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| **Economic factors affecting land use** |

* The most important aspect is the ability to farm at a profit over the long term. Some farms, orchards etc. sometimes do not make a profit in any one year due to a variety of reasons e.g. drought but if the property continues to run at a loss then it is not sustainable. The property losses value, the grower is not making money and the banks will be reluctant to loan money because they cannot be assured that they will get their money back.
* While it is easy to pick an industry or land use that is suffering from low prices the challenge is to find a land use that can be supported by the resources of the existing property and which a long term evidence of high prices that allows for a profit. It would be easy for a sheep farm to convert to beef production but it would be difficult to convert a pig unit into a dairy farm. The key issue is the ability to forecast a land use that has better financial outlook than the existing land use.
* The cost of converting from one land use to another can be significant. The age of the producer can be a factor because older farmers tend to be reluctant to enter a new form of land use because they do not want the pressures of servicing debt as a result of borrowing money – usually required e.g. $1.000,000 milking shed. If a son or daughter was interested in the property they are more likely to take on debt. Older people are usually more set in their ways, have a high level of expertise in one form of land use and are reluctant to up skill.
* It takes time for another form of land use to become profitable. Animals take time to breed, trees take time to mature and produce fruit. It is possible that what was seen as being a good land use is no longer such in the time it takes for the new land use to reach maximum production. Some producers will not be willing to wait.
* INCOME – COSTS = PROFIT/LOSS. either increasing price or decreasing costs or both will enhance the chance of making a profit..