Book review

Commercial Management Companies in the Agricultural Development of the Pacific Islands, Andrew McGregor, Charles Eaton and Michael Manning, Research Report Series No. 15, Pacific Island Development Program, East–West Center, Hawaii, 1992, 44pp.

'They just don't get it' is a popular catch-cry which could be applied to the authors of this Report. The writers observe what seems to be a good idea in action—private management companies working with smallholder farmers in a few successful instances in the Pacific—and argue that it should be more widespread and, to ensure that it is and works the way they believe it should, recommend making it mandatory via the mechanism of development banks.

The three authors have considerable experience with agriculture in the Pacific; two of them, Eaton and Manning, have extensive experience with the operation of management companies in the Pacific. Andrew McGregor was leader of the Pacific Islands Development Project of the East–West Center in Hawaii and is currently Commercial Agricultural Adviser to the USAID Pacific Regional Office. Charles Eaton has spent 24 years with Rothmans International in Fiji; from 1982 he was the General Manager of the Southern Development Company in Fiji—a subsidiary of Rothmans which managed smallholder tobacco farmers and more recently smallholder papaya growers. Michael Manning is the Managing Director of the New Guinea Islands Produce Company and President of the Papua New Guinea Growers Association.

The activities of the Southern Development Company and the New Guinea Islands Produce Company are two of the examples of successful management company operations detailed in the Report. Others mentioned are the National Plantation Management Agency—established by the Papua New Guinea government as a non-profit corporation in 1977—and Vanuatu's Plantation Support Association— formed in 1983 to support ten plantations managed by ni-Vanuatu. The Plantation Support Association was formed as a non-government organization along the lines of the National Plantation Management Agency. Like the Southern Development Company, and unlike the National Plantation Management Agency and the Plantation Support Association, the New Guinea Islands Produce Company originated in the private sector. It has nearly 6,000 shareholders, most of whom are cocoa growers. However, government's hand weighs heavily on its operations as the Papua New Guinea Agricultural Development Bank sets development and redevelopment fees (and apparently also sets standards for soil surveys).

The idea of setting up management companies to provide management services to a group of smallholders does make sense. As the authors point out, the management companies provide services and knowledge which are in short supply in most of the Pacific islands—financial and physical management knowledge, information about new farm technology, and international market information. The management company can also engage in bulk purchasing of inputs, and take responsibility for hedging the price risk which the farmer would otherwise face. This is a concept which has long operated in the industrialized countries and probably has reached its highest level of refinement in chicken and turkey farming in the United States. In an era when the traditional agricultural export industries of the Pacific have become so competitive and the market is signalling that some investment should be directed towards other industries, actions to reduce costs, improve quality and improve marketing should be undertaken.

Because something looks like a good idea, is not necessarily a good reason for making it mandatory. The authors acknowledge that the private sector should be allowed greater freedom in which to operate. Moreover, in various instances they are critical of governmental efforts to enter or control production activities. In particular, they are critical of the past performance of development banks in the region. Yet they argue that there should be a formal arrangement between development banks, management companies, and smallholders. It is wise policy for development banks, or any banks for that matter, to have smallholder borrowers hedge their price risk and so reduce their risk of default. Manning could obviously see this from his viewpoint as Director of the Agricultural Bank of Papua New Guinea. But this is a reason for insisting on some form of hedging, not for having the government make it mandatory for smallholders to have to be managed by management companies. From this perspective, it looks like a means of saving development banks from themselves.

I believe that it is better that Manning continues to lead by example, rather than trying to enforce the concept of management companies by edict.

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