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THE AGRI COMPLEX

NEBRASKA'S BASIC
INDUSTRY



Extension work in "Agriculture, Home Economics and subjects relating thereto," The Cooperative Extension Service, Institute of Agriculture and Natural Resources, University of Nebraska-Lincoln, Cooperating with the Counties and the U.S. Department of Agriculture
Leo E. Lucas, Director



The AGRI COMPLEX Nebraska's Basic Industry

F. Charles Lamphear
Michael Turner^{1/}

Nebraska's AGRI COMPLEX is a group of businesses bonded together through a common interest in the production, processing, and marketing of agricultural products. It begins with the farms and ranches of the state and includes the suppliers of production inputs such as farm machinery, fertilizer, feed, seed, veterinary services, etc. The AGRI COMPLEX also includes those marketing and food processing businesses which assemble and process agricultural commodities into consumer goods and services. These include the meat packers, grain elevators, flour mills, soybean processors, dairy plants, poultry and egg processors, etc. The AGRI COMPLEX is Nebraska's basic industry.

The economic importance of the AGRI COMPLEX is reflected in the state's employment and income statistics. Total farm and ranch employment in Nebraska is estimated at 82,155 workers (slightly over 12 percent of the total civilian labor force). Personal income from farms and ranches is estimated at about \$732 million (slightly over seven percent of Nebraska's total personal income).

The influence of agriculture on Nebraska's economy is extended by agribusiness firms. Nebraska food marketing and processing firms provide about four percent of the total nonagricultural civilian employment. The

combined employment of farm supply firms provides an additional two percent of the total nonagricultural employment. The agricultural marketing and farm supply firms are Nebraska's agribusiness industry.

Although these few statistics show the significance of agriculture's position in the State's economy, they do not reveal the full extent of the AGRI COMPLEX'S influence throughout the economy.

The AGRI COMPLEX also purchases some, but not all, of the goods and services produced by other sectors of the economy. Examples include insurance, finance, paper and allied products, real estate, etc.

A change in business activity within the AGRI COMPLEX means there would be a corresponding change in business activity in other sectors of the economy which will trigger still additional rounds of adjustments. Adjustments will occur in employment, personal income, and finally, household consumption, which means a further change in the demands for producers' goods and services, and so on it goes. The cumulative effect from an initial change in an AGRI COMPLEX sector measures the contribution made by that sector to the State's economy.

Findings

Nebraska's AGRI COMPLEX includes: (1) Irrigated crops, (2) Dryland crops, (3) Live-stock and livestock products, (4) Meat products, (5) Dairy products, (6) Grain mill products, (7) All other food and kindred products, (8) Farm product-raw materials, (9) Agricultural services, (10) Agricultural chemicals, (11) Farm machinery, and (12) Hardware and farm equipment dealers.

Measured in terms of employment, the economic importance of the AGRI COMPLEX in Nebraska is estimated to be 213,533 jobs. This represents about 30 percent of the State's total civilian labor force (Figure 1). Nearly one out of every three jobs in Nebraska is associated directly (or indirectly) with the State's AGRI COMPLEX.

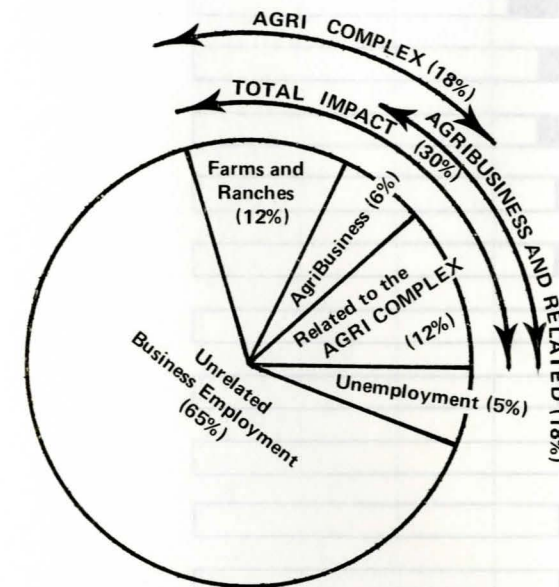


Figure 1. Nebraska labor force, impact of agriculture.

Farm and ranch employment is estimated to be 82,155 workers (12 percent of the labor force). Nonagricultural employment, which is estimated to be directly (or indirectly) associated with Nebraska agriculture, is 131,378 workers. This represents 18 percent of the labor force or about 25 percent of the total nonagricultural civilian work force in Nebraska. Thus, one out of four non farm-ranch jobs are either directly or indirectly related to agriculture.

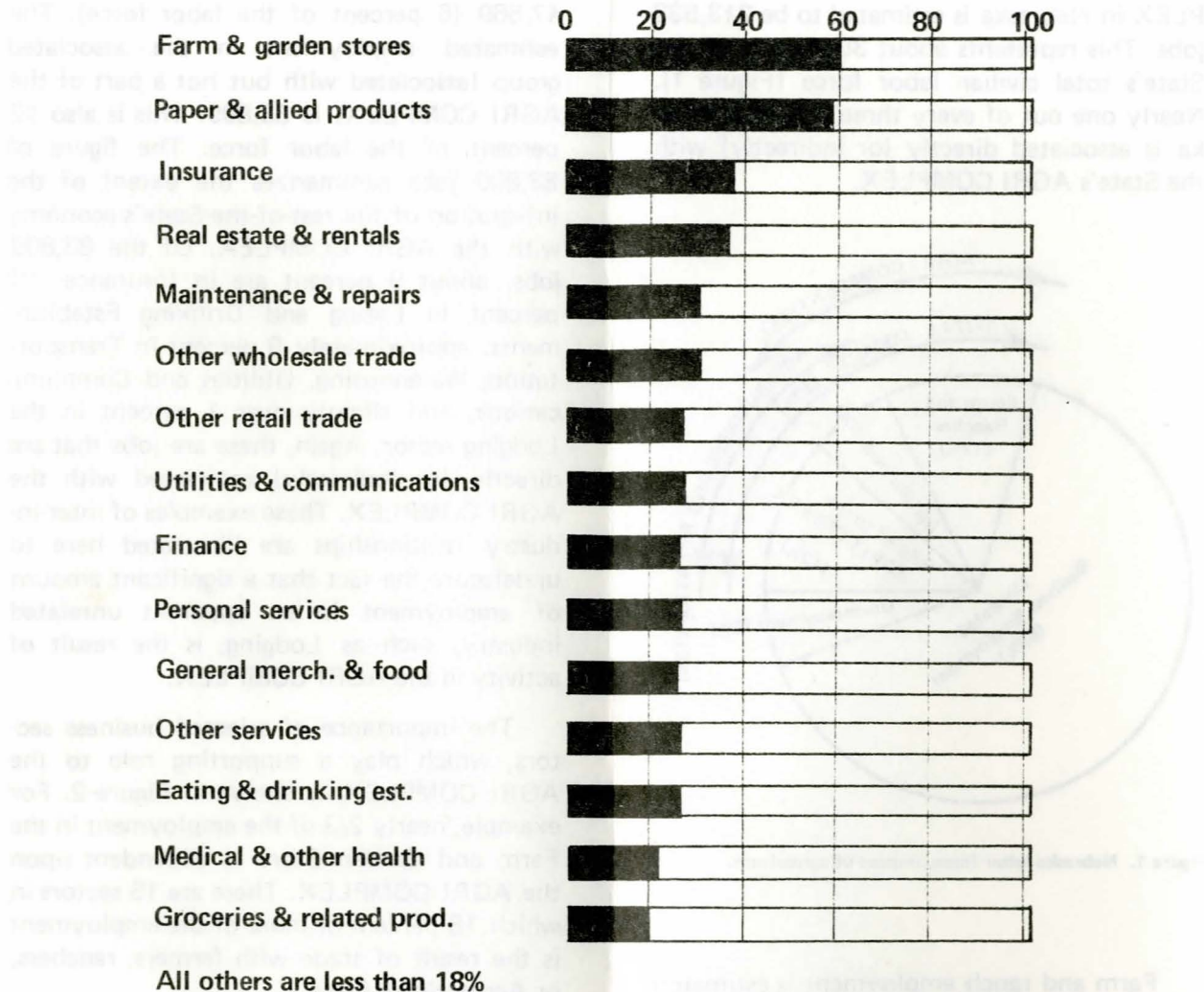
Total employment in the agribusiness subgroup of the AGRI COMPLEX sectors is 47,569 (6 percent of the labor force). The estimated employment in the associated group (associated with but not a part of the AGRI COMPLEX) is 83,809. This is also 12 percent of the labor force. The figure of 83,809 jobs summarizes the extent of the integration of the rest-of-the-State's economy with the AGRI COMPLEX. Of the 83,809 jobs, about 9 percent are in Insurance, 10 percent in Eating and Drinking Establishments, approximately 9 percent in Transportation, Warehousing, Utilities and Communications, and slightly over 1 percent in the Lodging sector. Again, these are jobs that are directly (or indirectly) associated with the AGRI COMPLEX. These examples of inter-industry relationships are illustrated here to underscore the fact that a significant amount of employment in an apparent unrelated industry, such as Lodging, is the result of activity in the AGRI COMPLEX.

The importance of selected business sectors, which play a supporting role to the AGRI COMPLEX, is shown in Figure 2. For example, nearly 2/3 of the employment in the Farm and Garden Store is dependent upon the AGRI COMPLEX. There are 15 sectors in which 18 percent or more of the employment is the result of trade with farmers, ranchers, or Agribusiness firms.

The discussion thus far has viewed the influence of the AGRI COMPLEX on Nebraska's economy in terms of value of production and employment, with a major emphasis on employment. It is also possible to measure this influence in terms of personal income. An estimated \$2.74 billion of personal income in Nebraska is generated from the AGRI COM-

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Figure 2. Employment indirectly related to agriculture—12 percent.



PLEX and associated activity. Of the \$2.74 billion, about \$732 million is estimated personal income from farming and ranching. The difference of \$2.01 billion (or 73 percent of the total) represents personal income generated from the remaining sectors of the AGRICOMPLEX and other sectors of the State's economy that directly (or indirectly) supply

goods and services to the AGRI COMPLEX.

Conclusions

There are other economics relationships between agriculture and nonagricultural activities that are not included. To cite only the major omissions, a substantial proportion of the total amount of employment in all levels of government is directly (or indirectly) a

result of agricultural needs. One highly visible area of service to agriculture is the extension work by county agents. Another area of important service to agriculture and agribusiness firms is the education and research activities of Nebraska's colleges and University. Unfortunately, these kinds of relationships are not easily measured, if at all, because (1) they do not appear as transactions between supplier and user, as in the case of private interindustry transactions, and (2) they may extend over very long, undefined periods of time. For instance, it is impossible to determine the total time-frame associated with the basic development and use of a new, higher yielding variety of wheat.

A second major area of agricultural related activity that is not entirely dealt with is investment activity. Most of the investment activity within agriculture is, however, picked up with the inclusion of farm machinery manufacturers and farm equipment dealers as part of the AGRI COMPLEX for Nebraska. But, this leaves out investments in plant and equipment by firms that do business directly (or indirectly) with agriculture. Investments reflect behavioral decisions that extend over very long periods of time. Investments, of course, represent industry activity that eventually brings about economic growth. But, to identify interindustry growth transmission and change via investments is currently impossible.

In conclusion, the estimated integration of the State's economy with its AGRI COMPLEX is, no doubt, understated. The AGRI COMPLEX does account for one out of three jobs in the state while agribusiness and related firms provide one out of four non-farm or ranch employment opportunities in Nebraska.

