

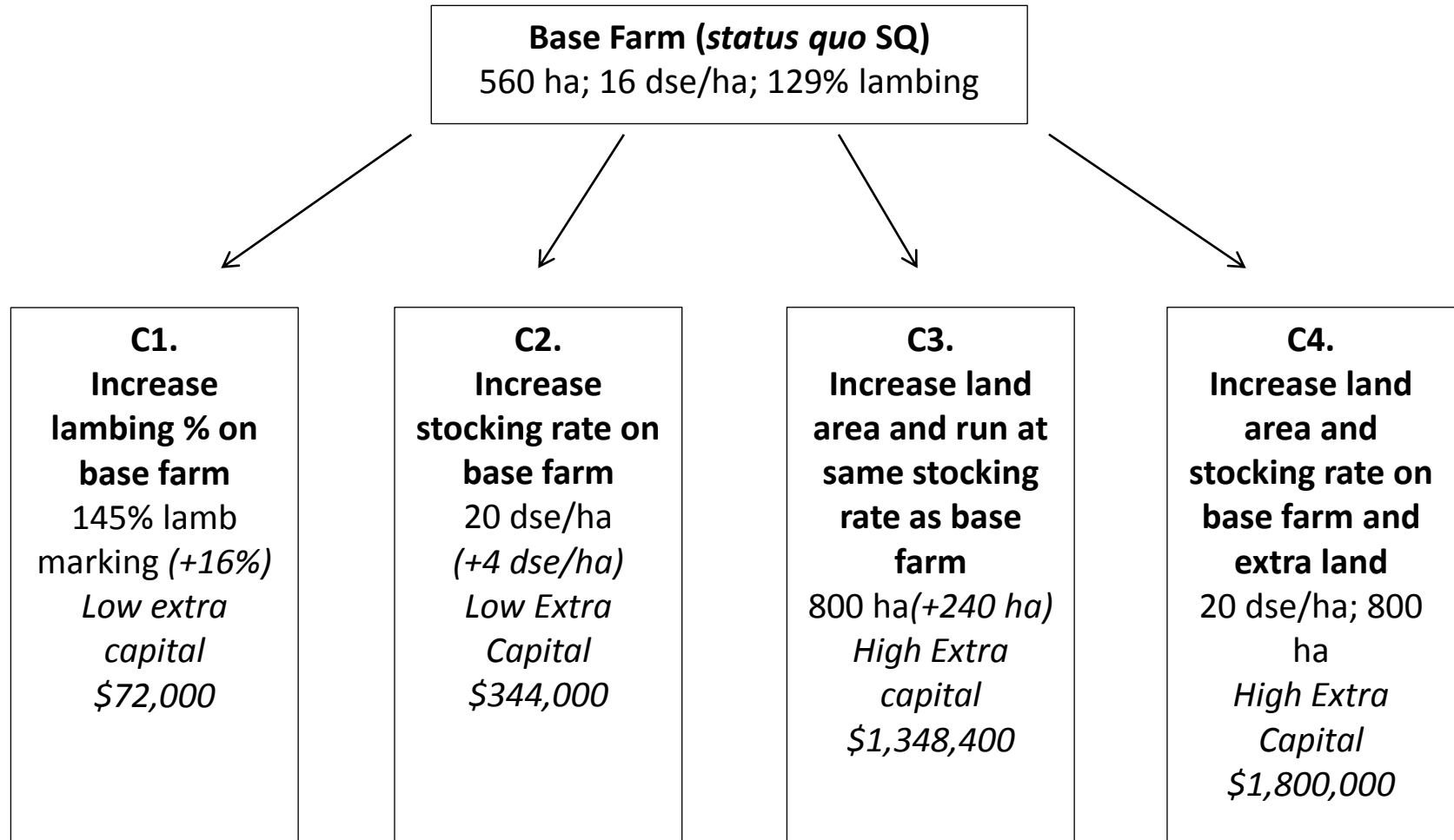
Using capital to counter the threat of low and volatile farm income

by

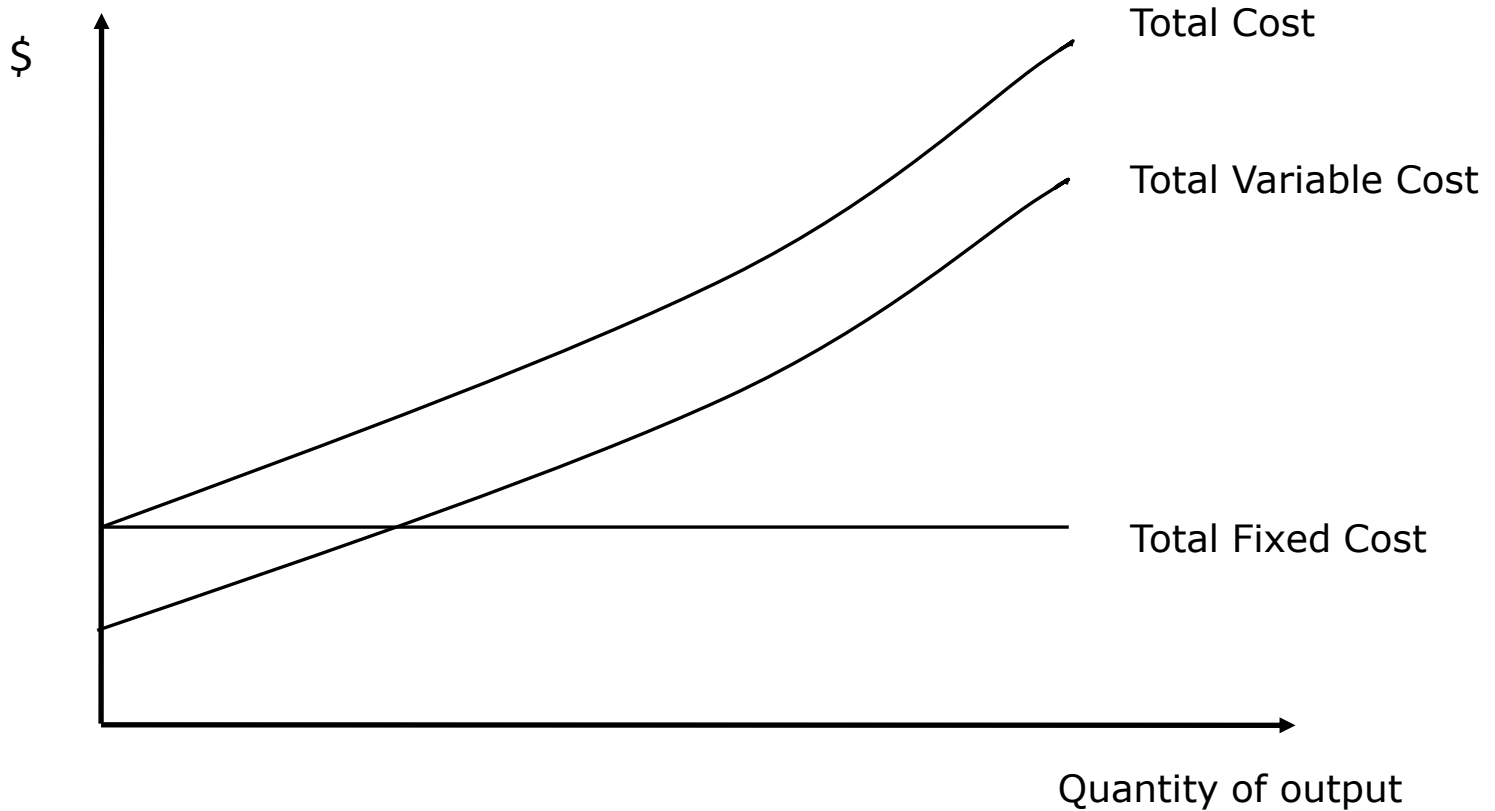
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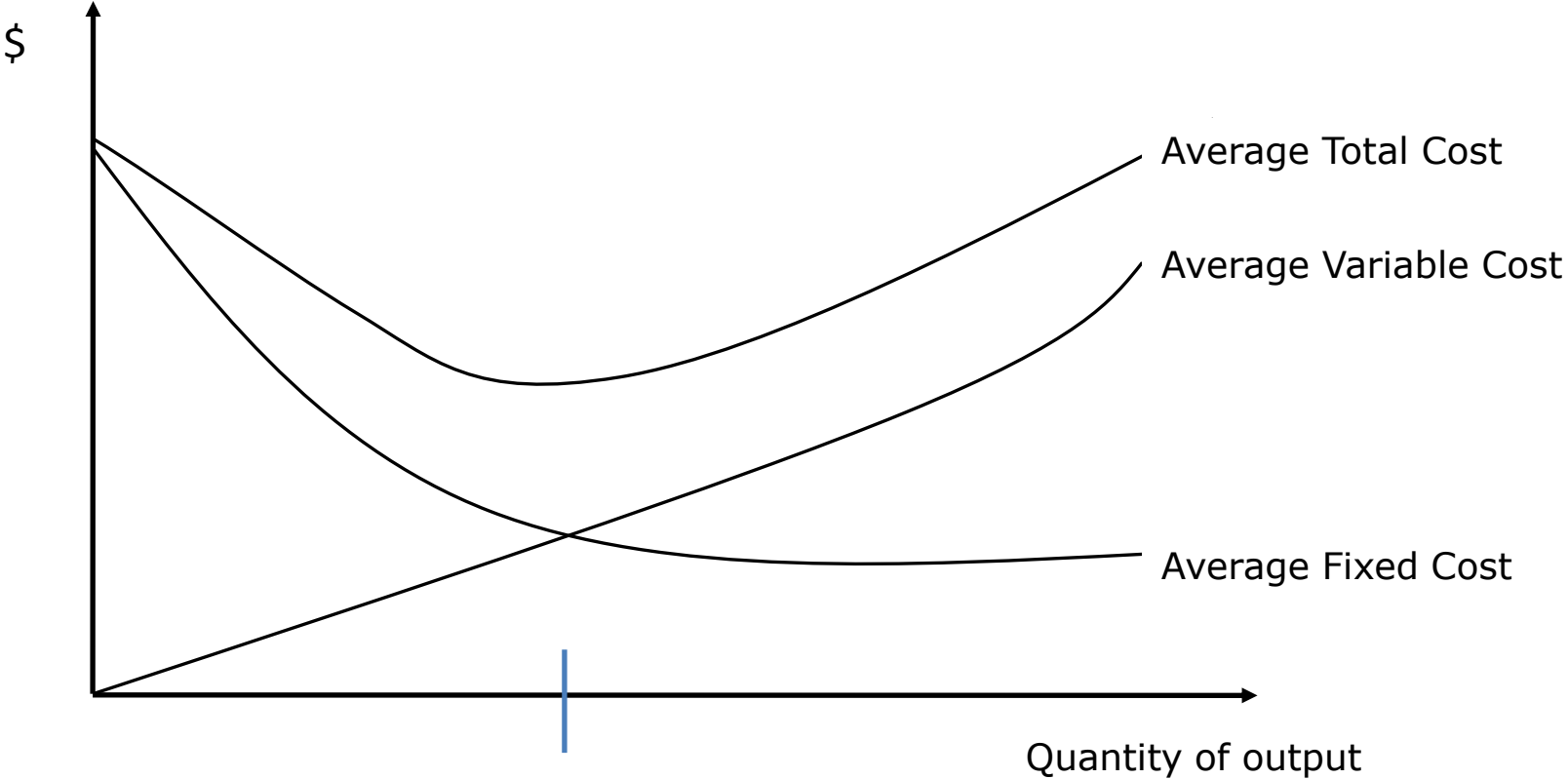
Changes investigated for case study farm

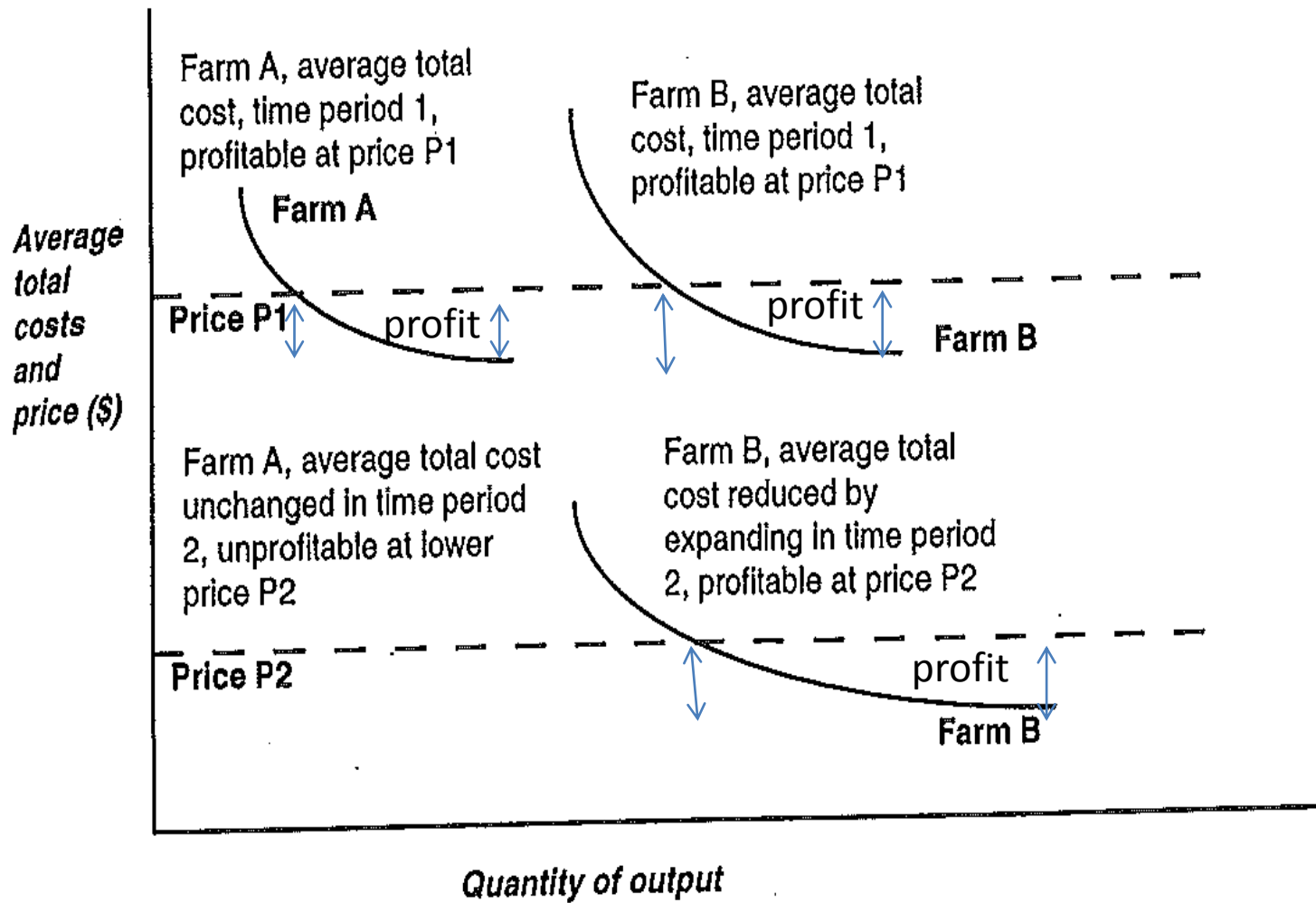


Total variable cost, total fixed cost and total cost



Average variable cost, average fixed cost and average total cost



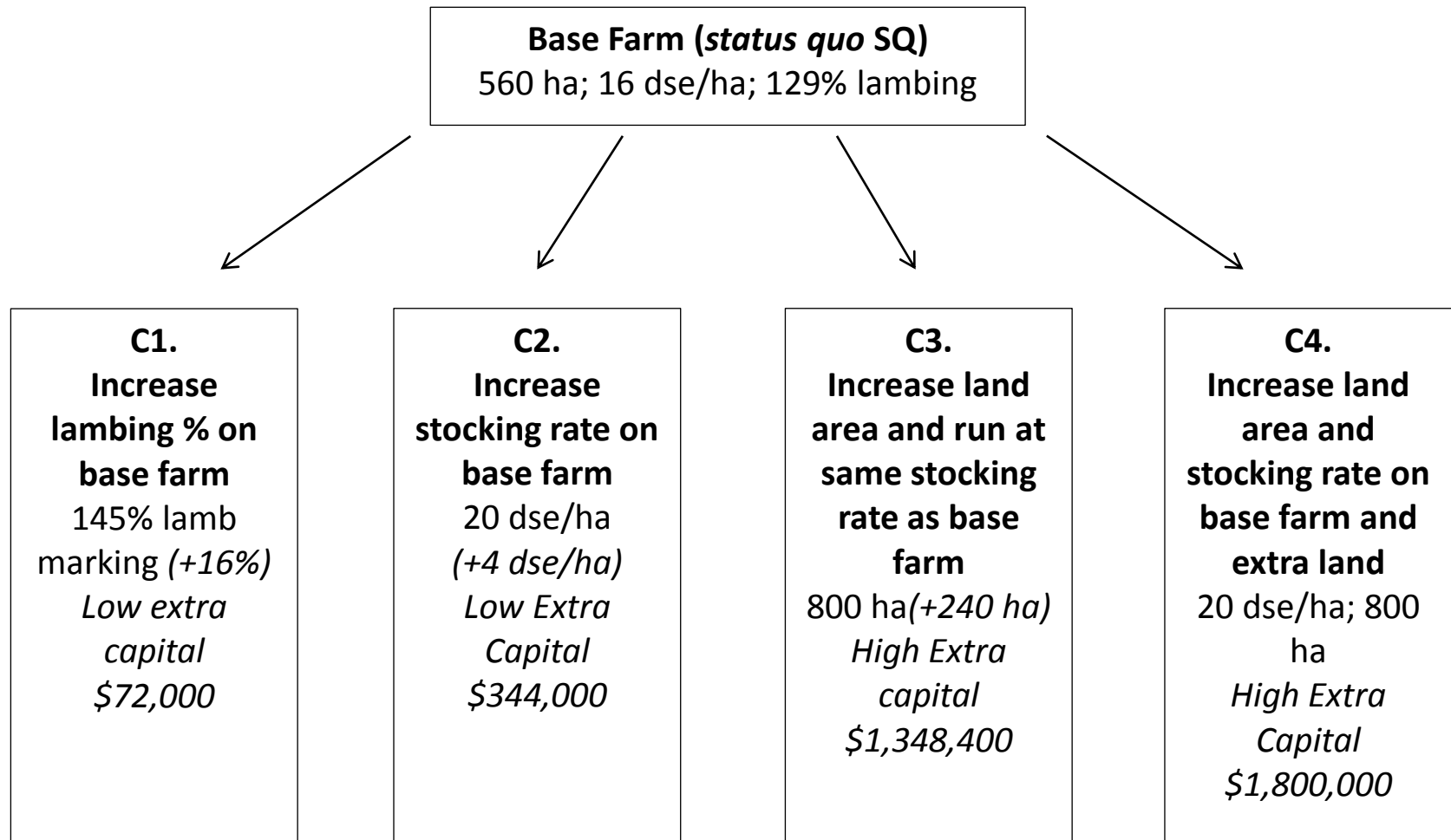


Costs and Scale

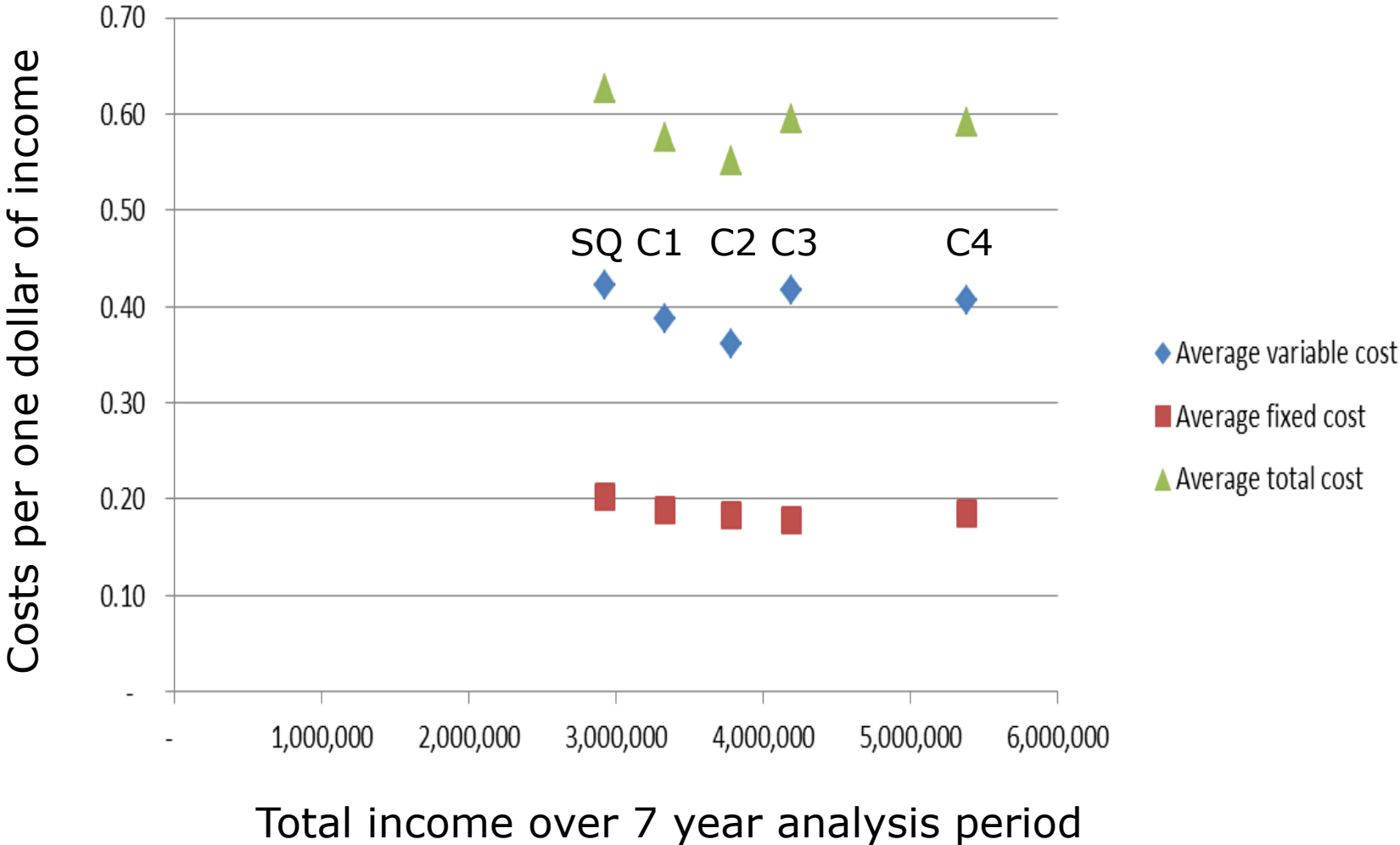
Costs per unit of output and the number of units of output combine to create total profit.

Increasing output increases profit and wealth by reducing average fixed costs per unit of output and increasing gross revenue.

Changes investigated for case study farm



Cost of producing a dollar of income

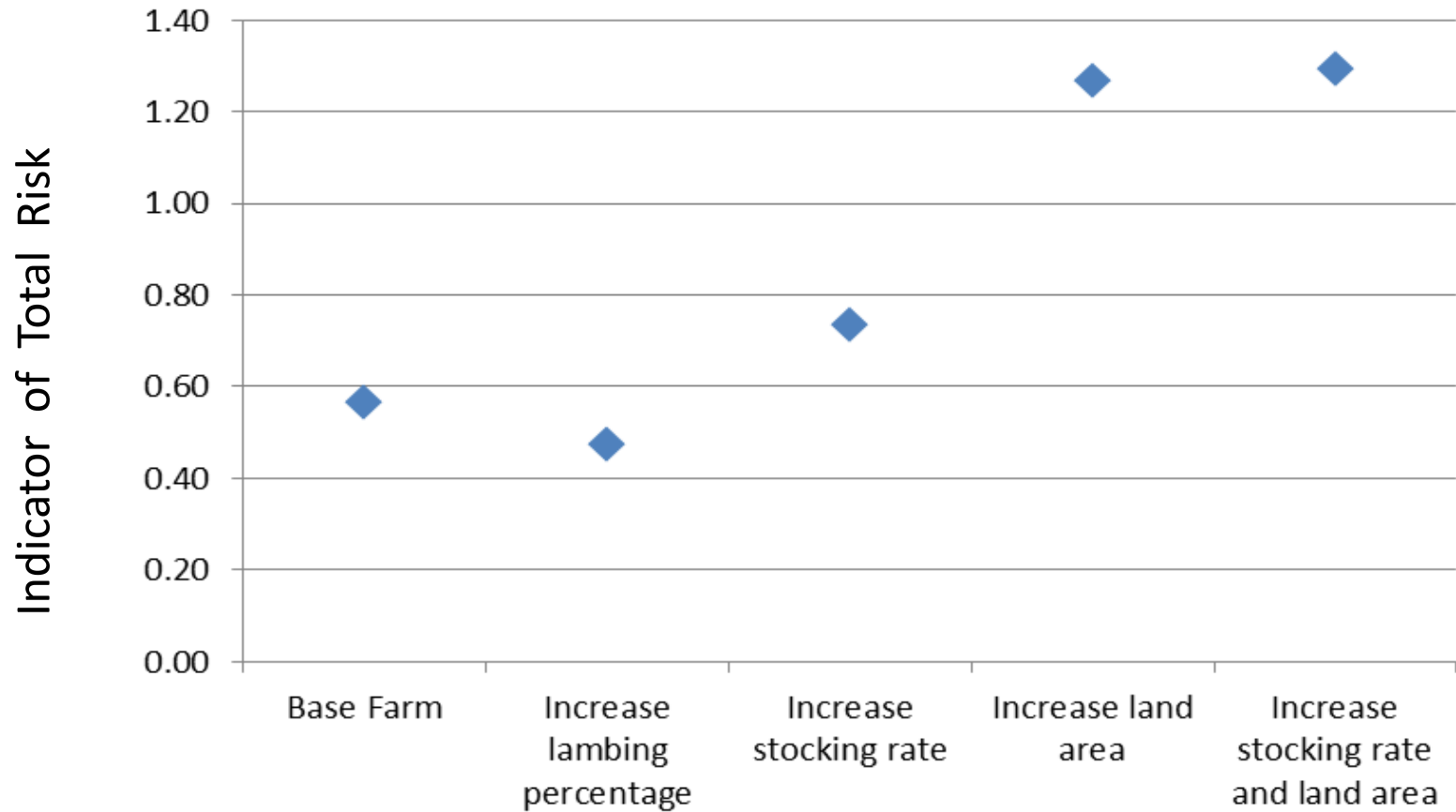


What about Risk?

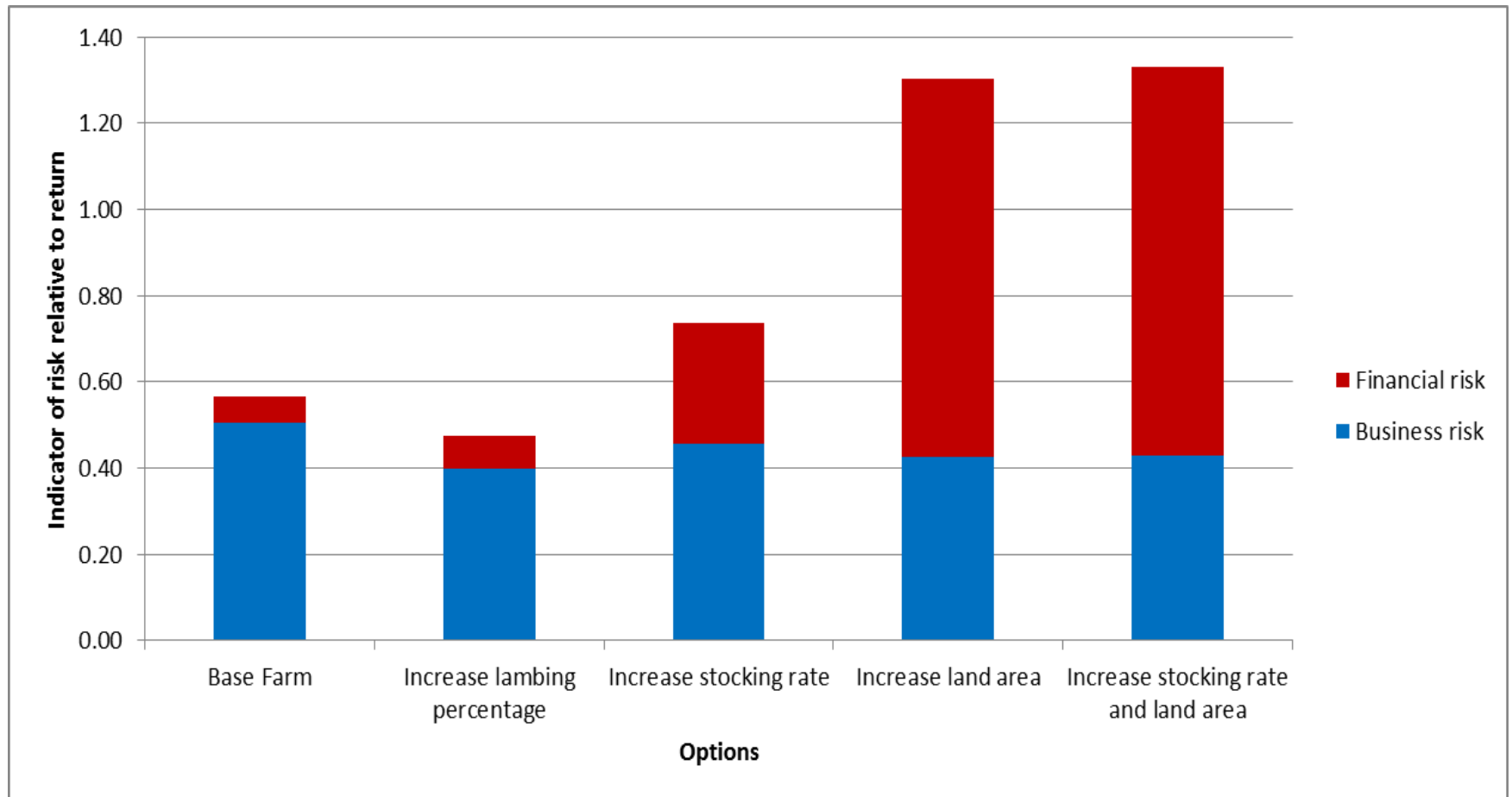
Business risk

Financial Risk

Return relative to total risk for each option



Business Risk compared with Financial Risk



Each change increased productivity and increased income more than costs increased, thus increased profit, above that of the current farm system.

Borrowing and buying and intensifying
more land increased **financial risk** and
business risk

and

at the same time

**increased the probable annual net cash
flows and profits and growth in wealth.**

In this case, if buying more land, intensification was also required to better service the added debt that had to be taken on.

Buying and increasing productivity was the highest return highest risk option.

Who Bets?