



Economic Principles for Small-Scale Farmers

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If you put all of the agricultural economists in the world end-to-end, they still wouldn't reach a conclusion!

1. The Mission and Vision of our farm are important – they are the filters through which we evaluate enterprises, marketing strategies, etc.
2. Small farmers are laborers, not investors. We should focus on return to labor rather than return on investment.
3. When considering a capital investment, evaluate it in terms of improvements to productive capacity (cash flow) and to labor efficiency. Also evaluate it in terms of how fast you can pay it off.
4. Look for a mix of enterprises that will provide revenue year-round (and that give you some time off).
5. Look for other revenue streams from your assets (for example, ewes produce lambs, wool, meat and targeted grazing).
6. Optimize production rather than maximize it. Lambing % is an example –maximizing lambing % by spending on supplemental feed vs. optimizing through management of forage resources.
7. KNOW YOUR NUMBERS – you can then analyze new opportunities quickly. **We have a responsibility to know our numbers so that we're not undercutting other farmers.**
8. Manage your time – how are you going to do it all? What can/should someone else do?
9. Start small (and make small mistakes) but get as big as you need to as quickly as possible.
10. Diversify your marketing options while maintaining a primary marketing venue.
11. Our prices should reflect the cost of production, our target margin, prices of similar products, the value of our story, and the demographics of market. We're no longer a "price taker!"
12. Without quality, our story has no value.
13. Relationships in all aspects of our business are critical – we take the time to develop them!
14. Value-added products must ADD value (not just convert product to another form). When evaluating potential value-added products, the value-added enterprise needs to "purchase" the product from the production enterprise for the analysis to be valid.
15. Focus on profitability – increase revenue and lower costs until you're where you need to be. Identify the core business or enterprise that generates the greatest profit.
16. As a start-up, identify enterprises that can quickly generate cash flow.
17. If an enterprise is losing money or only generating a small gross margin, fix it or drop it. Don't let it distract you from your core enterprise.
18. Be passionate and tenacious about farming **AND** treat your farm as a business!