

*Kentucky's*  
**AGRICULTURAL  
INDUSTRY**

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# Kentucky's Agricultural Industry

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Kentucky agriculture is much more than the production of crops and livestock on farms. In addition to the primary job of producing food, fiber, and tobacco products, Kentucky's agriculture includes the thousands of firms and people who supply our farmers with production supplies. The industry of agriculture also includes the job of processing and distributing farm products after they leave the farms.

This publication attempts to look at agriculture in the broader aspects by treating all of the areas that comprise Kentucky agriculture.

The total output of agriculture in the United States today is about 55 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 33 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 1961 totaled \$636 million. This is more than four 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 1961 amounted to about \$412 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 1961 amounted to about \$1.2 billion.

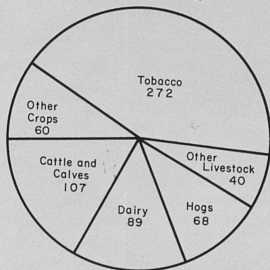
These businesses, which are not strictly farming but which deal with farm supplies and farm products, sometimes are called "Agribusiness." When measuring the economic importance of Kentucky's agriculture, these too should be included. If we add together the three figures above, they total about \$2,237,000,000 for 1961. This income<sup>1</sup> was nearly one-half as much as the total personal income in Kentucky during 1961.

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, 1961

CASH RECEIPTS FROM FARM MARKETINGS, KENTUCKY, 1961 (MILLION DOLLARS)



Total Cash Receipts, \$636 Million

1. Kentucky farmers sold \$636 million worth of farm products in 1961.

2. Crops accounted for \$332 million or 52 percent of the total cash receipts from farming.

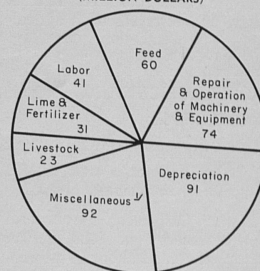
3. Tobacco, the major source of farm income in Kentucky, accounted for 43 percent of all cash receipts from farm marketings.

4. Cattle and calves and dairying were the most important income-producing livestock enterprises in 1961.

<sup>1</sup> 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 1961

TOTAL FARM PRODUCTION EXPENSES, 1961 (MILLION DOLLARS)



Total Production Expenses, \$412 Million

<sup>1</sup> Interest, taxes, rent to non-farm landlords, other production expenses.

1. Farm production costs were \$412 million in 1961.

2. Production expenses amounted to 65 percent of cash receipts from farming.

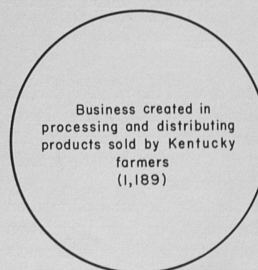
3. Production expenses represent purchases from many types of business firms.

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, 1961

VALUE ADDED TO THE PRODUCTS SOLD BY KENTUCKY FARMERS, 1961 (MILLION DOLLARS)



Business created in processing and distributing products sold by Kentucky farmers (1,189)

Total Value Added, \$1,189,000,000

<sup>2</sup> Taxes of an estimated \$860 million added to the retail price of tobacco products might be added to this figure.

1. Value added in processing and distributing products sold by Kentucky farmers in 1961 amounted to approximately \$1.2 billion.<sup>2</sup>

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-

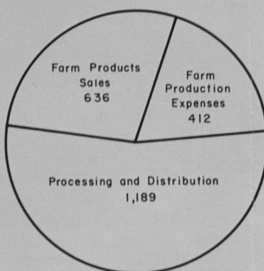
added to the retail price of tobacco

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, 1961

AGRIBUSINESS—TOTAL VALUE OF BUSINESS IN KENTUCKY AGRICULTURE AND RELATED INDUSTRIES—1961 (MILLION DOLLARS)



Total Business Related to Agriculture, \$2,237,000,000

1. Kentucky agriculture was the basis for a total of \$2.2 billion in business in 1961.

2. Cash receipts from farm marketings of \$636 million represented about 28 percent of the total volume of business related to agriculture.

3. Farm production expenses amounted to \$412 million in 1961—nearly 65 percent of the value of farm products sold.

4. Kentucky farm products serve as raw materials for nearly \$1.2 billion 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 will continue to increase. 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. 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 busi-

nesses 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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