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052153755X - The Farming Game: Agricultural Management and Marketing, Second Edition

Bill Malcolm, Jack Makeham and Vic Wright

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The Farming Game

The Farming Game is the agricultural management text for the 21st century. It provides a sophisticated, pragmatic and comprehensive analysis that is designed to give managers the right focus and clear vision necessary to operate a successful agricultural business.

Taking an integrated approach, this revised edition covers all the vital aspects of farm management including finance, investment, decision analysis, economic thinking, growth, risk and marketing. All of the critical management issues are covered.

This is essential reading for those seeking to manage a modern agricultural business and anyone involved in the agricultural supply chain that needs to understand the importance of farms as the core of agribusiness systems.

Bill Malcolm is an Associate Professor at the Faculty of Food and Land Resources, University of Melbourne.

Jack Makeham pioneered farm management economics in Australia, and published and taught extensively in farm management economics in Australia and internationally until his death in 1996.

Vic Wright has recently retired as Associate Professor from the University of New England and is now a consultant.

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Preface

This book is about the business of farmers producing and marketing agricultural products.

The content of this book represents another step in an evolutionary process spanning four decades. In 1971 the late Jack Makeham wrote his original textbook *Farm Management Economics*. In 1981, Jack Makeham and Bill Malcolm wrote the original *The Farming Game*. This was followed in 1993 by *The Farming Game Now*. In 2005, Vic Wright has teamed up with Bill Malcolm (and Jack Makeham) to produce this 21st-century version of *The Farming Game*.

There has been a central and constant philosophy in all of these books, with emphases changing as the world has changed and the views and understandings of the authors have evolved and grown. The central, constant philosophy underpinning all of these works is that economic ways of thinking are at the heart of the interdisciplinary activity known as farm management analysis, and are central to understanding the processes involved in the risky caper of managing farm businesses. Ironically, having economics as the core discipline only works for farm management analysis if practitioners emphasise first the non-economic – the human and technical – parts of farm management. Starting with the farm family and mastering the technology is the pathway to sound farm management economic analysis, and the foundations of the approach taken in this book.

Over time, the farming game has changed, and so have emphases in content of *The Farming Game*. For instance, in the 1993 book *The Farming Game Now*, forward-looking financial management was a significant, enhanced emphasis,

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moving from towards the back of the earlier editions to the front of the book. In this 21st-century version, *The Farming Game: Agricultural Management and Marketing*, there are two significant changes in emphasis. Most obviously, a new author, Vic Wright, has been recruited to add expertise and insight about food and fibre marketing to the traditional emphasis of Makeham and Malcolm on farm management as a food and fibre production activity. Regarding agricultural marketing, it is emphasised that marketing starts with the decisions about what to produce and how to do it. The nature of agriculture and of farming presents a serious challenge to farmers identifying who are their genuine customers and meeting their requirements well.

The main overall change in emphasis in this latest version of our farm management text is the increased emphasis on investment in innovation and on the business of managing risk – risk and control – to achieve growth in wealth from production and marketing of agricultural products. While investment, risk and growth have always been important in our prior treatments of farm management economics, in this book they are the starting points and constantly recurring themes. In large part, this emphasis stems from our observations of the modern farming world and also from our appreciation of John Dillon's definition of farm management: *Farm management is the process by which resources and situations are manipulated by farm managers in trying, with less than full information, to achieve their goals* (Dillon 1980).

In the prologue to the original *The Farming Game* (1981), Jack Makeham defined the nature of farming when he wrote:

We didn't call our book 'The Farming Business' or 'The Economic, Technical and Management Aspects of Conducting an Australian Farm Business in the 1980s'. The phrase 'farming game' is far more apt.

'Game' can mean:

- any arrangement or contest intended to furnish sport, to test skill or strength, or simply to try chance
- measures planned; schemes pursued; projects organised
- having an undaunted spirit; unwilling to admit defeat; full of pluck
- to be happy; to rejoice; to receive pleasure.

As ever, the spirit of the farming game is the spirit of *The Farming Game: Agricultural Management and Marketing*.

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As ever, Nanette Esparon has made it practically possible for ideas to be transformed into written explanation and elaboration, and also contributed valuable research. Thanks, Nanny.

Mike Carroll of the National Australia Bank allowed us to use some analysis of returns to agricultural and non-agricultural businesses. Thanks, Mike.

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