

Agribusiness Library

LESSON L060002: THE SCOPE AND IMPORTANCE OF AGRIBUSINESS



Objectives

1. Define agribusiness, and describe the sectors of agribusiness.
2. Determine the scope and the economic impact of the agriculture industry at the local, state, national, and international levels.
3. Determine the importance of the agriculture industry to society at the local, state, national, and international levels.



Key Terms

- Agribusiness
- Agribusiness input sector
- Agribusiness output sector
- Agriservice
- Agriservices sector
- Exports
- Gross domestic product
- Imports
- Input
- Marketing
- Output
- Private agriservices
- Private sector
- Production



Terms

- Production agriculture
- Production efficiency
- Public agriservices
- Public sector
- Value-added products



What is agribusiness and how does it affect our society?

- *Agribusiness* includes all the activities of the agricultural food and natural resource industry involved in the production of food and fiber.
 - Individual agribusinesses may sell items to farmers for production; provide services to other agricultural businesses; or be engaged in the marketing, transportation, processing, and distribution of agricultural products.



Group and Label

- Monsanto
- Pioneer
- Crop Production Services (CPS)
- Mayfield Vet Clinic
- Farmer
- Feed Salesperson
- CEO of Bungee (Grain Corporation)
- Caterpillar
- Davis Bro Farms
- John Deere
- Grain Salesperson
- Farm Repair Serviceman
- Graves Co. Coop
- Twin Willow Farms
- CASE International

What is agribusiness and how does it affect our society?

- *Agriservice* is activities of value to the user or buyer.
 - The activities are an intangible product.
- *Marketing* is providing the products and services that people want when and where they want them.



What is agribusiness and how does it affect our society?

- A. Agribusinesses process inputs into outputs.
- An *input* is a resource used in production, and an *output* is the result of the production process.



Input vs. Output

- ▣ Chocolate Chip Cookie
 - What are the inputs
- ▣ Ham Sandwich
- ▣ Coffee

- *Production* is the act of making products, such as goods and services.
- 1. Without production agriculture, agribusiness would not exist.
 - *Production agriculture* is the use of land to produce goods.
 - There are approximately 2.3 billion acres of land in the United States.
 - Of that land, 21 percent is used for crops, 25 percent is used for livestock production, and 30 percent is used for forestry purposes.

What is agribusiness and how does it affect our society?

- 2. As a result of the advancements made in agriculture over the years, the American farmer now produces enough to feed and clothe 155 people.



- According to the USDA, expenditures on farm products (as a share of disposable personal income) have decreased from a high of 25.2 percent in 1933 to a low of 9.7 percent in 2004.
- Those figures grew slightly to 9.8 percent during 2005, 2006, and 2007.



What is agribusiness and how does it affect our society?

- Agribusiness provides people with food, clothing, and shelter.
- It also provides jobs for millions of people.
- These jobs are in science, research, engineering, education, advertisement, government agencies, trade organizations, and commodity organizations.



What is agribusiness and how does it affect our society?

- Agribusiness pertains to the public and private sectors.
 - The *public sector* is the economic and administrative functions of dealing with the delivery of goods and services by and for the government.
 - The *private sector* is the part of the economy associated with private profit and is not controlled by government.



What are the scope and the economic impact of the agriculture industry at the local, state, national, and international levels?

- It has been said many times that agriculture is the foundation of civilization.
- Domestication of plants and animals for agricultural purposes allowed humans to settle in villages.
- As societies have developed, agriculture has remained important on the local, state, national, and international levels.



What are the scope and the economic impact of the agriculture industry at the local, state, national, and international levels?

- A. Agriculture is a substantial contributor to local economies.
 - Economic output and value-added economic impacts can be substantial.
 - Important non-traditional economic impacts of local agriculture are created through tourism, wildlife viewing, fisheries, hunting, and recreation.
 - Many people are engaged in full-time employment tied directly or indirectly to agricultural activities.
 - Agricultural land and agribusinesses provide taxes to support government services.



What are the scope and the economic impact of the agriculture industry at the local, state, national, and international levels?

- B. Agriculture is one of the largest industries in many states.
 - The agriculture industry generates large cash receipts within most states and provides many jobs.
 - In addition, agriculture has a large economic multiplier effect, so it contributes positively to other sectors of the economy.



What are the scope and the economic impact of the agriculture industry at the local, state, national, and international levels?

- C. U.S. agribusinesses produce a variety of *exports* (agricultural commodities shipped outside of the United States).
 - Grains, tobacco, cotton, and vegetables are examples of agricultural exports.
 - According to the USDA, the United States exported 115.45 billion dollars of agricultural products in 2008.



What are the scope and the economic impact of the agriculture industry at the local, state, national, and international levels?

- D. The United States also imports a variety of agricultural products.
 - *Imports* are agricultural products brought into the United States from other countries.
 - In 2008, the nation imported 79.32 billion dollars of agricultural products.



What are the scope and the economic impact of the agriculture industry at the local, state, national, and international levels?

- E. For much of the world's population, agriculture is a subsistence activity.
 - Roughly 90 percent of the food produced in the world is consumed in the country producing it.
- 1. Trade of agricultural goods on a global basis has grown.
 - Trade lowers costs of agricultural goods and widens choices.
- 2. Trade, along with aid and technology, can enlarge agriculture's role in the global economy.
 - An enlarged role of agriculture in the global economy results in greater food security, economic development, and environmental sustainability.



▣ *FOUR GROUPS*

- ▣ *conduct research online regarding the economic impact of the agriculture industry at the local, state, national, and international levels.*
- ▣ *Each group will be responsible for one level*
- ▣ *Will present findings to class*

What is the importance of the agriculture industry to society at the local, state, national, and international levels?

- Agriculture accounts for 17 percent of the U.S. economic output, making it the largest industry.
- Globally, agribusiness employs approximately half of the earth's population.



What is the importance of the agriculture industry to society at the local, state, national, and international levels?

- A. The *gross domestic product* is the value of goods and services our nation produces in a year.
 - Agriculture accounts for 17 percent of the gross domestic product.
 - Of this 17 percent, 13 percent comes from agriculture-related industries.
- Examples of agriculture-related industries include feed mills and biotechnology firms.
- These industries create *value-added products* (products improved through processing or manufacturing) from raw agricultural products.



What is the importance of the agriculture industry to society at the local, state, national, and international levels?

- B. *Production efficiency* is optimum output from an input.
- The production efficiency of U.S. production agriculture, as compared to other countries, is enormous.
- There are a number of ways to measure this efficiency.
- The most common method of measuring efficiency is to determine the number of people supplied with the farm products.



What is the importance of the agriculture industry to society at the local, state, national, and international levels?

- 1. The average farm worker supplies 150 people with agricultural products.
 - In the early 1950s, one farm worker supplied less than 20 people with agricultural products.
- 2. An increase in production efficiency has also helped the overall U.S. economy.
 - Improved efficiency has allowed more people to leave the farm and find work in other industries.



What is the importance of the agriculture industry to society at the local, state, national, and international levels?

- C. Agribusiness can be divided into sectors.
 - The major sectors are agribusiness input, agribusiness output, and agriservices.
- 1. The *agribusiness input sector* includes all resources involved in producing farm commodities.
 - Examples of the agribusiness input sector include seed, fertilizer, machinery, fuel, and credit.
 - Production efficiency can also be linked to improvements in these agricultural inputs.



What is the importance of the agriculture industry to society at the local, state, national, and international levels?

- 2. The *agribusiness output sector* includes any agribusiness that affects an agricultural commodity between production and the consumer.
 - Examples include transporting, selling, storing, and inspecting.
 - Approximately 20 million people are employed in this sector.



What is the importance of the agriculture industry to society at the local, state, national, and international levels?

- 3. The *agriservices sector* includes people who research new ways of producing and marketing food, protect food producers, and provide specialized services to all areas of agriculture.
 - Both public and private agencies are responsible for the actions of the agriservices sector.
 - a. *Public agriservices* are agricultural groups that provide services at the federal, state, and local levels.
 - Public agriservices specialize in education, research, communication, and regulation.
 - The United States Department of Agriculture, Food and Drug Administration, and the Department of Commerce are examples.



What is the importance of the agriculture industry to society at the local, state, national, and international levels?

- b. *Private agriservices* are agriservices not governed at the federal, state, or local level.
 - The three areas of private agriservices are financial services, trade associations, and agricultural cooperatives.
 - Examples of private agriservices are the Farm Service Agency and the American Seed Trade Association.



REVIEW

- What is agribusiness and how does it affect our society?
- What are the scope and the economic impact of the agriculture industry at the local, state, national, and international levels?
- What is the importance of the agriculture industry to society at the local, state, national, and international levels?

