

What are the Skills of Financially Successful Farmers?

by Jason Oliver and Bruce Erickson

At few times in history has making the right decisions at the right time in agriculture been more important than now. A recent survey of several hundred farmers showed that, of seven categories of expertise, these farmers rated financial management skills and risk management skills as most important for their success and indicated, as an average, that they were more proficient at these skills than the others. But it was production management skills and personnel management skills that were more related to financial success. This suggests that all farmers may need to be on top of the financial and risk side of the business just to compete, but that production management and personnel management distinguish the financially great farmer from those that might just be getting by.

“We have talked a lot about farmers needing to be more like corporate CEO’s to successfully compete in today’s environment—and that perhaps skills such as leadership, relationship management, and strategic thinking might be increasingly linked to success,” said Mike Boehlje, Distinguished Professor of Agricultural Economics, who helped craft the survey and guide its interpretation. “While those CEO-type skills are likely important going into the future, the survey indicated that for farmers in business today, their success appears to be more built on the basics of producing their crops, tending to their livestock, and managing their work force.”

What Farmers Value vs. What They Do Survey questions were developed by Purdue and an email notification linked to an on-line survey was sent to an email list of farmers as part of a Farm Futures magazine survey. For a list of 38 items, survey respondents were asked to indicate both how important each skill might be to a financially successful farm, and secondly if their farm had adopted that practice (see table below). The 38 items fit into one seven categories. In addition, farmers were asked to answer questions that related to their financial success: profitability, gross revenues, return on equity, increase in net worth, their own subjective rating of their success; and also their age, education, and farm size, among a number of other factors. The survey was voluntary and all individual responses were coded to ensure anonymity and confidentiality.

Skill Category	Importance Index 100=Most Important	Adoption Index 100=Highly Adopted
Production Management	73	62
Procurement and Selling	69	61
Financial Management	81	72
Personnel Management	51	31
Strategic Positioning	70	55
Relationship Management	74	62
Risk Management	79	64



Relating to Financial Success The skills of financially successful farmers vs. those less successful were not always clearly different. Financially successful farmers were higher adopters of all skills in general, but production management and personnel management were the most correlated with financial success. Ironically farmers rated the importance of personnel management relatively low and also indicated that they were doing a poorer job of it. The table below illustrates how the adoption of various practices related to overall farm profits, one of the financial success measures.

Skill Category	2006 Profit, Thousands of Dollars			
	0-50	50-100	100-200	200+
Production Management	58	63	66	76
Procurement and Selling	58	62	65	72
Financial Management	69	74	76	81
Personnel Management	26	31	37	47
Strategic Positioning	51	56	58	63
Relationship Management	60	64	63	70
Risk Management	61	66	68	70

Previous studies have shown that age can make a difference—one study showed that farm profitability increased until the operator reached 50 years, at which time the farm often begins to undergo a transition. Young farmers are often willing to take more debt and adopt more skills to help grow the business. Larger farms also tend to be more profitable. In all cases, data was adjusted for these factors.

Summary

The management capabilities of a farmer are critical for success, and an analysis of the importance and current adoption status of those specific skills could help both managers and educators better direct their efforts. While farmers rate financial management and risk management skills as more important and say they are better at those than others, production management and personnel management seem to be more tied to the current financial success of today’s farmers.

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Purdue University expresses their appreciation to Farm Futures Magazine for their assistance in collecting the survey information that supported this study. Their upcoming Management Summit, to be held in Indianapolis January 21-22, 2009 offers opportunities for farmers to improve their management skills. To see the agenda and registration information, go to: <http://www.farmfutures.com>.



For More Information:

Oliver, J. 2008. "Measurement and Effects from the Adoption of Skill Sets by Farmers," M.S. Thesis, Department of Agricultural Economics, Purdue University.

Boehlje, M., and B. Erickson. Adapting Your Management Style as Farm Business Structures Change. Top Farmer Crop Workshop Newsletter, March 2007.

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Dobbins, C., M. Boehlje, and A. Miller. Farmers as Plant Managers & General Managers: Which Hat Do You Wear? ID-236, Department of Agricultural Economics, Purdue University.

<http://www.ces.purdue.edu/extmedia/ID/ID-236.html>

Boehlje, M., C. Dobbins, and A Miller, 2000. Checking Your Farm Business Management Skills. Farm Business Management for the 21st Century. ID-237, Purdue University Extension.

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Boehlje, M., C. Dobbins, and A Miller, 2001. Are Your Farm Business Management Skills Ready for the 21st Century? Self-Assessment Checklists to Help You Tell. Farm Business Management for the 21st Century, ID-244, Purdue University Extension.

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