

Session 2: Highland Farm Economics – Economics from the farmer’s point of view

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Forget about GNP, the National Debt, and the Global economy. Set aside thoughts about elasticity of demand, internal rates of return. We are talking Farm Economics, which is all about making decisions that will help financially sustain the farm.

What most folks are after in a farm business is simple -- high profits and low expenses. But how do we get there? This session won't teach you all the fine details of farm economics. But it will offer some basic concepts that will help focus your thinking. Using these concepts can help you learn how to manage your farm for financial success.

1. Farm economics – the interaction of three fundamental factors: Fixed costs, Variable costs, and Income.
 - Fixed costs
 - What are fixed costs and how do they function
 - Approaches to lowering fixed cost per unit output
 - Frugal capital improvements
 - Substituting labor for capital
 - Using unused resources -- enterprise stacking
 - Variable costs
 - What are variable costs and how do they function
 - Approaches to lowering variable costs per unit
 - On-farm inputs (including your muscle and brain power)
 - Work planning
 - Work efficiency (work planning)
 - Have the right tool
 - Do the right task
 - Handle time
 - Enterprise stacking
 - Maintenance – the hidden factor X
 - Equipment and facilities
 - Farm plan
 - Farm family
 - Income – approaches to increasing income from your farm resources
 - Direct marketing
 - Differentiating your product
 - Relationship marketing
 - Adding value
2. Applying economic tools to help make farm decisions: How analyzing fixed costs, variable costs, and income can help make farm management decisions.
 - Using the multi-enterprise spreadsheet
3. Putting it into practice -- Case studies

- Working in the woods – stacking enterprises
 - Produce firewood
 - Thin saw logs/poles for lumber and pole beam/posts
 - Enhance goat/poultry feed
 - Culture Christmas trees
 - Reduce fire hazard
- Working at the farmstead -- synergy
 - Livestock as farm workers and harvest machines
 - Greens/ vegetables
- Value added
 - Trees to finished wood products

4. Principles to follow:

- Make a living wage
- The key to economic success is efficiency; the key to efficiency is attention to details
- You are a working farmer not an investor – using money to make your work more efficient.
- Try to make a profit for every hour you work
- Try to make every task work for several enterprises, or solve several problems
- Avoid debt like the plague
- Increase your profit by selling directly to consumers