job in a district. It was particularly pleasing for people engaged in business associated with agriculture to have the services of private consultants.