

THE *Importance* OF
AGRICULTURE
IN KENTUCKY

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The Importance of Agriculture in Kentucky

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Recent declines in farm population sometimes have led to the erroneous conclusion that agriculture is a declining industry. It is the volume of output of an industry, however, which should measure its importance, as well as the number of people employed. The total output of agriculture in the United States today is about 50 percent larger than 20 years ago. This is a phenomenal growth as a result of technological improvements which have increased yields per acre and production per animal. In Kentucky the growth has been less spectacular, but Kentucky's volume of agricultural production is about 30 percent above the level of two decades ago. These tremendous increases in farm output have been accomplished in the face of a decline of about 25 percent in farm population in the United States since 1940. Farm output per man-hour has doubled in this period of years.

Sales of farm products from Kentucky farms in 1958 totaled \$548 million. This is $3\frac{1}{2}$ times the pre-World War II level, but the increase is due to both inflation and to enlarged physical output. The importance of this more than one-half billion dollars to the economy of Kentucky can best be understood by considering the other business activities which it stimulates.

For farmers to have a cash income they must buy farm supplies such as feed, seed, machinery, lumber, and the like. The total production expenses of Kentucky farmers in 1958 amounted to about \$379 million. This business supports a large number of manufacturers, dealers, and industrial workers throughout the United States.

An even more important effect of agriculture upon the economy of Kentucky is that of processing, storing, distributing, and transporting farm products after they leave the farm. Tobacco warehouses, stockyards, milk pasteurizing and bottling plants, slaughter houses, tobacco redriers, and the like all depend upon farm products for their business. The volume of such business

for Kentucky farm products in 1958 amounted to about \$880 million.

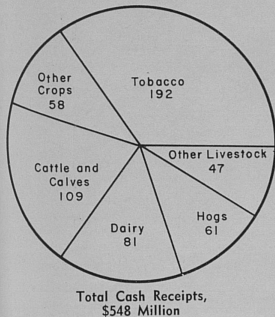
These businesses, which are not strictly farming but which deal with farm supplies and farm products, sometimes are called "Agribusiness." When measuring the economic importance of Kentucky's agriculture these too should be included. If we add together the three figures above, they total about \$1,807,000,000 for 1958. This income¹ was nearly half as much as the total personal income in Kentucky during 1958.

Just look around your local trading center and see how many of the businessmen are more or less directly dependent upon farmers for their trade. This will give you an idea of the importance of agriculture in Kentucky.

The relationships between agriculture and other businesses and the relative sizes of the different segments of Agribusiness are illustrated in the following charts.

VALUE OF FARM PRODUCTS SOLD, KENTUCKY, 1958

CASH RECEIPTS FROM FARM MARKETINGS, KENTUCKY, 1958 (MILLION DOLLARS)



1. Kentucky farmers sold \$548 million worth of farm products in 1958.

2. Crops accounted for \$250 million or 45 percent of the total cash receipts from farming.

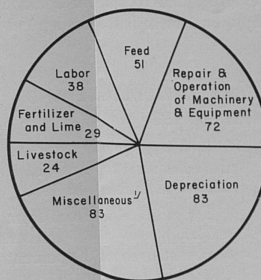
3. Tobacco, the major source of farm income in Kentucky, accounted for 35 percent of all cash receipts from farm marketings.

4. Cattle and calves and dairying were the most important income-producing livestock enterprises in 1958.

¹ The total volume of business associated with processing and distributing Kentucky farm products and with Kentucky farm supply purchases is not necessarily income to Kentucky people. Many Kentucky farm commodities are transported to other areas for processing and supplies purchased by farmers are manufactured in other areas. However, agricultural products from other states are shipped to Kentucky for further processing and the output of farm supply manufacturers in Kentucky is distributed in other areas of the United States.

KENTUCKY FARM PRODUCTION EXPENSES IN 1958

TOTAL FARM PRODUCTION EXPENSES, 1958 (MILLION DOLLARS)



Total Production Expenses, \$379 Million

¹ Interest, taxes, rent to non-farm landlords, other production expenses.

1. Farm production costs were \$379 million in 1958.

2. Production expenses amounted to about two-thirds of cash receipts from farming.

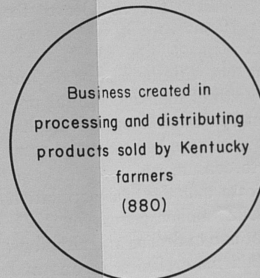
3. Production expenses represent purchases from many types of business firms.

4. The farm supply industry is an integral part of agriculture and largely depends on farmer purchases.

5. Farm supply businesses and farming will probably become more interdependent as agricultural technology develops and as farming becomes more specialized.

VALUE ADDED TO PRODUCTS SOLD BY KENTUCKY FARMERS, 1958

VALUE ADDED TO THE PRODUCTS SOLD BY KENTUCKY FARMERS, 1958 (MILLION DOLLARS)



Total Value Added, \$880 Million

1. Value added in processing and distributing products sold by Kentucky farmers in 1958 amounted to approximately \$880 million.¹

2. Many types of businesses employing thousands of people are involved in moving the products of Kentucky agriculture to consumers.

3. The total business associated with distributing the products of agriculture is of major importance in the economy.

4. Businesses associated with agriculture have grown in importance as total popula-

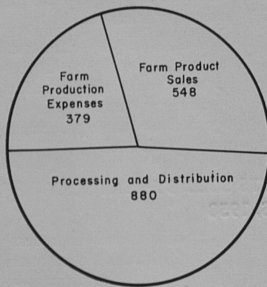
¹ Taxes of an estimated \$560 million added to the retail price of tobacco products might be added to this figure.

tion has increased and farm population has declined. More people, therefore, have depended on the distribution system for supplying them with the products of agriculture.

5. As the population continues to grow and consumers demand more services in the products they buy, businesses based on agriculture will continue to grow.

TOTAL INCOME FROM KENTUCKY AGRICULTURE AND RELATED BUSINESSES, 1958

AGRIBUSINESS—TOTAL VALUE OF BUSINESS IN KENTUCKY AGRICULTURE AND RELATED INDUSTRIES—1958 (MILLION DOLLARS)



Total Business Related to Agriculture, \$1,807 Million

1. Kentucky agriculture was the basis for a total of \$1,807 million in business in 1958.

2. Cash receipts from farm marketings of \$548 million represented about 30 percent of the total volume of business related to agriculture.

3. Farm production expenses amounted to \$379 million in 1958—nearly 69 percent of the value of farm products sold.

4. Kentucky farm products serve as raw materials for nearly \$900 million in business after they leave the farms.

The facts given above point out that with the relative decline in the farm population and the growth of total agricultural production, a large expansion in business related to agriculture has been required to provide farmers with supplies and to process and distribute farm commodities to consumers.

Recent population studies indicate that the total population of this country may be as high as 225 million persons by 1975. The farm population will likely continue to decline as technology develops and farmers seek to obtain more efficient means and units of production. To meet increased needs, total agricultural production will need to expand in future years. Recent U. S. Department of Agriculture estimates indicate the need for agricultural products may expand by as much as 40 percent by 1975,

as compared with 1951-53 levels. As population increases and the job of distribution becomes more complex, not only will the need for farm products expand, but the need for complementary businesses will likewise expand. The products of agriculture will continue to furnish the raw materials for a substantial part of our total economy.

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