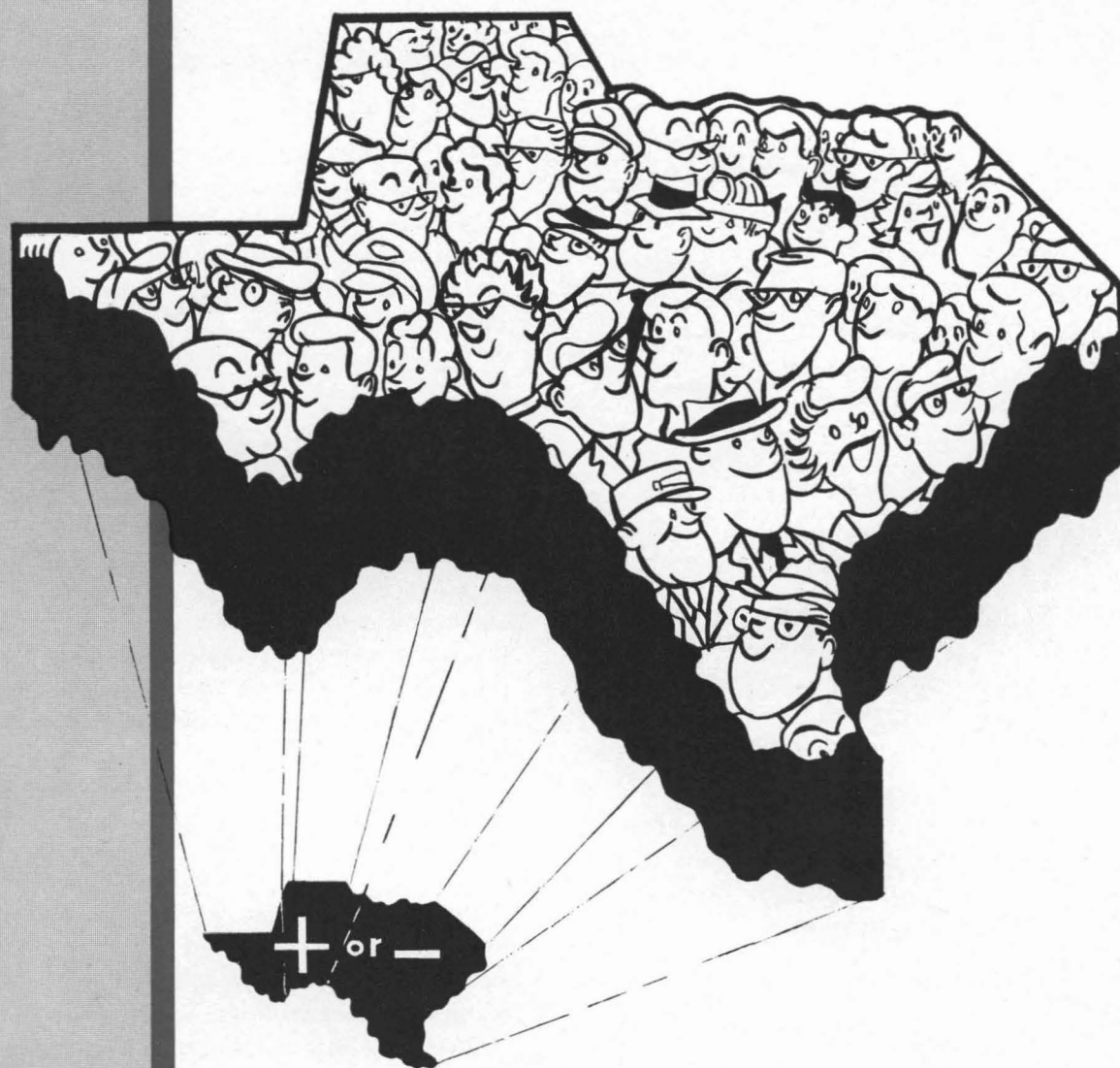


20,000 2/27/64

L-612

Agribusiness in the Economy

What it means to Texans



TEXAS A&M UNIVERSITY

COLLEGE STATION, TEXAS

TEXAS AGRICULTURAL EXTENSION SERVICE

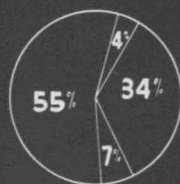
J. E. HUTCHISON, DIRECTOR

YESTERDAY

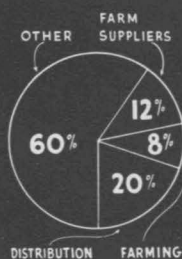
TODAY

TOMORROW

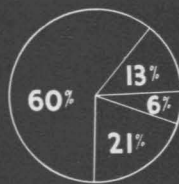
TEXAS FARM POPULATION



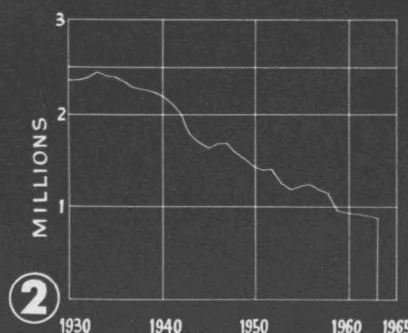
1 1940



PRESENT



1975



2

SPECIFIED EQUIPMENT TEXAS

	THOUSANDS	
	1945	TODAY
TRACTORS	162	278
MOTOR TRUCKS	89	198
AUTOMOBILES	260	211
TELEPHONES	68	127
	1950	TODAY
GRAIN COMBINES	35	41
CORN PICKERS	3	10
PICK-UP HAY BALERS	6	14
3 HOME FREEZERS	38	119

AGRIBUSINESS IN THE ECONOMY OF TEXAS

JOHN G. MCHANNEY,
Extension Economist
TEXAS A&M UNIVERSITY

THE AGRICULTURAL INDUSTRY of Texas involves more than farming and ranching. It is the sum total of all operations involved in the manufacture and distribution of farm supplies to farmers; production operations on farms and ranches; and the processing and distribution of farm commodities to consumers.

1 About 40 percent of the people in Texas are engaged in farming and ranching, in supplying production needs to farmers and in processing and distributing agricultural products.

In 1940, only 4 percent were engaged in supplying farmers with production items. Today, 12 percent derive part or all of their income from supplying farmers and ranchmen.

In 1940, only 7 percent processed and distributed agricultural products. Today, 20 percent of all Texans are engaged in this endeavor.

In 1940, 34 percent of the people in Texas were engaged in farm and ranch production of agricultural commodities. Today, only eight percent produce agricultural commodities but these commodities are in larger quantities and of higher quality.

Farming has changed from a predominately subsistence to a commercial status. Today's farmer largely confines his operations to growing crops

PRODUCTION EXPENDITURES

MILLION DOLLARS

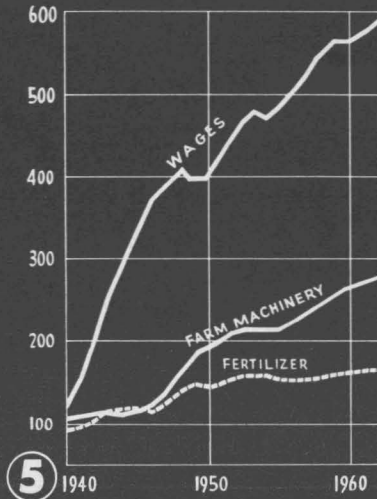
MACHINERY PURCHASED, REP. & MAINT.	\$301
PETROLEUM PRODUCTS	119
FEED, SEED, PLANTS FERTILIZER, LIME	398
CONSTRUCTION MATERIALS	67
HIRED LABOR & MACH. HIRE	449
LIVESTOCK PURCHASED & EXPENSE	310
MISC. CROP EXPENSE	57
OTHER EXPENSE	147

④

total \$1,848

PRICES PAID 1940-'62

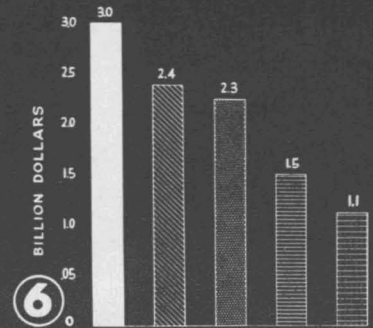
INDEX NUMBERS 1910-14=100



⑤

A COMPARISON

■ VALUE OF CRUDE PETROLEUM PRODUCTION
 ▨ VALUE OF AGRICULTURAL PRODUCTION
 ▩ TOTAL MANUFACTURING PAYROLL
 ▤ TOTAL CONSTRUCTION AWARDS
 ▦ TOTAL RETAIL TRADE PAYROLL



⑥

and livestock. Many activities once performed on the farm and ranch are being handled today by suppliers, processors and distributors — off-farm agriculturists.

Farmers and ranchmen today look to machinery and fuel producers for their power rather than raising work animals and feed as they did years ago. This is only one example of how people in towns and cities are handling more of the jobs that once were done on the farm or ranch. These people are a part of the agricultural industry.

②

The farm and ranch population of Texas, which numbered 2.4 million in 1934, is about 800 thousand today. Through the years, the farm and ranch population has been the chief supplier of the labor force for Texas business and industry.

This migration from rural to urban areas has been made possible because of increased efficiency in farm and ranch production. For example, in 1930 one farm worker produced enough agricultural products for 10 people. Today, with more and improved help from agricultural research, county Extension agents, suppliers, processors and distributors, one farm worker produces enough agricultural products of higher quality for about 28 people. Hence, more labor has been released from the farms and ranches to help produce the many other items used in everyday living which helps Texans to have one of the highest levels of living in the world.

③

Although farmers and ranchmen have decreased in number, they buy and use increasingly larger amounts of equipment and services from the businessman on Main Street.

④

Farmers and ranchmen of Texas are big spenders. Annually they release about \$1.8 billion for items used in producing agricultural products. This does not include money spent for consumer goods used in family living.

⑤

Wages paid by farmers for farm labor have risen tremendously through the years. The cost of farm machinery, fertilizer and other items used in farm and ranch production has increased, but only a third as much as wages for farm labor. Farmers and ranchmen will continue to substitute purchased items for high-cost labor as long as it pays to do so.

⑥

All farm and ranch products produced in Texas rank high in value. The value of crude oil production in Texas annually amounts to about \$3 billion, and the value of agricultural production amounts to about \$2.4 billion. Only one material in Texas — oil — exceeds farming and ranching in the value of its raw product.

The annual value of total agricultural production in Texas exceeds either the total manufacturing payroll, the total construction awards or the total retail trade payroll.

FARM PRODUCTION TEXAS

(MILLION DOLLARS)

CROPS \$1,343
LIVESTOCK & PRODUCTS \$1,054
HOME CONSUMPTION \$50
total \$2,447

PERCENT DISTRIBUTION

CROPS 55 %	LIVESTOCK & PRODUCTS 43 %
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7 **HOME CONSUMPTION 2 %**

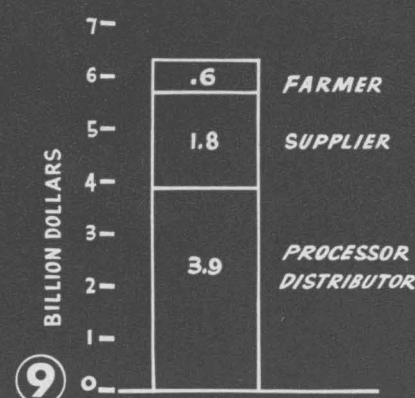
VALUE ADDED TEXAS

(MILLION \$)

 **ASSEMBLY** \$400
 **TRANSPORT** 550
 **PROCESS** 1,100
 **WHOLESALE** 750
 **RETAIL** 1,100
total \$3,900

8

TOTAL VALUE \$6.3 BILLION



9

7 Total farm and ranch production amounts to about \$2,447,000,000. Annually, Texas produces crops that are valued at about \$1,343,000,000. The value of livestock and livestock products amounts to about \$1,054,000,000. The value of agricultural production used in the farm home amounts to about \$50,000,000 or 2 percent of total production.

About 98 percent of all the agricultural production in Texas must pass through the business firms of the State before reaching the final consumer. This is big business. It means much to the economy of Texas.

8 The price the final consumer pays for a farm product at the retail level represents its ultimate total value. Value added to Texas farm and ranch products by processors and distributors is the difference between what the farmer gets and what the consumer pays. It is sometimes referred to as the **marketing margin**.

About 20 percent of the people of Texas are engaged in the processing and in the distributing of agricultural products. Their primary concern is to get farm and ranch products to the final consumer in the right form, at the proper place and time. These businesses add \$3,900,000,000 to the agribusiness economy of the State.

9 Total agribusiness contributes annually about \$6.3 billion to the economy of Texas. Indications are that this figure will increase. The processors and distributors add \$3.9 billion to the \$2.4 billion of raw products produced by the farmers and ranchers which gives a total of \$6.3 billion.

Of the \$2.4 billion that farmers and ranchmen get for their products, \$.6 billion goes for consumption items and other uses. Production items account for \$1.8 billion.

The agribusiness segment of the Texas economy will continue to make vast contributions to economic growth in the State.

ACKNOWLEDGMENT

The charts in this publication were planned by the following staff members in the Department of Agricultural Economics and Sociology, Texas A&M University:

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