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15

**AN INVESTIGATION  
INTO THE ADVISORY SERVICE NEEDS OF HILL COUNTRY FARMERS  
IN THE  
TAIHAPE AND HUNTERVILLE REGIONS  
OF NEW ZEALAND.**

Nicholas John Daniels

1993

A thesis presented in partial fulfilment of the requirements for the degree of  
Masters of Agricultural Science in Farm Management  
at  
Massey University.

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## Abstract

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This thesis reports an investigation into the advisory service needs of hill country sheep and beef farmers.

Given the market reforms recently applied to the advisory services market, understanding of the needs of consumers (i.e. farmers) should be the primary concern of those involved in providing advisory services. Literature reviewed described how farmers needs could be seen as resulting from efforts to attain, maintain or enhance desired management styles, within a given situation. Two research studies were conducted to document farmer's advisory needs, and to investigate where factors characteristic of particular management styles, were associated with distinctive advisory needs.

The first study involved analyzing data collected through an intensive study of thirty hill country sheep and beef farmers. Four groups of farmers with distinctive advisory needs were identified. Several factors were found which were capable of explaining differences in farmer's recognition of advisory needs.

The second study comprised a postal survey of the total farmer population in the same farming region. Survey responses provided detailed information on the specific nature of farmers advisory needs. However, the less detailed questionnaire was unable to identify factors responsible for differences in the advisory service needs of respondent farmers.

The findings of both studies contain valuable information for those involved in providing farm advisory services. Details are given on the range of services required by those farmers who recognised needs for advisory services. Differences in farmer's needs for advisory services were predominantly between farmers who recognised needs for

specialist advisory services (typically of a technical nature), and farmers who recognised a need for advice in areas which they were regularly involved in making management decisions. A finding of major significance was that farmer's with similar goals do not necessarily have similar advisory needs. It was concluded that only individually orientated advisory services would be capable of ascertaining the unique goals and objectives of farmers, and delivering a service compatible with those goals.

The research also contains several findings relevant to future research into farmer needs and behaviour. The study recognised that a large range of factors were active in influencing farmers needs and demands for advisory services. It was therefore concluded that future research should avoid concentrating on isolated factors associated with farmer needs, but must attempt to consider all factors which influence farmers attempts to attain, maintain or enhance desired management styles. Such studies are likely to benefit from the use of an intensive qualitative research approach.

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## C H A P T E R O N E

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# Introduction

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## 1.1 NEW ZEALAND AGRICULTURE, ECONOMIC CHANGE AND FARM ADVISORY SERVICES

In New Zealand the average hill country farmer is a professional businessman, controlling assets in excess of \$670,000 (NZMWBES, 1992). Pressures for change stemming from the adoption of market-led economic policies, confront these farmers with greater force and importance than a decade ago. Exposure to market forces may well result in producers facing greater risk and more crucial decision making situations, as individual producers, rather than the industry, now have to deal with changing circumstances.

In this situation, an increased use of professional advisory services could be expected to assist farmers in making and evaluating farm management decisions. The role of the farm advisor has been described as that of a change agent, someone who facilitates change at the farm level. Kampenallas (1981:1) believed that;

*"the rapid social and technological changes [of the late 1970's] make the need for coping with change a task for every individual and particularly those who provide counsel and professional leadership to people".*

Changes experienced within the agricultural sector following the restructuring of the economy from the mid 1980's, make this statement more pertinent.

A major thrust of the market reforms was the removal of Government assistance from many industry and service areas. Central Government has turned to market systems to allocate resources more efficiently by providing the services demanded by consumers. This policy resulted in Governments withdrawing from the funding of advisory services for farmers.

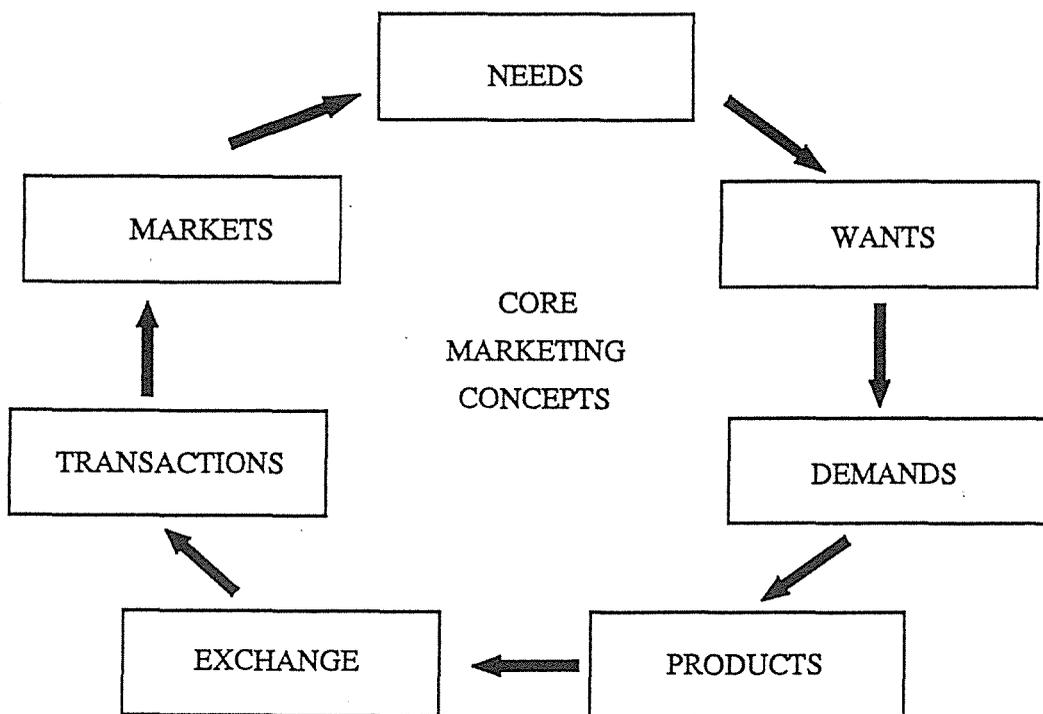
This thesis reports a study into advisory services for hill country farmers. The characteristics of these services are now influenced by market-led policies.

## 1.2 MARKET PROCESSES

Advisory services for hill country farmers are now provided by a market system. The characteristics of advisory services are determined by the components of this market system and the mechanisms by which it operates. An understanding of the components of market systems is therefore central to any study on advisory services in New Zealand.

The process by which markets operate is defined by Kotler and Armstrong (1989) as the series of stages through which consumer demands are satisfied by the consumption of products. The marketing process is described as comprising a series of core concepts, as shown in Figure 1.1.

FIGURE 1.1 Core market concepts.



SOURCE: Kotler & Armstrong, 1989:5

### 1.2.1 Needs, wants and demands.

Kotler and Armstrong (1989) describe the market process as beginning and ending with the consumer. The consumer related concepts which drive the market system are needs, wants and demands. Consumer needs form the basic fuel for human action, arising from a state of personal deprivation. Wants are the desire for an object that will satisfy a need. Culture and individual personality also create wants in addition to those based on human needs. Demand arises when wants are accompanied with purchasing power. A demand is recognised when a consumer decides which wants they choose to satisfy with limited resources.

In this study these three concepts are described collectively as a consumer demand function, i.e. those concepts which dictate the shape and form of consumer demand. The parallel for the consumer demand function in economic theory, is termed a satisfaction utility function. (Houston & Gassenheimer, 1987).

The market system relies on consumer demands to dictate resource allocation towards specific products.

### 1.2.2 Products.

Products are those commodities which can satisfy consumer demand. They form the other side of the economic supply-and-demand equation: the production function which provides goods and services in response to the demands of consumers. Services are distinctive products which can satisfy consumer demand (Lovelock, 1988; Kotler & Armstrong, 1989).

Services have the properties of;

*Intangibility;*

they cannot be experienced until the service is performed.

*Perishability;*

as services are produced at the moment they are performed, they cannot be stored. The value of the service exists only at the point of transaction.

*Variability;*

as services are produced at the moment they are performed, they are one-off actions. The repetition of a service invariably leads to differences in that service.

*Inseparability;*

as a service is an act performed by the service provider, it is inseparable from whoever provides the service.

These properties have special implications for a service market system. Firstly, intangible services are difficult to sell, since consumers will not demand a service if they cannot perceive potential benefits from using that service. Secondly, services are difficult to provide. The service provider has to ensure that a product which is inherently variable and cannot be stored, is capable of satisfying consumer demand. The fact that a service is inseparable from the service provider means that the service has to be performed where the consumer demands it, and will always be associated with the service provider.

### **1.2.3           Exchanges, transactions, markets.**

Exchange is described by Kotler & Armstrong (1989) as the concept through which the marketing process operates. Exchange is said to occur because humans are basically goal seeking beings, but with an ability to prioritize goals. In addition, humans can anticipate consequences of actions and direct their behaviour towards preferred anticipated outcomes (Blalock & Wilken, 1979: cited by Houston & Gassenheimer, 1987).

Transactions involve the exchange of values between two parties. Essentially, the assigning of units of measurement to the values exchanged. Where transactions occur, markets for commodities can exist. Markets can exist for any product of value, and involves the set of possible and actual buyers and sellers for any product.

### 1.3 MARKET PHILOSOPHIES

Market philosophies dictate the ways in which producers participate in markets. They define the strategies involved in the process of "marketing";

*"...the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisation objectives"* (American Marketing Association, 1986: cited by Houston & Gassenheimer, 1987:4).

There are two principle philosophies through which this process can be directed.

Traditionally producers have concentrated on improving the products they provide. This is known as a "product" philosophy. Strategies followed within this philosophy include concentrating on improving the quality, performance and features of products. This philosophy has a major identified weakness. Termed "marketing myopia" it is described by Levitt (1960: cited by Kotler and Armstrong, 1989) as the mistaken emphasis on producing products, rather than satisfying consumers needs or wants. It is the failure to recognise that;

*"...consumers do not buy products. Rather, they buy the benefits those products provide"* (Wills *et al*, 1990:19).

Marketing myopia can lead to products being superseded by new products which better satisfy consumer needs. A service organisation which adopted a product philosophy would concentrate primarily on improving the services they provide. For example, an

accounting firm may attempt to process tax returns more rapidly. However, the accountancy firm could still lose custom if people began using personal computing packages to complete their tax returns.

An alternative philosophy is described by Kotler and Armstrong (1989) as the "marketing philosophy". This philosophy takes satisfying consumer needs as its principle focus. The marketing philosophy begins with determining the characteristics of the market, from which customer needs and demands are assessed. Products are then designed from the description of consumer needs. This philosophy contrasts with the product philosophy, in that changes to products occur as a result of market research, not as a result of product development.

#### **1.4 AREAS FOR STUDY**

With the exposure of agricultural industries to market forces, advisory services could be expected to help farmers cope with change. As part of economic reform however, Governments withdrew from the funding of farm advisory services. Market forces which dictate the nature of farm production, now also dictate the nature of advisory services available to farmers.

Little research into advisory services has been completed since Government funding for advisory services was withdrawn. Previous research into farm advisory services concentrated on the nature of the product service. In particular, the role of advisory services in the diffusion of agricultural innovations. These studies have not discussed the role of advisory services in the context of a market system. In addition, no research has discussed or investigated farmer needs for advisory services. In the current situation, consumer needs should be driving the advisory services market.

## 1.5 OBJECTIVES AND OUTLINE OF RESEARCH

The primary goal of the research reported in this thesis was to develop an understanding of, and document, farmers needs for advisory services. This was seen as important, and hitherto unreported, information for the providers of advisory services. Given this information, agencies providing advisory services should be able to improve the services they offer to existing clients, and develop services relevant to potential clients.

Developing an understanding of farmers needs for advisory services involved two distinctive tasks.

Firstly, literature was reviewed to provide a background on the features of the advisory services market. Specifically, the major services provided, the organisations providing them, and their relationship with the farming community. It was expected that any recent changes which had occurred in these areas would impart significant characteristics on the market for advisory services. This review is presented in Chapter Two; *The characteristics of advisory services for New Zealand's hill country farmers*.

Secondly, the research gathered information so as to better understand the role of farmers as consumers and potential consumers in the advisory services market.

This task began with a review of literature on those factors with a recognised influence on the formation of consumers needs, and how these needs may be translated into demands. Research into the characteristics of farmers was also reviewed to develop a theoretical model of how factors which influence consumer behaviour may be manifested in the market for farm advisory services. This review and the development of a theoretical model of farmer demands for advisory services are presented in Chapter Three; *Characteristics of consumer demand*.

This review provided the basis for two research studies.

Chapter Four reports on the methodologies and findings of an exploratory study entitled *Study One*. Study One involved an investigation of the concepts which comprised the theoretical model developed in Chapter Three, and consisted of an intensive study of thirty hill country sheep and beef farmers.

The methodologies and findings of the second research study, *Study Two*, are reported in Chapter Five. Study Two consisted of an extensive survey of hill country farmers. The study was designed to allow validation of some of the findings of Study One from a wider sample of farmers. Study Two also investigated further issues raised by Study One on farmer needs for advisory services.

Chapter Six; *Conclusions*, presents a summary and discussion of the findings of both research studies and their relevance to the literature reviewed. The implications of these findings to the providers of farm advisory services are also presented.