Summary

This user’s guide will prepare trainers to teach farmers new ways of considering financial decisions. This lesson focuses specifically on maximizing profit by changing how farmers think about income and expense decisions. Farmers can also (optionally) learn about enterprise budgets. This lesson should ideally be used as part of the financial literacy curriculum.

The need: Making wise/rational financial decisions is not always intuitive, but is an important skill to learn to help farmers reach their goals. This module will help farmers make informed financial decisions about their farm by minimizing waste, setting appropriate prices, and evaluating what activities/crops are “worth” their time on a basic level (a more in-depth Enterprise Budget class can be taught as a follow-up).
ACKNOWLEDGMENTS: This teaching resource was developed by Hannah Spare of All Farmers in the CT River Valley of MA, in partnership with the Institute for Social and Economic Development (ISED Solutions). Refugee farmer training programs across the country provided feedback on this lesson, which is now integrated throughout the guide. From 2015 to 2017, ISED partnered with twelve refugee farmer training programs through a USDA BFRDP educational enhancement grant, to support the design and testing of new and shareable teaching resources for culturally and linguistically diverse farmers. To learn more about this project, or to access the whole list of newly developed teaching resources for refugee farmer training programs, see the New American Resource Library at https://nesfp.org/new-american-resources. For more in-depth explanations of the teaching approaches and activities used in these materials, please see the ‘Teaching Handbook: Refugee farmer training’. While these resources were designed with refugee audiences in mind, they can be adapted and used in any farmer training or incubator setting.

VARIATION: Throughout this guide, boxes (like this one) contain variations and adaptations that serve varying programs and farmers. They are suggestions and reflections from other programs based on how they made this workshop work for them.

TEACHING TIP: Throughout this guide, boxes (like this one) contain teaching tips to help you better facilitate farmer learning. Most come from other programs who have tested and reflected on using this lesson.

DEVELOPER’S NOTE: Throughout this guide, boxes (like this one) contain notes from this guide’s developer that provide insight into how a lesson is typically taught at the developer’s program.

ICONS: You will find the icons below throughout this guidebook. They are there so you are prepared for the activity and can get an idea of what it will bring at a glance.
WHAT TESTERS SAY:

“I think the economic concepts broken down are valuable to staff who may have not had training or experience with marketing. In some ways, I see the user guide for many of the resources as a form of ToT! Great work!”
- Lauren, The Nashville Food Project, Nashville TN

“The framework is useful. The pre-teaching and worksheet is good.”
- Robin, Global Growers, Atlanta GA

“The PowerPoint with simple and clear images of what it means to have too much or too little of different crops would be very beneficial. I think this will be a very useful tool for market classes going forward.”
- Chris, International Rescue Committee in Salt Lake City

“This is a very straightforward and clear way to teach a challenging skill. We would use it with more advanced farmers to introduce a concept, or with a farmer who is struggling to decide whether to plant a crop or not. Could also be used to reflect on a season before planning a new one.”
- International Rescue Committee, Charlottesville VA

CORE SKILLS:

- Gross and net profit loss concepts
- Tracking income and expenses
- Reading a grid
- Enterprise budget vocabulary
- Calculating yield
5 IS THIS GUIDE RIGHT FOR YOU
• Audience and Objectives
• Resources needed

8 INCOME DECISIONS / ACTIVITY 1 / 1 HOUR
You will use visuals and plain language to explain economic concepts that are sometimes unusual, but rational, and income-optimizing strategies for farmers to use. The slideshow includes interactive decisions for farmers to try out what they are learning (and get reasoned feedback on).

11 EXPENSE DECISIONS / ACTIVITY 2 / 1 HOUR
The slideshow includes interactive decisions for farmers to try out what they are learning, and get feedback on their rationale. They will be asked to think rationally through whether a expense is worth the cost (or not). Farmers will also learn to let lost causes (“sunk costs“) go, rather than lose more money trying to change the inevitable. All-in-all, farmers will learn to think through the rational consequences of normal farm decisions.
OBJECTIVES: At the end of this module, farmers will be able to
• Review basic financial vocabulary: (gross) income, expenses, profit, and loss
• Make informed financial decisions
  1. Income
     i. Consider ways to increase their profit without (necessarily) spending
        more time/money
     ii. Set prices for their farm products
     iii. Evaluate which crops are worth growing, and which are not
  2. Expenses
     i. Learn decision tools to know when expenses are “worth it”
     ii. Learn when to keep investing, and when to let something go
• Farmers are prepared to learn about enterprise budgets (in a separate module)

LANGUAGE / LITERACY: Medium to high literate farmers will get the most out of this lesson
• Non to low literate speakers can understand many of the concepts, but they
  will need additional support, and may need assistance with the practice activity.
  Ask one of their family members or friends to attend the class with them.
• Language: All with interpretation support.

FARMING EXPERIENCE: Farms as a business
Good information for all farmers who intend to run their farm as a business.
The concepts are not useful for gardeners.

PREREQUISITES: Skills, experience and knowledge
• A basic understanding of income, expenses, profit, and loss

REGION / CLIMATE: All

PROGRAM STRUCTURE: Useful for any farm incubator program

SEASON: It is best to do this training before the start of the main season.
Resources needed
Adaptable except where noted.

TIME: 2 hours
Two sessions, 1 hour each

STAFF / INTERPRETERS: 1 Teacher and 1 Interpreter
• It is best for this curriculum to pre-train the interpreter, and at the very best, for the interpreter her/himself to be able to teach.

LOCATION: Classroom with projector

SUPPLIES: Each farmer should receive
• Activity sheet

Additional materials and resources include
• Projector and screen or wall
• Pens / pencils
• Writing surfaces
TIME: Approximately 1 hour

OVERVIEW:
Start by reviewing the first budgeting and record-keeping model concepts (briefly). You will use visuals and plain language to explain economic concepts that are sometimes unusual, but rational, and income-optimizing strategies for farmers to use. The slideshow includes interactive decisions for farmers to try out what they are learning (and get reasoned feedback on).

MATERIALS NEEDED:
- Projector and screen
- Laptop or computer with slideshow (*optional, you can also print out slides as visual tools or have farmers refer to the handout).
- Optional activity sheet for each farmer

STEP 1: REVIEW SLIDES
- This is a PowerPoint or other visual-aid based lesson. Review the slide notes ahead of time and find answers to any questions you expect the group of farmers you’re working with might have.
- Also look for examples on your farm that farmers would relate to, and make a note of when to bring them up.

TEACHING TIP:
One reviewer suggested reviewing the basic budgeting vocabulary from other sections of the financial literacy curriculum, such as Gross income, Expenses, Net income and Profit/loss.

DEVELOPERS NOTE:

SETTING PRICES: Perfect Competition
Farming is an example of a perfectly or nearly-perfectly competitive market. That means that there’s very little distinguishing one product from another at market. (What’s one organic cabbage vs. another to a customer? About the same.) What that means is that price becomes very important. You won’t be able to sell your produce for more than any other (organic) farmer.

*Suggested words to use instead:* The going price is usually the most you can get for your farm products.
Price Elasticity

1. Sometimes how much you can sell of a product changes a lot when the price changes. When that is the case, it’s “price elastic” (think of a rubber band that stretches). Sometimes you can change the price drastically and the quantity you sell barely changes (e.g. how many heads of lettuce can one consumer eat in a week? That is relatively price inelastic). This is important when farmers are trying to decide whether to lower/raise their prices OR quantities, to address either a surplus or lack of a particular vegetable. If a vegetable is relatively price inelastic, lowering the price is unlikely to make them more money, and in fact they will probably lose money (both gross sales and per unit sales) by lowering the price. (Of course there are other reasons to lower the price anyway, for example if a farmer is ethically against wasting food, or is invested in food justice.)

2. Suggested words to use instead: If you lowered the price of ______, are you likely to sell a lot more of it? Would that make you more money overall, even though it’s at a lower price? If you raised the price of ______, are you likely to sell a lot less of it? Would that make you less money overall, even though it’s at a higher price?

3. Farmers are theoretically at the optimal price point if neither raising nor lowering their prices would improve their net income.

STEP 2: PARTICIPATION

Go through the slideshow with participants. Make sure to get students to participate during the activities—don’t just give the right answers. The process of struggling to come up with a hard answer is where most of the learning will happen!

Concepts are presented first:

Setting Prices

- What are other farmers’ prices? $1
- The going price is (usually) the most you can get

Then example problems are given:

IF: $1

Decision 1

Don’t Grow!

And THEN the answer:

IF: $1

Decision 1

Don’t Grow!
**STEP 3: Recap**
Recap what farmers should have learned. You can also ask farmers to recap for you, in their own words.

**STEP 4: Optional Activity**
At the end of the slideshow are additional practice question slides that match the activity handout. Go through the examples one-by-one. Ask farmers to answer questions for themselves, then compare answers where useful.

3. One crop I should grow the same amount of, but more consistently each week is ________________.

5. Tomatoes at market go for $0.50/lb. That pays for your supplies and land, but not your time.

   Is it worth growing?

   NO
Expense Decisions

TIME: Approximately 1 hour

OVERVIEW:
The slideshow includes interactive decisions for farmers to try out what they are learning, and get feedback on their rationale. They will be asked to think *rationally* through whether a expense is worth the cost (or not). Farmers will also learn to let lost causes (“sunk costs”) go, rather than lose more money trying to change the inevitable. All-in-all, farmers will learn to think through the rational consequences of normal farm decisions.

MATERIALS NEEDED:
• Projector and screen
• Laptop or computer with slideshow (*optional, you can also print out slides as visual tools or have farmers refer to the handout).
• Optional activity sheet for each farmer

DEVELOPERS NOTE:

**Marginal cost/benefit**

**Marginal** cost or benefit measures the impact of one decision. For example, if I pay for row cover, will I make more money (because my bok choy is more marketable) or less (because the cost of the row cover is more than the extra I’ll make). Understanding this way of thinking will help farmers make smarter decisions about what to invest money into, and what to forego.

**Suggested words to use instead:** if you make this one decision, will it make you better or worse off? By how much?

**Sunk Cost** is the idea that you can’t take back a cost you have already incurred; you can only make decisions moving forward. You can see why this is especially important in this scenario: if someone has already invested a large sum of money in a business, should they keep trying if things go badly? The answer has nothing to do with what is already invested (it is a sunk cost) and everything to do with the present and future: if they invest more, are they likely to get more back than their new investment (marginal benefit is greater than the marginal cost)? Or are they likely to lose more money? On paper, this is an easy decision, but difficult to recognize and decide intelligently in real life.

**Suggested words to use instead:** if something isn’t going to work out, don’t lose more time/resources than you already have.
**STEP 1: INSTRUCTIONAL PREPARATION**
This is a PowerPoint or other visual-aid based lesson. Review the slide notes ahead of time and find answers to any questions you expect the group of farmers you’re working with might have.

**STEP 2: EXAMPLES**
Look for examples on your farm that farmers would relate to, and make a note of when to bring them up.

**STEP 3: POWERPOINT**
Go through the slideshow with participants. Make sure to get students to participate during the activities—don’t just give the right answers. The process of struggling to come up with a hard answer is where most of the learning will happen!

Concepts presented through examples:

<table>
<thead>
<tr>
<th>Setting Prices</th>
<th>Setting Prices (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>What are other farmers' prices?</td>
<td>Cost of supplies?</td>
</tr>
<tr>
<td></td>
<td>How much time to grow &amp; sell?</td>
</tr>
<tr>
<td>The going price is (usually) the most you can get</td>
<td>How much space? Cost of land/other fixed expenses?</td>
</tr>
</tbody>
</table>

And THEN the answer:

**STEP 4: EMPHASIS**
Recognizing and accepting sunk costs are one of the hardest concepts for people to practice in real-life. Take extra time emphasizing this point. If a crop is going to fail anyways, don’t lose more money on it. If putting in more time/money/resources won’t get you back at least as much as you would put in, don’t do it. Take extra time to think of examples on your farm that farmers can relate to, and bring up those examples here.
VARIATION:
One reviewer said: “Getting farmers to value their time is tough! Consider pairing this lesson with one that teaches farmers that their time is also an expense and how to value.”

STEP 5: RECAP
Recap what farmers should have learned. You can also ask farmers to recap for you, in their own words.

STEP 6: OPTIONAL ACTIVITY
At the end of the slideshow are additional practice question slides that match the activity handout. Go through the examples one-by-one. Ask farmers to answer questions for themselves, then compare answers where useful.

TEACHING TIP:
“I think adding in a few more practice examples would be very helpful here. This could also be through a role play where farmers use money to play out the decision-making process.”