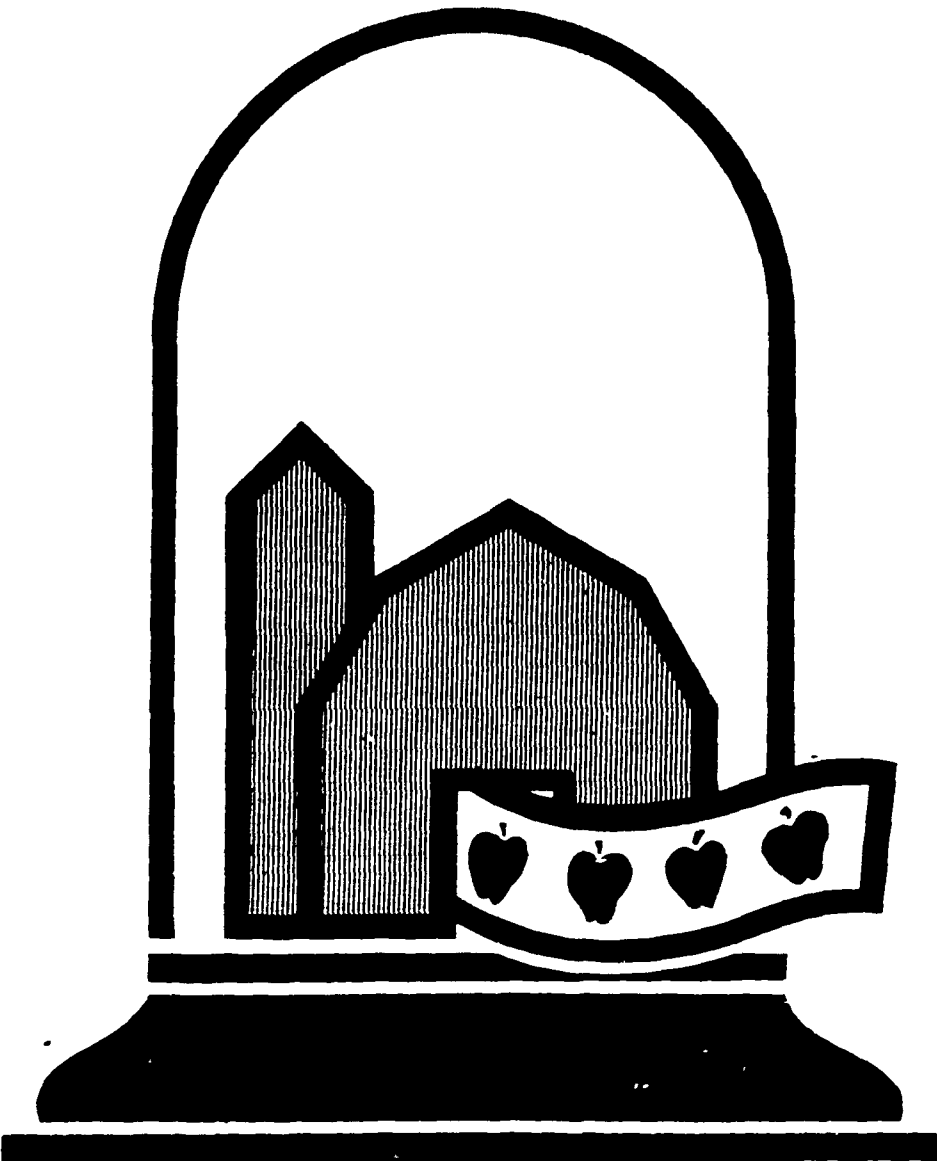


THE FARM-AGRIBUSINESS HOOKUP



When an agribusiness firm decides to hook up with farming, it's not likely to latch on to just any farm enterprise.

A recent study by the USDA's Economic Research Service of 410 firms with both farm and nonfarm operations found some common bonds in the types of agriculture these firms went into.

There was quite a spread in the firms' annual sales, ranging from \$1 million a year to over \$500 million. A few had gross sales in the billions

Most, however, seemed to be attracted to farm enterprises that require a lot of labor and management savvy. The commodities they produced also shared certain traits—they are highly perishable and subject to wide variations in quality.

Basing their analysis on data provided by Dun and Bradstreet, the researchers identified 10 major types of farming among the 410 firms. Four commodities stood out from the rest.

Most commonly produced were beef cattle—27 percent

of the firms produced this commodity—followed by vegetables at 18 percent, poultry other than broilers, 18 percent, and fruits, 17 percent.

Researchers also classified the firms by primary business or industrial activity: farms, suppliers of agricultural inputs, agricultural processors, agricultural distributors, and nonagricultural activities.

Big on farming. Over a third of the firms (149) gave farming as their main business. Of these, 18 per-

cent were mainly fruit producers, the same proportion were primarily vegetable producers, and 17 percent were mainly beef cattle producers.

Supplying agricultural inputs was the chief activity of 52 firms, nearly half of them being feed manufacturers. Feed manufacturers, together with poultry hatcheries and distributors of farm equipment and supplies, accounted for over 95 percent of all the input firms.

Agricultural processors, numbering 57, largely dealt in dairy products and fruit and vegetables. With meat packers, these firms made up over two-thirds of all processors.

Sixty-four of the firms were agricultural distributors. Wholesalers of fruit and vegetables, poultry, and other farm products accounted for over four-fifths.

Firms primarily engaged in non-agricultural businesses counted 88, 40 percent of which were in land-based industries such as mineral extraction, forestry, and real estate

development. Next were trade and service firms (31 percent), manufacturing firms (28 percent), and nonglomerates (20 percent).

Taking a closer look at the firms which made farming their main business, the most commonly produced commodities were vegetables, beef cattle, and fruit and tree nuts.

Farm suppliers. Firms specializing in farm inputs went heavily into poultry production (other than broilers), with broilers a distant second. A significant number of the non-broiler poultry operations, however, were breeder flocks for broiler hatching eggs.

The agricultural processors were big on dairy, beef cattle, fruits, vegetables, and poultry other than broilers. Except for dairy, the agricultural distribution firms also concentrated on these commodities.

In the nonagricultural category, beef cattle headed the list, followed by fruits and grains.

Nonfarm types. As was true for the 410 firms as a

group, those whose main business was not farming mostly produced fruits and vegetables, poultry other than broilers, and beef cattle. Most of the cattle were produced in feedlots. A smaller but significant number of these firms were involved in broiler and dairy production.

The nonfarm agribusiness firms, the ERS study said, prefer intensive types of agriculture because they readily lend themselves to the industrial production techniques already used by these firms. And since less land is needed than for, say,

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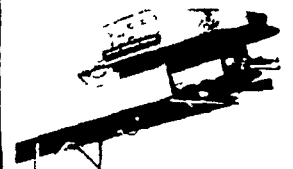
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