New Farm Economics

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Over a period of fifteen to twenty years, I taught and promoted the principles of conventional farm economics. From 1970 through the 1980s, I taught various on-campus and extension courses at state universities in three different states. I taught courses and conducted educational programs related to farm management, marketing, finance, and policy. I was trying to help farmers maximize profits from their limited land, labor, and capital resources. During the last twenty to twenty-five years – the change didn't happen all at once – I have been teaching and preaching a new kind of farm economics. I am trying to help farmers achieve a more desirable quality of life by sustaining the profitability of their farms while taking care of their land and their families and caring about their customers and their neighbors. Over the years, I have become convinced this new farm economics, the economics of sustainability, is a better way to farm and a better way to live.

Through half of my professional career, and nearly two-thirds of my life, I believed the conventional economic wisdom that profits and growth were the keys to success and happiness. I told farmers that they needed to focus on the economic bottom-line, that a farm was a business, not a way of life, and farmers were going to either get bigger or get out of farming. I believed what I had been taught in earning my PhD degree in agricultural economics and believed what I had taught as a professional agricultural economist. However, during the farm financial crisis of the 1980s, I came to face-to-face with the fallacy of those beliefs.

It was my responsibility, as Head of the Extension Agricultural Economics Department at the University of Georgia, to try to do whatever I could to help farmers survive the most difficult financial times since the great depression. Farm bankruptcies and bank foreclosures were common during those times and farmer suicides were not uncommon. The economist and my department organized a program to help farmers analyze their financial situation and try to either find a way out of their difficulties or a way out of farming. Sitting across the table from these real farmers with real problems, looking over their financial statements and listening to their stories, I began to realize that the farm economics that I had learned and had taught wasn't working and wasn't going to work, not for farmers, not for their communities, and not society in general. The so-called *good* farmers were the ones with the greatest financial difficulties, the farmers who had done the things we “experts” had recommended to maximize profits and growth. I began to understand that their failure was not necessarily a matter of bad management; it was a matter of bad farm economics.

For me, the 1980s was a decade of awakening. I began then to understand that the industrial approach to farming, with its focus on maximum profits and growth, was inherently unsustainable. Not only was it destroying the lives of farm families and degrading rural communities, it was polluting the natural environment and depleting the natural productivity of the land. Industrialization achieves its tremendous economic efficiency through management strategies of specialization, standardization, and consolidation of control. Thus, it inevitably leads to larger and fewer farms. It doesn't work for the benefit of farm families, because farms become larger by acquiring land from other farmers, and most family farmers don't give up their land until they lose it or fear they will lose it. With each new round of industrial specialization, standardization, routinization, and mechanization, more small farms are consolidated into larger farms; there are fewer farmers farming fewer, larger farms.

Industrial farming doesn't work for rural communities, because it takes farm families, not just farm production, to support local retail businesses, schools, churches, and the overall quality of community life. It doesn't work for the land, because unrestrained specialization and standardization eventually destroys the productivity and health of the soil, water, and the holistic and diverse living things of nature. It doesn't work for the environment because industrial farm inputs – fertilizers and pesticides – pollute steams and groundwater. It doesn't work for consumers, because any system that puts a higher priority on profits and growth than on people and nature, compromises food safety, health, nutrition, and eventually destroys the integrity of the farm economy. The old farm economics doesn't work, and isn't ever going to work; we need a new farm economics.

The new approach to farm management doesn't rely on ever-greater specialization, standardization, and consolidation of control to achieve economic efficiency. It relies instead on holism, diversity, and interdependence to achieve economic sustainability. It doesn't rely on enterprise analysis to identify opportunities for specialization, but instead, treats the farm as an inseparable whole, made of many diverse elements, which can be arranged across space and time to create something more than a collection of individual farm enterprises. The new farm economics relies on harmony and balance between strategies that enhance productivity and strategies that ensure regeneration, to both produce and to renew the resources upon which future productivity must depend.

The new approach to farm marketing doesn't rely on an ability to compete by selling at the lowest price or by exploiting masses of uninformed or misinformed consumers. Instead, it relies on an ability to produce something for which people are willing to pay the full costs of production, something people truly value, that makes their lives better, that they simply can't get from anyone else. It doesn't rely on externalizing its social and ecological costs to achieve an economic advantage in the market place. It doesn't rely on advertising or mass marketing, but instead relies on personal relationships with informed customers. The new farm marketing is about creating lasting value through lasting relationships of integrity.

The new approach to farm finance doesn't rely on the ability to borrow large amounts of money to control ever-larger acreages of land, buy bigger equipment, hire more hired laborers, and embrace more costly technology. Instead, it is about securing the resources needed to grow a healthy farming organization to productive size, and then to live a good life on the farm while nurturing the next generation of farmers. It recognizes the necessity of organizations, like living organisms, to be nurtured during the formative years of birth and development and relies on the inherent ability of mature living organizations to regenerate growth, to grow from within, while still generating surplus production. The new farm finance is about acquiring *enough* capital to grow a healthy farm, and then allowing the farm to grow itself, naturally.

The new approach to farm policy doesn't rely on costly farm subsidies to make American farmers cost competitive in an exploitative and destructive global “race to the bottom.” It doesn't ask taxpayers to subsidize agribusinesses and wealthy landowners, rather than family farmers, under the false banners of low food costs or national food security. Instead, it asks taxpayers to pay only for things of public benefit for which private market incentives are either absent or inadequate. It asks the public to make it possible for farmers to maintain the ecological health of the land, because naturally fertile soils are the only true source of national food security. The new farm policy asks the public to create an economic environment in which more farmers can farm sustainably.

The new farm economics is about the pursuit of happiness, rather than the pursuit of maximum profits and growth. Happiness has always been the ultimate objective of life and people historically have understood economic well-being is only one aspect of happiness. Both philosophers and ordinary people have always understood that happiness is also about relationships, within families and communities, and happiness is about ethics and morality. Happiness is a consequence of our way of life. What I failed to understand in my earlier years was that farming is not just an occupation; it truly is a way of life.

I am sometimes accused of preaching, rather than teaching, because most academics are uncomfortable with issues such as happiness, relationships, and ethics. However, happiness is becoming an increasing popular topic for academic research. Academic psychologists Ed Diener and Martin Seligman recently reviewed more than 150 scholarly studies relating wealth to happiness. Their 2004 report confirmed a growing consensus that beyond some very modest level of income – around $10,000 per person, they suggest – increases in income do not necessarily bring greater happiness. A 2003 British cabinet office report also confirmed, “Despite huge increases in affluence compared with 1950, people throughout the developed world reported no greater feelings of happiness.”

These and other studies consistently have found that positive personal relationships are necessary for human happiness, as is a sense of equitable and just treatment within society. And perhaps most important, scientific studies have consistently concluded that happiness depends on having a clear sense of purpose in life to help distinguish right from wrong and to provide a sense of personal ethics and morality.

The new farm economics I teach today is about making enough profit to meet the material requisites for a desirable quality of life while building healthy relationships within farm families and with employees, customers, neighbors, and society. The new farm economics is about taking care of the land, caring for farm animals, and being good stewards of nature while meeting the agricultural needs of human society. The new farm economics treats farming as a business, but more importantly, as a way of life.

References:

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