

What Agribusiness Means to Alabama's Economy

Agribusiness industries account for more than 476,000 jobs, or 21 percent of all jobs (Figure 1) in Alabama, adding more than \$9 billion in annual earnings. Eighty-five percent of these jobs are off the farm. They include supplying farm production items, processing farm products, and wholesaling and retailing food and fiber products to domestic and global consumers. Agricultural industries account for more than \$43 billion or about 22 percent of the direct output (Figure 2) of the Alabama economy.

Approximately 79 percent of the U.S. consumer food dollar goes to processing and marketing functions, with only 21 percent going to farmers.

**Alabama's Economy
1996 Employment
2,273,185 Jobs**

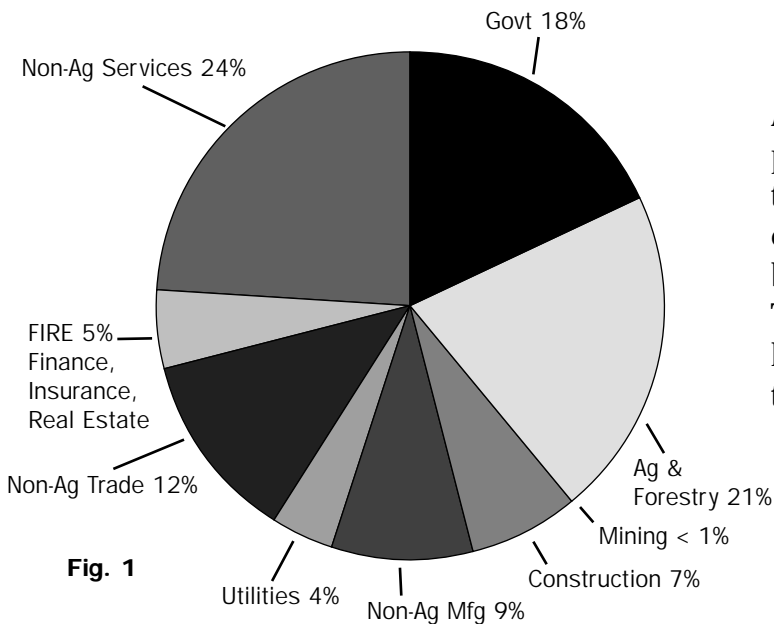


Fig. 1

**Alabama's Economy
1999 Industry Output
\$196 Billion**

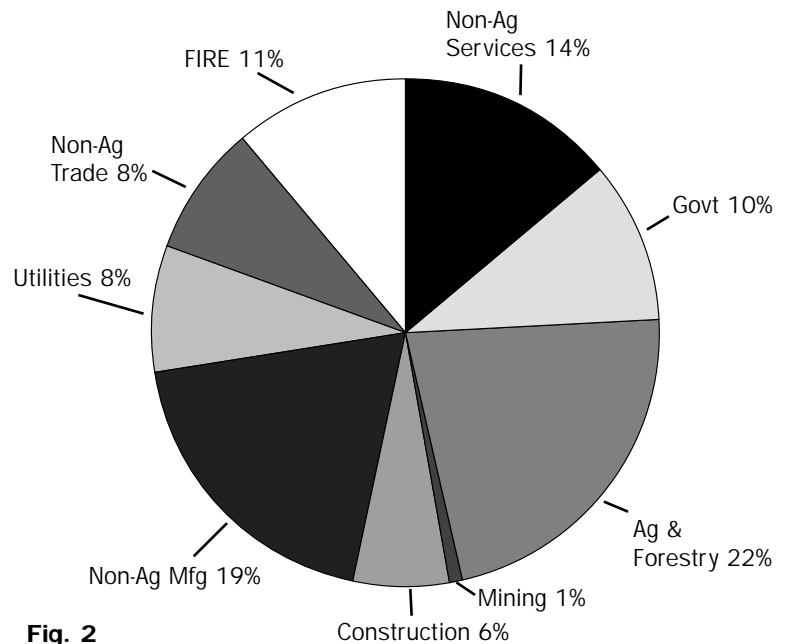


Fig. 2

As consumers demand more convenience and prepared foods, more jobs are created beyond the farm gate. The share of the food dollar spent on processing and marketing functions increased by approximately 180 percent from 1978 to 1997. The purchase of food consumed away from home has increased from 32 to 38 percent of total food expenditures during the same period.

**Ag and Forestry Cash Receipts
\$2.3 Billion-1979**

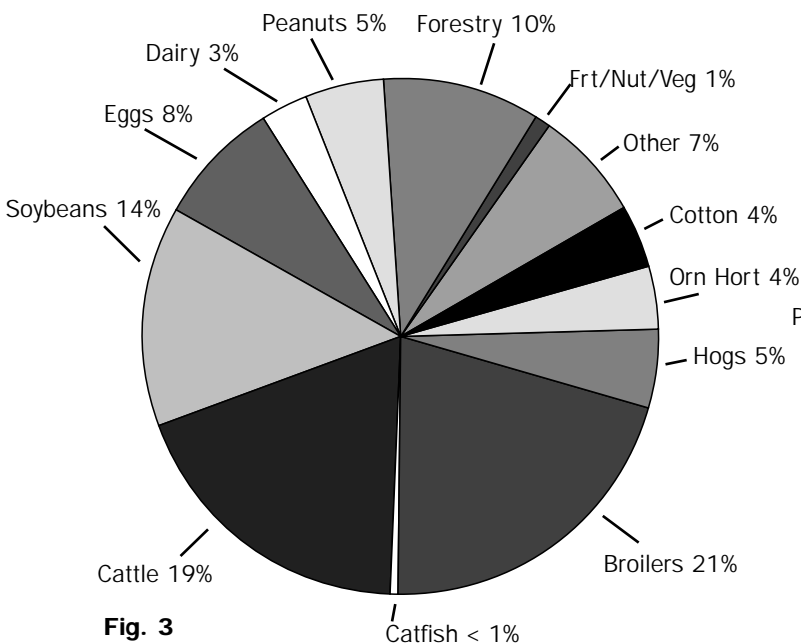


Fig. 3

**Ag and Forestry Cash Receipts
\$4.9 Billion-1999**

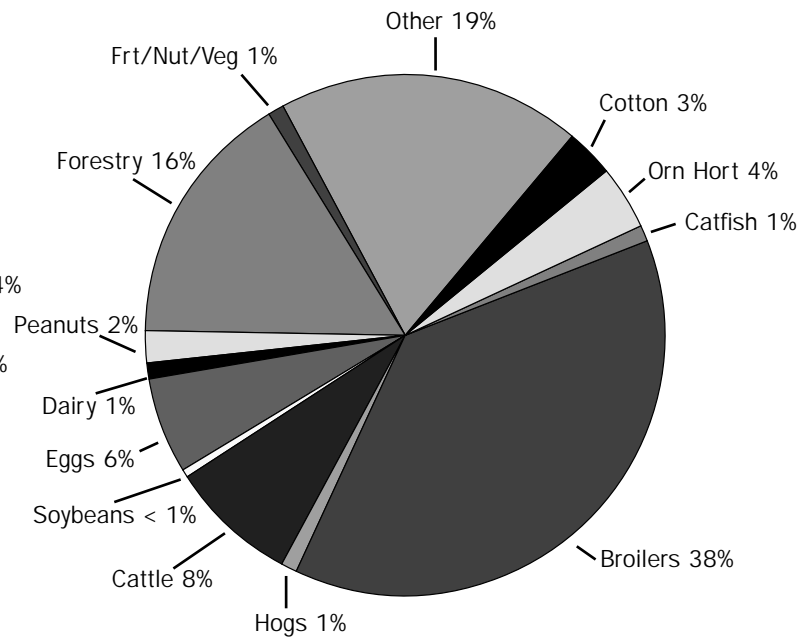


Fig. 4

Farm Production

In the last 20 years, the number of farms in the state declined from 76,000 to 49,000 and farmland decreased more than 33 percent—from 14.4 to 9.5 million acres. Alabama’s agriculture economy, once dominated by field crops, is now dominated by poultry, timber, and livestock.

Farm income has increased significantly with total farm and forestry receipts increasing from \$2.3 billion in 1979 to \$4.9 billion in 1999, a 113 percent increase. Poultry, timber, and livestock accounted for over 70 percent of all farm and forestry receipts in 1999. Poultry (broilers and eggs) alone accounted for 44 percent of the state’s total. (Figures 3, 4)

The American farmer feeds approximately 130 people. Of those, about 25 are overseas. Alabama agricultural products are not only being sold across the U.S. but worldwide, as the international scene has become very important. For many years, our row crops have had success in reaching the global markets. Recently, great strides have been made in the exporting of timber products and meats, particularly poultry.

In 1999, Alabama agricultural and forestry exports approached \$1.3 billion in sales. Forestry products (pulp/paper, lumber, and furniture) dominate the export market, valued at \$927 million, or 72 percent of the total. Poultry comprised 16 percent, totaling \$208 million. Cotton and cotton products amounted to \$50 million; soybean and soybean products, \$17 million; peanuts and peanut products, \$27 million; red meats, \$27 million; and other commodities, \$39 million. (Figure 5)

**Ag and Forestry Exports
\$1.3 Billion-1999**

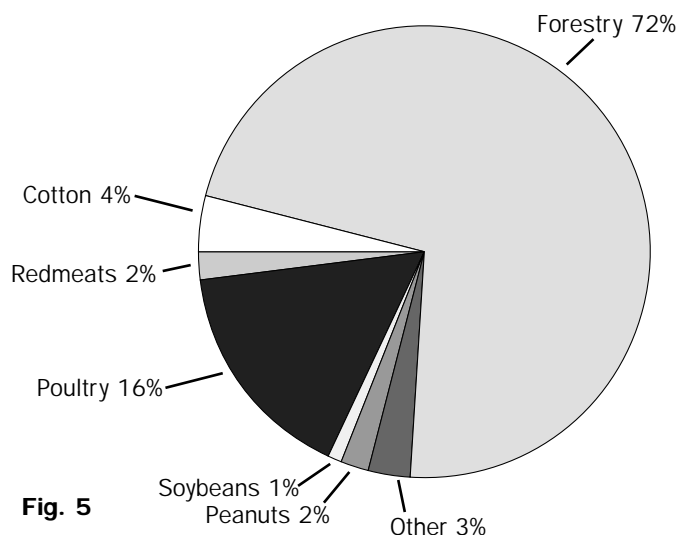


Fig. 5

**Alabama's Economy
1999 Value Added
\$104 Billion**

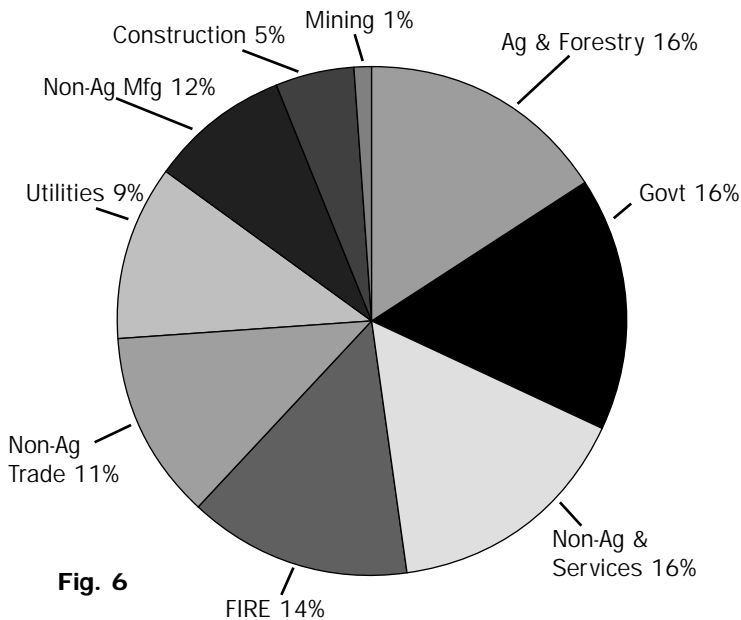


Fig. 6

Impact of Alabama Agribusiness

Employment is considered by economic development professionals and policy makers to be the key to economic prosperity. Traditional measures of farms and farm and forestry receipts are gross understatements of the total contribution of agriculture to the state's economy. Thus, sound economic development policies and programs should recognize the total impact of farm and farm-related contributions to attract value-added industries to take advantage of locally supplied raw farm commodities and available labor. Agricultural industries account for \$43 billion or 22 percent of the state's total output value, 21 percent of jobs, 15 percent of payroll, and 16 percent of the state's value-added contributions.

Each of the 73,000 farm production jobs adds at least five jobs in farm-related industries. The sectors of farm inputs, processing/manufacturing, and wholesaling/retailing provide employment for

more than 400,000 Alabamians in the state's food and fiber system. The value-added segment is made up of payroll earnings, proprietor income, other property income and indirect business taxes that are available to stimulate other economic activities in the state—estimating that agribusinesses contributed more than \$16 billion in 1999 (Figure 6).

Sector Contributions

In terms of output or value of production, the processing and manufacturing sector makes the largest contribution. This sector makes up 70 percent, with wholesaling and retailing adding 16 percent, followed by production and farm inputs at 10 and 4 percent, respectively (Figure 7).

**Ag and Forestry Output Value
\$43 Billion-1999**

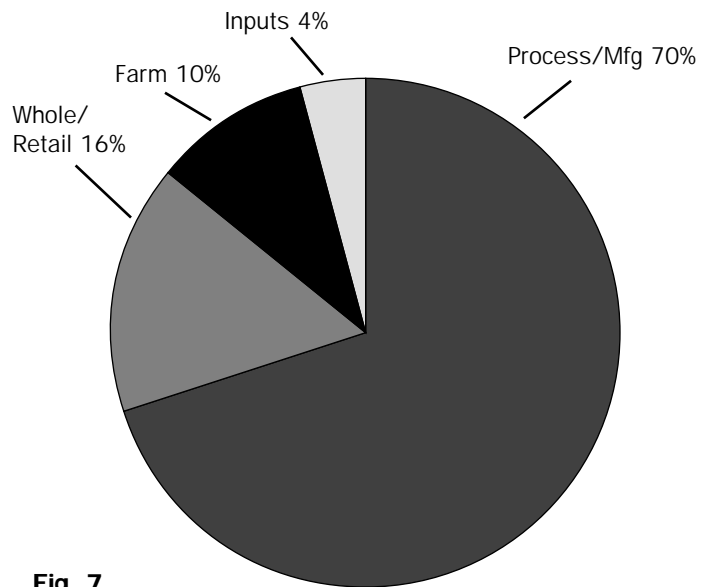


Fig. 7

The number of jobs supported by agricultural industries is significant. The wholesaling/retailing and the processing/manufacturing segments share almost equally—at 42 and 41 percent—more than 200,000 jobs each. Farm production amounted to 15 percent, while farm inputs added 1 percent (Figure 8).

Ag and Forestry Employment
476,507 Jobs-1996

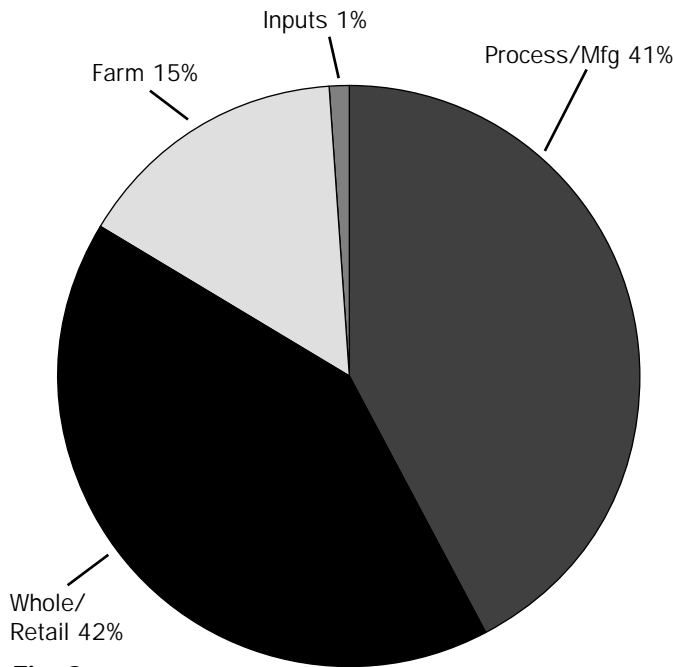


Fig. 8

The farm production and input sectors combined contributed 16 percent to the value-added category. As expected, the major contributor was the processing/manufacturing sector (at 58 percent), followed by wholesaling/retailing at 28 percent (Figure 9).

Most agribusiness activities are not in rural areas. More than half the jobs are located in urban/metropolitan counties. Thus, while agribusiness industries comprise the majority of total rural employment and are the mainstay of many rural economies, the health of the agribusiness community significantly impacts urban economies.

Ag and Forestry Value-Added
\$16.3 Billion-1999

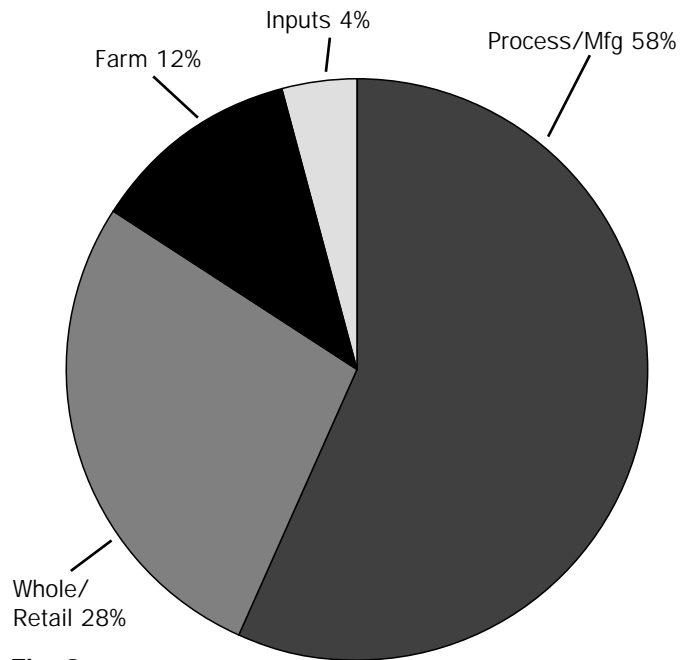


Fig. 9

Future increases in farm production and incomes will not likely bring a proportionate increase in employment due to increased technology substituting for farm labor. The greatest potential for increasing jobs and standards of living for rural residents will depend on the economic development of rural areas in both manufacturing farm-related items and the further processing of farm and forestry products.

Sources

“Alabama Agricultural Statistics, 1979-99.” Alabama Agricultural Statistics Service, USDA (various issues).
 “Alabama Agriculture and Agribusiness Factbook 2000.” Arlen Smith and C. R. Taylor, Department of Agricultural Economics and Rural Sociology, College of Agriculture, Auburn University, April 2000.



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Jerry R. Crews, *Extension Economist*, Professor, and **Max W. Runge**, *Extension Economist - Associate*, Agricultural Economics and Rural Sociology, Auburn University
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