

Economic Impact of a New 300-Head Cow-Calf Operation in Alabama

► The entry of a new 300-head cow-calf operation in Alabama causes a measurable increase in economic activity within the state in terms of ongoing annual operations. Consider the following total economic activity created during the first full year of operation.

\$595 THOUSAND **Output or Sales (Total Effects)**

is supported each year from ongoing operations

Jobs
8

PER 300 HEAD
are supported each year from ongoing operations



Labor Income
\$191 THOUSAND

is supported each year from ongoing operations

Value Added
\$233 THOUSAND

is supported each year from ongoing operations

49%

A cow-calf operation in Alabama sources roughly **49%** of all inputs locally

Operations Impacts

The following is an estimated impact in terms of the total economic impact to Alabama's economy from the first full year's **operations**.

	Operations
Employment (jobs)	8
Value added	\$233,236
Labor income	\$190,981
Output (sales)	\$595,316

Top Industries Impacted

The following are a few of the industries within Alabama most impacted by the economic activity from **operations during the first year**:

Industry	Value Added
Beef cattle ranching and farming	\$80,505
All other crop farming	\$21,700
Wholesale trade	\$14,346
Monetary authorities and depository credit intermediation	\$12,334
Owner-occupied dwellings	\$11,128
Real estate	\$9,928
Support activities for agriculture and forestry	\$9,545
Truck transportation	\$5,265
Offices of physicians	\$2,942
Veterinary services	\$2,757

Overview¹

The producer provides feed, veterinary services, equipment, and various supplies. The direct purchase of supplies and equipment are known as *direct effects*. The suppliers and vendors used by the producer then purchase inputs to supply the cow-calf operation. These are known as *indirect effects*. Those who work for the cow-calf operation and those who work for the farm's suppliers and vendors then use their additional income to make household purchases. These are known as *household*, or *induced effects*. Taken together, the sum of the direct, indirect, and induced effects are known as *total effects*; this accounts for the total multiplier effect present from the operations of a new cow-calf operation.

Common measures of economic activity are employment (jobs), labor income, output (sales), and value added (output minus the cost of inputs). When a new cow-calf operation enters a local economy, it causes a series of new economic activities (impacts) to take place. The magnitude of these new economic activities is largely related to the presence of industries that supply the needed inputs for a cow-calf operation.

To arrive at the total effects of a new 300-head cow-calf operation in Alabama, the following basic assumptions (from Auburn University) were used: 1) 90 percent weaning rate; 2) average weaned calf weight of 625 pounds per calf; 3) average calf price of \$1.50 per pound and \$0.65 per pound cull cow price; and 4) gross returns of \$943.85 per cow unit and \$831.50 total cost per cow per year.

¹ Additional details on methodology can be obtained through communication with the study's author, Decision Innovation Solutions (info@decision-innovation.com).