

Role of Agricultural Businesses

Lesson 1: Role of Agricultural Businesses

Agricultural businesses are everywhere: local grocery stores; cattle ranches; operations that raise beans, wheat, beets, and many other crops; and companies like Monsanto and Farmland, to name a few. Just like any business, agricultural businesses rely on one another for resources. Grain elevator operators depend on producers to harvest corn, and the cattle rancher relies on the grain elevator for cattle feed. In turn, the corn-fed cattle are taken to a meat processing facility where they are processed into various cuts of meat, which are then distributed to grocery stores and sold to consumers.

Within agricultural businesses, many different processes are involved, such as buying, using, distributing, or producing. These diverse processes offer opportunities for employment, which helps the economy. This lesson defines agricultural businesses and reviews business structures and sectors that comprise agricultural business. It also examines the importance of agriculture to the local community, the nation, and the world, and finally discusses the role of technology in agricultural businesses.

Agricultural Business

An agricultural business is any enterprise that produces crops or livestock or is involved with providing

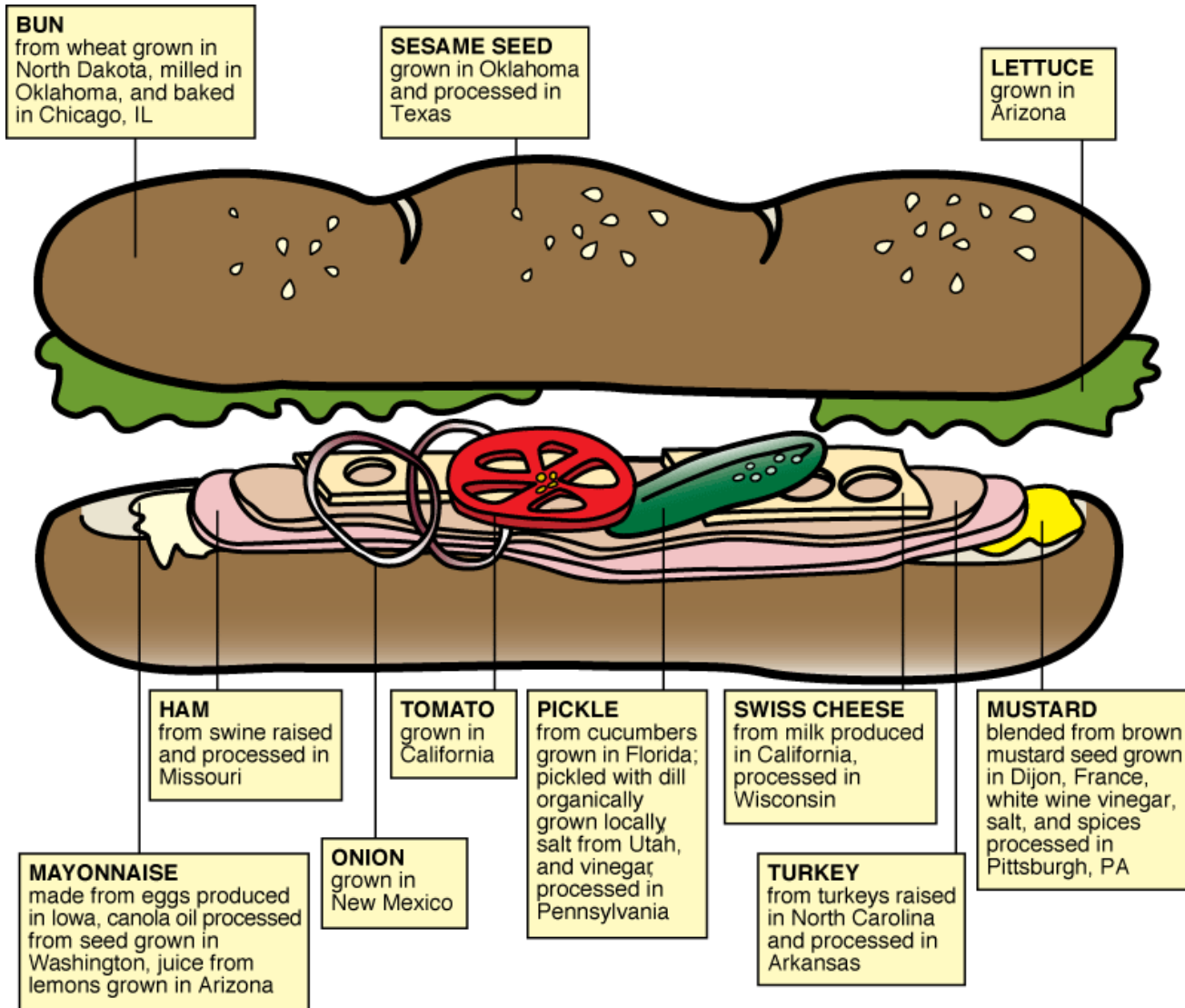
agricultural supplies and/or processing, marketing, transporting, and distributing agricultural materials and consumer products. Agriculture in the past consisted mainly of producers and ranchers raising enough food for their own consumption. Today, however, most people employed in agriculture work in the feed, seed, farm machinery, processing, and chemical supply businesses. Many people also work in marketing firms that move food and fiber from production agriculturalists (such as most of the local producers) to the consumers. The majority of agricultural businesses are found in *urban*, not rural, areas.

Agricultural services include transportation, storage, refrigeration, credit and finance, insurance, and processing the food we eat. It also involves services related to animal health care (veterinarians, pet services), landscaping, lawn mowing services, environmental services, forestry, and conservation.

Examples of agricultural products come from crops, plants, nurseries, and horticulture; livestock and small animals (pets); equipment; supplies; processed food products; and plant and animal by-products. The production of many everyday items, such as a sandwich as depicted in Figure 1.1, relies on various agricultural businesses. Each component of the deli sandwich came from a different region of the United States or from another country, such as France, where the mustard seed was grown.

Introduction to Agricultural Business

Figure 1.1 - Deli Sandwich



In addition to traveling great distances, many agricultural products require several stages of processing. Figure 1.2 illustrates the steps involved in producing a piece of ham.

Figure 1.2 - Ham Production Process



Business Structures

Agricultural businesses are divided into the following four structures: sole ownership, partnership, cooperative, and corporation.

An individual who owns and manages a business, such as a tree nursery, assumes sole ownership. A student

who mows lawns and takes full responsibility for his/her operation, such as paying for maintenance, fuel, and repairs; adhering to the clients' needs; and recording profits and expenses is considered a sole ownership. These individuals are known as "entrepreneurs" - people who devote finances and effort to a specific endeavor in hopes of earning a profit. A sole ownership is usually small, simple to operate, and easily managed.

Role of Agricultural Businesses

Sole ownership offers independence. The owner makes all decisions concerning financial issues, receives all the profits, pays all expenses, but also suffers all the losses as well. If the owner becomes sick or wants to go on a vacation, there may be no one available to take over.

Partnerships are business associations that involve two or more people who share responsibilities. It is very beneficial if the partners possess specialized skills that can be applied to a particular business. An example of a partnership is a greenhouse owned by two brothers, one who is the producer and the other who is in charge of sales. Both people are involved in specific business activities related to the greenhouse.

Cooperatives provide goods and services to members at cost, or as close to cost as possible. They are formed not to make a profit but to serve the individuals who own shares in the organization. Many mills are cooperatives. Producers combine their efforts for a common goal. Riceland Foods Cooperative in Stuttgart, Arkansas, is the world's largest miller and marketer for rice producers.

A corporation is an organization owned by many people but legally considered as one entity. It is made up of individuals known as "stockholders" who elect a board of directors. The board makes all decisions for the corporation. An example of a major corporation is Archer Daniels Midland Company, whose various agribusiness operations include wheat milling and soybean processing. Another corporation, Monsanto, located in St. Louis, is a leader in biotechnology.

Corporations can be one of two types: S-corporations and C-corporations. S-corporation status is reserved for families or small businesses (no more than 75 shareholders). The advantage of an S-corporation is that shareholders do not pay taxes. A disadvantage is that shareholders who own 2% or more shares of the company cannot deduct any benefits, such as health insurance.

C-corporation status is required for regular corporations that sell stocks to investors. Profits and the shareholders' dividends are taxed.

Agricultural Business Sectors

As with any business, many different components work together to process raw materials and transport them to the consumer. Each agricultural business can be categorized into one of four sectors: (1) inputs (also known as services and supply), (2) production, (3) processing and marketing, and (4) wholesale and retail (sales and customer service). Missouri agricultural sectors are illustrated in Figure 1.3.

The input sector provides the necessary resources required to produce goods and services for various agricultural businesses. Services include financing, consulting services, insurance and various federally sponsored programs, such as price support, conservation programs, disaster assistance, and commodity operations. For example, Farmer Mac, established by Congress, helps agricultural producers get credit for mortgages. North Star Commodity Investment Company is a consulting firm that provides advice on marketing options for extensive production operations.

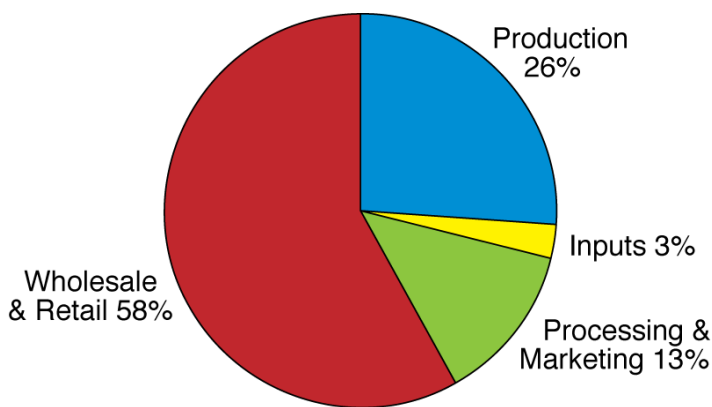
Introduction to Agricultural Business

Supplies include water, seed, feed, fertilizer, livestock feeder stock, farm machinery and equipment, petroleum, and chemicals, etc.

Agricultural businesses in this sector may be local, national, or worldwide companies.

Examples of service/supply agricultural businesses are John Deere (farm equipment), and Monsanto (chemicals).

Figure 1.3 - Agricultural Business Sectors in Missouri



Agricultural production uses diverse services and supplies to produce the raw commodities that come from farms, ranches, plantations, or any other places of production. Some items produced are cattle, wheat, vegetables, fruit, and rabbits. These items are usually taken to another location for processing.

The next sector entails two separate procedures: processing and marketing. During processing, various activities occur to transform raw commodities after they are produced into final products for sale. Examples of processing include grinding wheat into flour and processing cattle into various cuts of meat such as hamburger and steak. Many other products require some type of processing before they are sent to the retailer. Processing facilities are found mainly in urban areas.

When the raw commodity is processed into the finished product, it is marketed through advertising, public service announcements, media campaigns,

etc. This informs the consumer about the desirable features of the finished commodity.

After marketing, the finished product is transported and then distributed to either an individual or a grocery store. This step is critical to the producer. The commodity must reach the consumer safely. Once delivered, the producer can realize a profit on his/her efforts.

The final sector involves sales and customer service. A finished product may be sold wholesale, which means that large quantities of processed commodities are sold at the first point of sale, such as a discount store or a members-only outlet. The wholesaler sells this product to someone who then sells it *directly* to the consumer at the retail price. Retail is higher than the wholesale price. In addition, retailers (supermarkets, department stores, chain stores, etc.) frequently offer extra services to their customers, which cost money to provide. A grocery store may have a pharmacy, florist, video rental, and delicatessen in addition to its regular inventory. A personal shopper, beauty salon, or makeup consultant might be available at a department store. Some home improvement stores offer classes in plumbing, dry walling, carpentry, etc.

Importance of Agricultural Businesses to the Community, Nation, and World

Agricultural businesses play an important role in the community in which you live, the nation, and the world.

Agricultural businesses support the community by providing local jobs, income, food, products, supplies, and services. By contributing to the local tax base, some businesses may also support community activities, fund scholarships, and help pay for public education. In many areas, agriculture is a way of life that provides food and employment for many people. Some communities are close to neighboring towns, so obtaining goods and services within the region is quite easy. In this way, the sense of “community” is extended; it becomes a combination of different places, and the population benefits from this diversity.

Role of Agricultural Businesses

Agricultural businesses located throughout the nation help support the country's economy. Food, supplies, and other commodities from specific regions are transported throughout the country, benefiting urban and rural areas alike. Various agricultural businesses also help create shelter and provide clothing for the entire country. Thanks to the corn and soybean industries, fuel production is enhanced. Ethanol, derived from corn, is a renewable resource, unlike crude oil. If ethanol is blended with regular gasoline, pollution can be reduced. Additives made from soybeans can improve the performance of diesel fuel. If soybean additives are used, emissions can be significantly reduced.

Agricultural businesses have an important role in the world. Historically, U.S. agricultural businesses have supported developing nations by providing food, supplies, and services. In addition to providing assistance, U.S. consumers benefit from international trade. Goods that are unavailable in this country, such as bananas and coffee, can be obtained internationally. Foreign countries that cannot produce certain items can obtain them from the United States. Worldwide trade stimulates international economic growth. The result is not only increased profit for those involved, but also an increased awareness of other cultures and customs.

Role of Technology in Agricultural Businesses

Since 1950, technology has accounted for more than two-thirds of the increase in worldwide agricultural production. The local farmer has been able to increase production with hybrid seed and the use of artificial insemination. Technology also provides an easy and efficient way for people around the world to find out what an individual is producing and how they can obtain that product.

Plant Production

Technological advancements in plant production occurred through the development of pesticide- and

herbicide-resistant crops. Hybridized seeds are genetically engineered to select the most desirable traits, such as drought resistance. Through the development of genetically modified organisms (GMOs), Monsanto has helped producers increase their yields using biotechnology. Its herbicide, Roundup, is used worldwide to protect and increase crops. Monsanto has also developed genetically altered seeds for plants such as soybeans that can tolerate Roundup. This tolerance to Roundup not only saves the grower money in herbicide expenses, but it also produces abundant, safe crops.

Roundup is considered an “environmentally friendly” herbicide for two reasons: Because it is broken down by the sun, Roundup does not get absorbed into the soil. This means that the groundwater and our drinking supply are protected. In addition, the producer applies Roundup only when weeds emerge; therefore, the amount used is reduced.

Plant production benefits from technologies that use genetic engineering to substantially increase yield and the quality of the crop. By splicing genes, plant scientists are able to develop new plants that are more nutritious, tastier, and have a higher quality. On the emerging frontier of plant science are specialized areas known as farmaceuticals and nutraceuticals. Farmaceuticals insert antibodies, medicines, or vaccines into plant-based products. Nutraceuticals deliver vitamins or health supplements through food.

An environmentally friendly means of promoting plant production is using *Bt* (*Bacillus thuringiensis*), which is a soil bacterium. *Bt* is a safe alternative to chemical insecticides and when it is applied to corn, the crop is resistant to diseases and insects.

Production can also be greatly improved by an agricultural management technique called “precision agriculture.” The purpose of precision agriculture is to increase productivity through conserving energy,

Introduction to Agricultural Business

protecting the groundwater and soil, and using chemicals efficiently. This goal is accomplished through the use of the GPS (global positioning system).

The GPS is a radio-navigational system that operates from 24 satellites and their ground stations. Producers use the GPS to obtain detailed information about their fields' soil fertility and crop characteristics. As a reference point, the GPS helps producers determine where to apply exact amounts of chemicals, seed, fertilizer, etc., required for production. Production costs are thereby reduced and adverse environmental impacts are minimized.

Animal Production

Thanks to various technological advancements in animal production, animals are reproduced more efficiently and selectively. Artificial insemination allows producers to breed superior animals without having to own or manage them, which saves producers money and time. This technique creates higher-quality animals much more quickly than by natural breeding practices. It enables the producer to market excellent quality livestock for processing.

Embryo transfers also produce genetically superior animals. Fertilized eggs from a highly valued donor are placed in the reproductive tract of less-valuable females. The offspring will have the favorable genetic traits of the donor. Several embryos from a valuable female may be transferred to the less-valued females. This procedure enables producers to raise more high-quality animals than by natural breeding practices.

Another scientific technology that produces superior animals is cloning. This process reproduces a fertilized egg that has the identical genetic components as the donor that is carefully selected for desirable traits. Cloning may also be used to provide valuable medicine for other animal species.

Scientists use genetic engineering to isolate and select desirable genetic components, such as size and sex. It is even possible to produce an animal that is disease resistant through this technology. Some animal

genes have been identified that produce medicine and vaccines for humans and animals.

Computer

A critical technological tool in agricultural business is the computer. Thanks to the Internet, producers can access the latest market prices, which helps them determine when to buy, sell, or invest. Various software programs make record keeping much easier by organizing receipts, expenses, and investments in a logical format. Other programs, such as TurboTax and Quicken, help generate tax returns. A spreadsheet can help producers calculate the ration formulations for their livestock. Through e-commerce, agricultural products can be marketed and distributed worldwide. Producers can communicate with each other instantaneously and exchange information locally, nationally, or globally.

Summary

Agricultural business comprises many types of production and services. It provides producers with supplies and equipment needed for raising and protecting crops and livestock. The majority of employees in agricultural business work in urban areas. Agricultural businesses are generally divided into four types of business structures: sole ownership, partnership, cooperative, and corporation. The different sectors in agricultural business are inputs (services and supplies), production, processing and marketing, and wholesale and retail (sales and customer service). Agricultural business is a vital force to local communities, the nation, and to the world. Technology is a critical component to agricultural business through the use of plant and animal technological processes, the computer, and e-commerce.

Role of Agricultural Businesses

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Introduction to Agricultural Business

Career Opportunities in Agricultural Business

Lesson 2: Career Opportunities in Agricultural Business

This lesson focuses on career opportunities in agricultural business: the types of careers available, the educational requirements, and benefits available in agricultural business. This lesson also investigates the means and opportunities for succeeding in agricultural business.

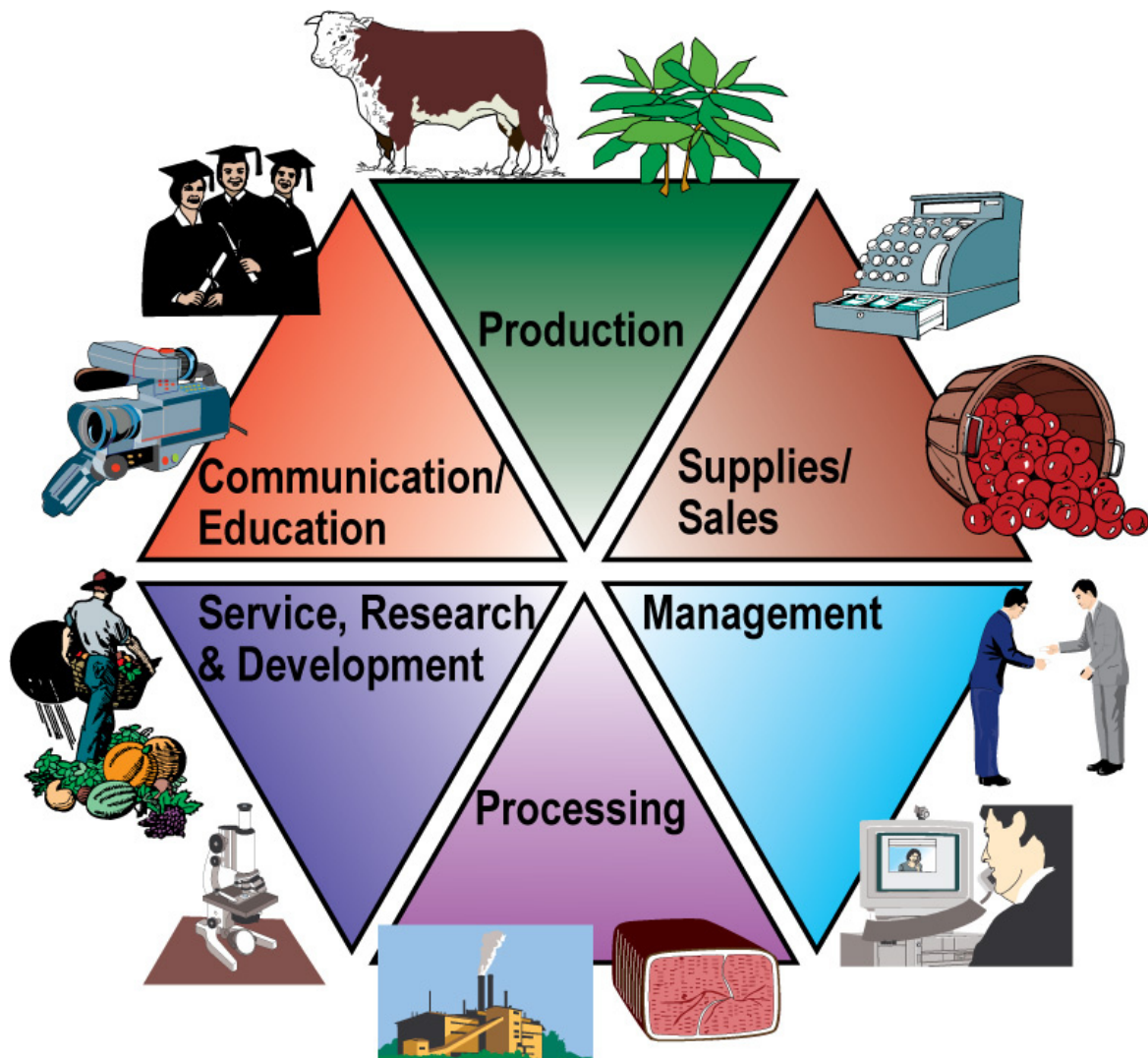
Careers in Agricultural Businesses

The careers available in agricultural business are so numerous and diverse, it would be impossible to list them all. This lesson has divided these occupations into the following categories: production, supplies/sales, management, processing, service/ research and development, and communication and education.

Figure 2.1 illustrates six major career clusters in agricultural business.

Some examples of careers in production are crop producer, livestock producer, vegetable/fruit producer, aquaculturist, greenhouse grower, and farm laborer. A few of the occupations dealing with supplies/sales could involve selling seed, feed, equipment, or pesticides. Examples of management jobs are human resources, plant manager, and sales/marketing. Those who work in the processing category may be millers (soy flour, rice, wheat, etc.), canners, and those employed in ethanol plants and the meat processing industry, to name a few. Service and research and development positions include such jobs as veterinarian, fertilizer and seed applicators, custom baler, lawn and landscaping. Other

Figure 2.1 - Agricultural Business Career Clusters



Introduction to Agricultural Business

positions within this category include agricultural scientist, agricultural engineer, and agronomist.

The communication and education field includes careers in agricultural journalism, human resources, public relations, and advertising. Education in industry (training and development), teaching, and other education-related careers are also available in agriculture, such as university extension specialist and 4-H youth specialist. Other job opportunities may be found in agricultural company-sponsored in-services and training and adult education.

Educational Requirements for Careers in Agricultural Businesses

Educational requirements differ for the various careers within agricultural business. Also, each company may have its own minimum qualifications for the same type of job. Here are a few examples of agriculture-related jobs and the typical level of education required for obtaining them.

For professional careers a bachelor's degree, master's, or a Ph.D. (also called "doctor of philosophy," or "a doctorate," which is the highest academic level) is usually required. Examples include agronomist, agricultural chemist, conservationist, veterinarian, and agriculture teacher.

Experience in a specific area is required for management positions, depending on the business and its policies. Most management positions require a bachelor's degree. However, some companies offer a manager-in-training program that prepares the employee for the position so prior education is not necessarily required. Examples include agricultural sales manager, fertilizer plant manager, and farm machinery shop supervisor.

A vocational school usually offers the education needed to attain technical positions because the curriculum focuses on job-related skills. Some examples of technical occupations are florist, surveyor, and livestock manager, and farm machinery mechanic.

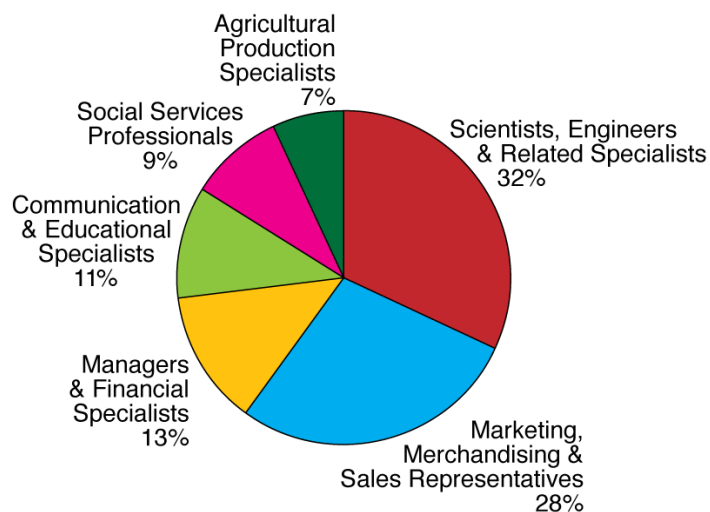
On-the-job training may be sufficient to perform in skilled positions. Some examples of jobs that require a specific skill include butcher, welder, and machine operator.

Unskilled jobs require no specialized training, education, or experience. The ability to perform these jobs can usually be achieved in a short period of time. Some examples are fruit picker, feed delivery helper, corn detassler, and greenhouse attendant.

With the rapid growth of technology and increased competition in the workplace, it becomes increasingly imperative to sustain an interest in lifelong learning. Keeping up with technological advances, such as updated software programs, enables a person to adjust to the unique needs within the workplace. Opportunities for learning are everywhere: on-the-job training, classroom, instruction, or in collaboration with coworkers. Agricultural journals, county cooperative extension agencies, and various professional organizations provide up-to-date information concerning agricultural business.

There is a direct connection between the level of education a person earns and the availability and quality of employment he/she may obtain. According to a 1999 report from USDA and Purdue University, students with a background in science and marketing skills will be in demand the most for the next 5 years. (See Figure 2.2.) Employment in engineering, science,

Figure 2.2 - Future Demand for Agricultural Careers



Career Opportunities in Agricultural Business

plus all the specialties of these disciplines, will account for 32% of the job opportunities. Merchandising, sales, and marketing will capture 28% of the available employment. Food scientists, landscape horticulturists, plant geneticists, and outdoor recreation specialists represent professions that are expected to be in demand as well. Each of these professions requires higher education or on-the-job training.

Benefits in Agricultural Business Careers

Many agricultural businesses offer employees a wide variety of benefits, which are financial programs, additional opportunities, or incentives in addition to salary. However, the diversity of agricultural businesses means that benefits will vary from one job to the next. Most part-time positions offer little or no benefits. Table 2.1 lists some of the basic benefits every full-time employee needs to understand, as well as additional benefits that may be unique to a particular company. Once hired, each person should investigate how specific benefits apply to him or her.

Table 2.1 - Benefits Available in Agricultural Careers

General Benefits	Additional Benefits
Health Insurance	Outdoor Work
Dental Insurance	
Disability	Wellness Program
Sick Leave	
Family Leave	Opportunities to Travel
Periodic Pay Raises	
Profit Sharing	Career Development Programs
Paid Vacation/Holidays	
Family Benefits	Tuition Assistance
Training Opportunities	

Many agricultural businesses provide health-related benefits to employees. The employer may pay a portion of the employees' medical bills through health and dental insurance. If employees become disabled as a result of a work-related accident, the employer may pay for part of their care. In addition, employees may be granted a certain number of paid sick days per year. Family leave is granted to individuals who require time off to care for relatives.

Financial benefits are also available in many agricultural businesses. Periodically, the employer may review employees' performance and determine if a raise in salary is appropriate. In profit sharing, a portion of the company's profits is distributed among all employees. Some companies also pay employees for a certain number of vacation days per year and for designated holidays.

Some companies also offer benefits to family members, such as membership to a gym. Often, employers enable employees to take classes or other training opportunities to enrich their knowledge.

Means and Opportunities for Advancement in Agricultural Business

Virtually every company offers different incentives and unique means to grow as an employee. Some offer a high starting salary with little opportunity for advancement; others start with a lower salary but have great opportunities for advancement. Several opportunities for advancement are available to employees, as described below.

While still in school, students who participate in a job shadowing program or work with a mentor in an agricultural business have the opportunity to explore the possibilities of working in that career. This exposure helps students determine if that occupation truly suits their interests and aptitude. As part of this experience, students typically learn how to develop a portfolio and résumé, which helps them identify specific skills required for the job.

Part-time jobs can help high school or college students gain experience in a field that interests them. These jobs may offer the opportunity to advance to full-time employment, and they can improve students' chances of getting better jobs at another company in the future.

Internships offer students an excellent opportunity to work alongside experts in the field and to learn more about a particular career or company. Internships may be paid or unpaid, and they offer the possibility of securing a job with the company in the future.

Introduction to Agricultural Business

Some companies offer on-the-job training that may lead to better, higher-paying positions that offer increased responsibility.

Opportunities for advancement also come to those who pay attention to their job performance. Employees who do a good job and prove themselves to be responsible and capable are more likely to be offered promotions than those who do not. Individuals in the sales/services sector receive higher pay and advancement if their sales records are high. If a salesperson advances, he or she may then target corporate clients. To attract higher-paying clients, the salesperson must exhibit effective sales skills, work hard, and demonstrate a commitment to the company.

The following examples illustrate how an employee might be promoted in three different agricultural businesses.

While studying horticulture at a local community college, Logan also worked part time at Jackson's Nursery and Landscaping Services. This job has given him the opportunity to learn more about working with plants than he might have learned in school. Logan's combination of job experience and education has made him a valuable employee, and the company has offered a full-time position when he graduates.

Katie became particularly interested in agronomy while taking a plant science course at a university. After a little research, she learned that Crop Quest offers summer internships that would allow her to work side-by-side with agronomists and gain hands-on experience scouting fields. She discovered Crop Quest's web site and learned that if she becomes an intern she will learn to write field reports and recommend such things as seed, fertilizer, and agricultural chemicals. Katie applied for the internship and was accepted. Crop Quest was impressed by her knowledge and her eagerness to learn. After the internship, Crop Quest encouraged Katie to apply for a full-time agronomist position once she graduates from college.

After working at Premium Standard Farms for 2 years, Joe has proven himself to be a reliable, capable worker. He would like to be promoted to a manager position,

but first he must complete the company's on-the-job training program for managers. As a manager trainee Joe must complete 6 weeks of training in each of the following production areas: nursery, farrowing, breeding, and gestation. These sessions do not have to be completed in any specific order, but a checklist must be filled in for the skills and knowledge Joe has gained in each area. After each of the four areas has been completed, the manager-in-training must spend 3 weeks as an assistant to the manager. At this time Joe would be responsible for filling out forms and completing the manager's daily activities under the manager's supervision. After 3 weeks of assisting the manager, Joe finally became eligible to apply for a manager position. If a position becomes available, Joe may interview for the job.

Rick has had various jobs, all of which have helped him develop his sales skills. After being dissatisfied with his previous job, Rick decided to apply for some sales positions at different food production companies. Hormel Foods was impressed by his résumé and hired Rick as a salesperson. Rick worked very hard, and with his help, the department's sales team increased its sales records dramatically. Because his pay was based partially on commission, Rick was soon making more money than he was when he started. Hormel rewarded Rick by offering him larger sales accounts, including a few of Hormel's corporate clients. With this increased responsibility came even more opportunity for Rick to earn a higher commission.

Summary

Careers in agricultural business are generally divided into six basic categories: production, supplies/sales, management, processing, service/research and development, and communication and education. Educational requirements vary according to each career. Sustaining educational growth is well advised in most agricultural businesses in order to succeed. Each occupation usually offers benefits. Some, such as dental and medical coverage, are typical; others are additional and unique to the career, such as working outdoors or traveling. The means and opportunities for advancement in agricultural business are as diverse as the careers in agricultural business.

Career Opportunities in Agricultural Business

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Introduction to Agricultural Business

Personal Skills Needed in Agricultural Business

Lesson 3: Personal Skills Needed in Agricultural Business

This lesson outlines personal skills that are necessary for success in agricultural business and describes how the employee can relate effectively to others within an organizational structure. It also discusses why professional development activities are important and how personal conduct affects career success.

Communication Skills Needed in Agricultural Business

Specific jobs require different communication skills; in agricultural business, employees should possess effective interpersonal, verbal, written, and presentation skills. They should be capable of addressing large and small groups under varying conditions and be able to communicate with diverse people, ranging from employer to customer.

In agricultural business, communication skills complement sales skills. Communication skills not only help sell products, but they also sell ideas and promote employees as the right person for the job. There are four basic types of communication skills.

Interpersonal Skills

In dealing with the public, maintaining eye contact during a conversation assures the other person that he or she has your full attention. It also helps establish credibility and demonstrate your sincerity. When speaking to a group, use eye contact to keep the audience's attention and to engage their interest. Briefly make eye contact with each individual. This gives each person the feeling that you are speaking directly to him or her. For example, when introducing yourself at a meeting, look at the faces around the room as you briefly tell others about yourself.

Upon greeting customers, offer a firm handshake and continue to maintain eye contact. This gesture exhibits confidence and friendliness and puts the customer at ease.

Having effective listening skills is vital, especially for a salesperson. To determine what customers need, a salesperson should provide full attention to the other person, listen attentively while the other person is talking, and refrain from interrupting. When the customer is finished explaining what he/she wants, respond and offer assistance. The customer will appreciate this courteous treatment and efficient service.

Verbal Skills

Working in agricultural business requires communicating verbally with coworkers, employers, customers, and a variety of other people both in person and over the telephone. With coworkers the employee should always be sincere, direct, and honest. After listening to the needs and concerns of a coworker, the employee can then respond effectively to that person.

Employees should always speak to their employer respectfully. If an employee disagrees with something his/her supervisor says, the best approach is to wait until work is over and then talk privately and calmly about the problem. Employers are a great source of information and guidance; employees can learn a great deal from them by using effective verbal skills.

Dealing with customers appropriately is essential for success in agricultural business. The employee's job is to provide customers with top-quality service. By speaking clearly and directly and projecting a friendly and courteous attitude, the employee can address the customers' needs efficiently.

To assist customers and suppliers, the staff of most agricultural businesses needs effective telephone skills. Using the telephone requires additional verbal skills: speaking clearly and descriptively so the lack of visual interaction will not present a problem for the caller. During every conversation, the employee should have all the necessary information available and help the caller as quickly as possible.

Introduction to Agricultural Business

Presentation Skills

In any business the need may arise for the employee to make a presentation to a client or coworkers. Whether using a presentation software program such as PowerPoint, or speaking directly to an audience, it is important to get everyone's attention and address the entire group. Just as an employee's verbal skills should be clear and articulate, his or her presentation should also be well prepared and organized. The speaker must think first, then talk, and maximize his or her voice and facial expressions to convey a sense of importance and excitement.

Written Skills

In many agricultural businesses, employees are expected to write various types of documents such as e-mail messages, business letters, and office memos. To write well, it is important to know the subject thoroughly; understand the purpose of the document; select language that the reader will understand; and write clearly, concisely, and logically.

All written communications must use professional language and have correct spelling, punctuation, and grammar. Never use slang or inappropriate language.

The format of each type of document varies. Even though e-mail tends to be a more casual form of written communication, when employees use this form of communication in a business setting, they should use professional language. Business letters are typically written on the company's letterhead; the layout is usually formatted in block style, as seen in Figure 3.2. Office memos, which relate to specific situations at work, typically have four components that are aligned on the left side of the page: the date, name of the person(s) to whom the memo is directed (TO:), name of the person who wrote the memo (FROM:), and what the memo is regarding (RE:). Often, memos are printed on the company's letterhead. For an example of a memo see Figure 3.3.

Figure 3.2 - Sample Business Letter

The sample business letter is formatted in block style on the company letterhead. The letterhead includes the company name "Steele Trucking, Inc." and a small image of a truck. The letter is addressed to Mr. Roger Martin at Midland Dairy Enterprises. The body of the letter thanks Mr. Martin for his interest and provides contact information for further questions. The letter is signed by Daniel Browning, Account Representative, and includes an enclosure.

Steele Trucking, Inc.

1118 Elm Drive
Columbia, MO 65202

January 22, 2001

Mr. Roger Martin
Midland Dairy Enterprises
710 Locust Ave.
Kirksville, MO 63501

Dear Mr. Martin:

Thank you for your interest in Steele Trucking. Our company does offer refrigerated transportation of food products.

In response to your letter, I have included a brochure of our rates and the different services that we have available. Steele has a reputation for providing high-quality services to the dairy industry for the past 9 years and looks forward to having the opportunity to do business with Midland Dairy Enterprises.

If you have any further questions please do not hesitate to contact me at 1(800) 798-2914 extension 214. Thanks again for considering Steele.

Sincerely,

Daniel Browning
Account Representative

Enclosure

Figure 3.3 - Sample Office Memo

The sample office memo is formatted in block style on the company letterhead. The letterhead includes the company name "Steele Trucking, Inc." and a small image of a truck. The memo is dated January 22, 2001, and is addressed to Marie Young. The sender is Daniel Browning. The subject is Midland Dairy Enterprises. The body of the memo states that the information requested has been sent to Mr. Martin at Midland Dairy Enterprises and asks for feedback.

Steele Trucking, Inc.
1118 Elm Drive Columbia, MO 65202 (800)798-2914

January 22, 2001

To: Marie Young

From: Daniel Browning

Re: Midland Dairy Enterprises

I have sent the information you asked me to mail to Mr. Martin at Midland Dairy Enterprises. Please let me know if you receive any more requests for brochures and/or rates.

Personal Skills Needed in Agricultural Business

Relating Effectively to Others within an Organizational Structure

To work within any type of agricultural business, employees must be able to interact effectively with their supervisor. It is important to cultivate a positive working relationship with the supervisor. This means completing all assigned tasks thoroughly, correctly, and on time; following company policies and procedures; and being at work on time.

In dealing with coworkers, employees must respect the rights and opinions of others and recognize that differences of opinion may arise. Tolerance must be extended to customers and supervisors as well. And even though individual opinions may vary, employees should strive to work cooperatively and productively with whomever they meet. If disagreements occur, everyone involved should calmly discuss the issues and find opportunities to compromise by being flexible and receptive. Each employee should do his or her fair share of the work.

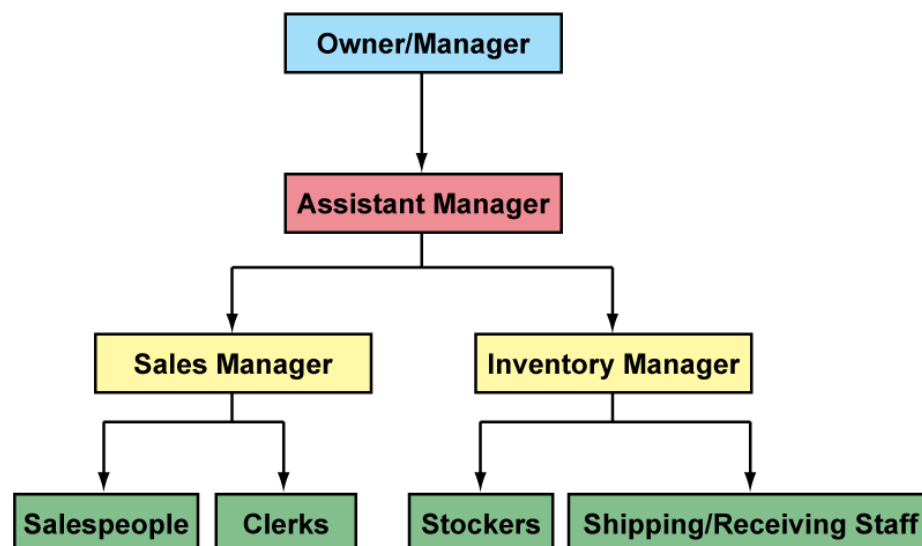
Teamwork is achieved when employees strive to achieve the company's overall goals through working cooperatively with coworkers and supervisors. When employees are recognized for their contributions, they become even more motivated. This enhances the sense of teamwork and promotes productivity.

The relationships among all positions within an organizational structure, from the least trained employee to the owner or senior executive, are commonly referred to the “chain of command.” Many people believe they do not matter because their work is an isolated aspect of the company. But all jobs are important and connected to one another.

All employees must identify the scope of their own jobs so they can determine where they fit within the organizational structure. Employees also need to identify how others' responsibilities are interrelated. Knowing how the organization is structured gives employees a sense of perspective and focuses their attention on the company's short- and long-term goals. Each employee should identify his or her direct supervisor and recognize the consequences of not performing the job properly. If problems occur between an employee and his/her supervisor, the employee must follow the chain of command, namely, address the situation directly with his/her immediate supervisor.

When looking at a business' organizational chart, it becomes apparent that all departments depend upon one another and all employees must cooperate to get the work done efficiently. Figure 3.4 illustrates how various departments are connected within one agricultural business.

Figure 3.4 - Organization Chart for Joe's Tractor Store



Introduction to Agricultural Business

An example of how the chain of command works is a meat processing plant, where each employee is responsible for a particular job. If the truck driver doesn't take the animals to the plant they cannot be processed. If the driver arrives, but the person who unloads the truck isn't there, the animals stay on the truck. Finally, if the animals stay on the truck, the plant will have no product to sell. If a scenario like this did arise, plant management would have to determine who supervised the workers who did not do their jobs. Once responsibility is traced to the manager, shift supervisor, or individual workers, the employee(s) accountable might be reprimanded, put on probation, or even fired. The consequences would vary with each agricultural business and the circumstance.

The traits that enable an employee to relate effectively within an organizational structure also apply to students' relationships at school. Being able to relate positively to both the teacher and classmates contributes to students' academic success. Students learn by completing their homework on time, striving for accuracy, and working cooperatively with others. Occasionally, students may have a particular problem or need to resolve specific questions. They then must determine the appropriate person to contact: the classroom teacher, gym teacher, club sponsor, guidance counselor, principal, etc. Every school has its own set of rules that students should follow. A major requirement of all students is to be on time to class.

Importance of Professional Development Activities

Self-improvement, obtained through participation in professional activities, is a key factor in getting promotions and pay raises. The purpose of professional development activities is to expose employees to new ideas and experiences. These valuable opportunities vary with each agricultural business. Some companies offer training classes, in-service sessions, or other activities that encourage employees to discuss events in the workplace. By sharing ideas with colleagues in related fields, for example at conferences or trade shows, employees become exposed to new ideas, enhance communication skills, and discover strategies for resolving challenges they face on the job.

Professional activities strengthen employees' present skills and teach new skills, which increase their value to the company. A key component to professionalism is keeping current with the latest developments in a specific agricultural business. By learning about up-to-date research, technology, equipment, supplies, and methodologies related to their jobs, employees broaden their understanding of agricultural business and greatly improve their chances of success. Developing an interest in related agricultural businesses increases the employees' technical expertise, which may also provide an effective way for advancement. Many agricultural businesses offer employees opportunities for advancement within the organization that could lead to a promotion and pay raise.

How Employee's Conduct Relates to Success in Agricultural Business

Workers should consider what behavior is appropriate. An employee who respects and understands others is more likely to get a promotion than an employee who is inconsiderate. Every employer expects workers to be at work on time and ready to work. This demonstrates responsibility and dedication to the job. Never spread rumors or engage in gossip, which demoralizes the entire staff, and always refrain from swearing or using vulgar or offensive language. In order to establish credibility with the employer, each employee must be able to handle his/her own finances responsibly. This means balancing a checkbook correctly, paying credit cards on time, and avoiding debt.

To succeed it is important to maintain satisfactory personal appearance at the workplace. Good hygiene practices include bathing regularly, brushing your teeth, and wearing clean clothes. Poor personal hygiene and a messy appearance might offend customers, coworkers, and supervisors. When dressing, workers should also consider what clothing is appropriate for the job. An agricultural journalist and a meat packer would not wear the same type of clothes to work. However, despite the differences in these two jobs and the types of outfits each person would wear, each employee is expected to be clean and neat. If an employee is unsure what attire is appropriate, ask the supervisor.

Personal Skills Needed in Agricultural Business

The employee's attitude can have a positive or negative effect on his/her success on the job. Demonstrating a positive attitude toward customers and coworkers and being nice to others encourages people to respond in a similar manner. Rude or discourteous behavior antagonizes colleagues and supervisors and alienates clients. If an employee has a positive attitude, it demonstrates an interest in the job. Courtesy, accuracy, and prompt service give customers confidence that their needs are being met, so they are more likely to return. Supervisors observe how employees' attitudes affect others in the workplace and this perception is often reflected in employees' performance reviews.

Another important factor in the workplace is expressed by the employee's work ethic. To succeed in agricultural business, all employees must be punctual, honest, and respect coworkers and supervisors. They should also perform tasks as requested, always striving for accuracy. If a company has its own policies and code of conduct, each employee should adhere to it closely.

Many jobs will involve managing money. These jobs should be taken seriously. Careful and conscientious management of the company's money demonstrates the employee's reliability, which could lead to a promotion or a raise.

Another important aspect of employee conduct involves maintaining confidentiality concerning the customers' records. To earn customers' trust, do not discuss information such as bank balances, customer accounts, etc., to any unauthorized personnel or nonemployee. Workers should also respect confidences from supervisors and coworkers.

The consequences of misconduct may range from an oral or written reprimand, which could appear in the employee's personnel record, to dismissal from the company. In either case, if an employee demonstrates any form of misconduct, he/she may receive an unfavorable reference. Typical reasons why employees lose their jobs are having a bad attitude, poor attendance, and incompetence.

Summary

Many personal skills are necessary to advance in agricultural business. Basic interpersonal, verbal, presentation, and written communication skills are required. Every employee needs to understand how workers relate to one another within a business' organizational structure, commonly referred to as the "chain of command." Some companies may offer professional development activities that strive to develop employees' personal skills. The types of activities vary among agricultural businesses. An employee's personal conduct has a major effect on whether that person will succeed in agricultural business. Behavior, personal appearance, attitude, and work ethics are all critical factors.

Credits:

Agribusiness, Sales, Marketing & Management (Instructor Guide). University of Missouri-Columbia, Instructional Materials Laboratory. 1997.

Hess, Peter M. *Career Success: Right Here, Right Now!* Albany: Delmar Publishers, 1999.

Hunter, Sharon, Marshall Stewart, Brenda Scheil, Robert Terry, Jr., and Steven D. Frazee. *Developing Leadership and Personal Skills*. Danville: Interstate Publishers, Inc. 1997.

Ricketts, Cliff. *Leadership: Personal Development & Career Success*. Albany: Delmar Publishers, 1997.

Ricketts, Cliff and Omri Rawlins. *Introduction to Agribusiness*. Albany: Delmar Thomson Learning, 2001.

Economic Principles of Agricultural Businesses

Lesson 4: Economic Principles of Agricultural Businesses

This lesson discusses basic economic principles affecting agricultural business: the relationship between supply and demand, the concept of opportunity costs, the difference between fixed and variable costs, and the difference between gross and net income.

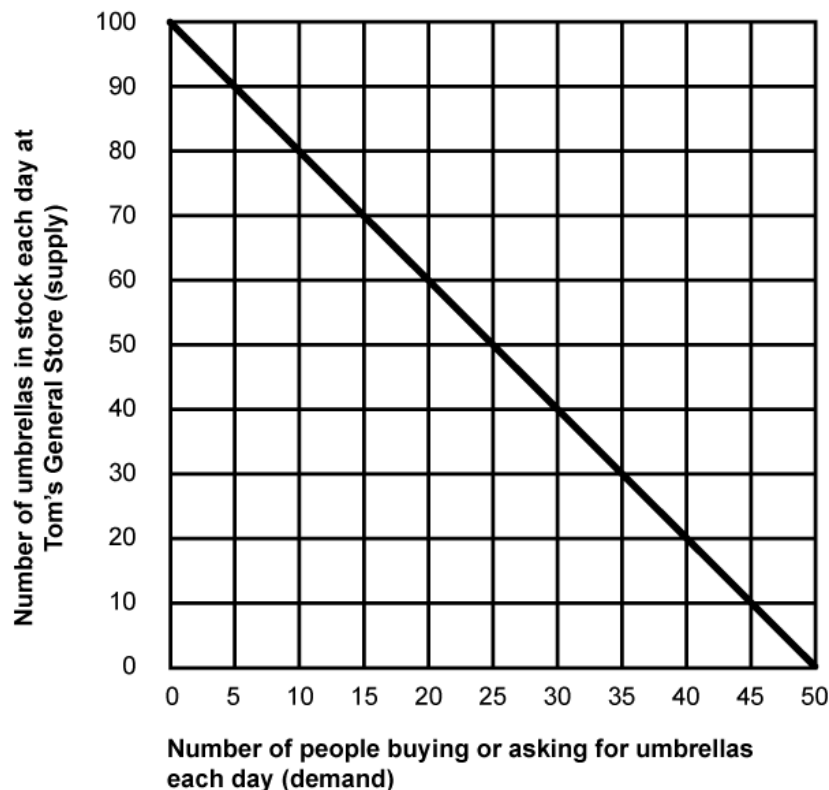
Relationship between Supply and Demand

Supply is the amount of goods or services that producers are willing and able to sell at different prices at a given time and place. Price affects supply. If the price of a product decreases, then less of the product is supplied. This is because the producer may not realize as much of a profit on that product. If the price increases, more of the product is supplied. The

producer may be able to realize more profit. Supply is also affected by demand. If consumers want more of a product at a given price (demand), the supply is increased. If consumers do not want a product at a given price, the supply is decreased.

Demand is the amount of goods or services that consumers are willing and able to buy at a given price at a specific time and place. Demand is also affected by price. If the price of a product decreases, more products will be bought. Consumers will benefit from purchasing goods at a lower price. As demand increases, supply may decrease because the quantity of available goods may decrease. If it rained for 2 weeks straight, then the demand for umbrellas would increase. This demand would cause a decrease in the supply of umbrellas because stores would be selling them as fast as possible. On the other hand, during a drought, people would have no use for umbrellas and the demand would be low. Because stores would not be selling very many, supply would be high. To see what this relationship looks like on a graph, refer to Figure 4.1.

Figure 4.1 - Supply and Demand of Umbrellas during Rainy Weather



Opportunity Costs

We are constantly making choices. Every time we decide to do something there are many options we decide against. In business, the difference between the return on an investment and the return on the next best alternative is called an opportunity cost. Agricultural businesses consider their opportunity costs when deciding what to buy or what actions they should take. In other words, opportunity cost is the value of the best alternative not selected.

Introduction to Agricultural Business

In decision making, the opportunity cost is what you decided **not** to do. Every agricultural business, in balancing its limited sources of finances, land, and labor, must consider opportunity costs. The following example illustrates this concept. For the past 3 years, Joe worked part time at a farm equipment store and earned \$433 annually. This year Joe wants to do something different, so he quit his part-time job. His opportunity cost is the \$433 he used to earn every year at the farm equipment store.

Fixed and Variable Costs

All businesses, from small individually run companies to large corporations, have many types of expenses. Two ways of categorizing these expenses are fixed costs and variable costs.

Fixed Costs

Fixed costs are costs that remain constant regardless of the level of production. These include expenses that have to be paid regularly, such as depreciation, interest, repairs and shelter, taxes, and insurance. These costs may be referred to as ownership costs and are important to consider when completing budgets for both businesses and for individuals.

Variable Costs

Variable costs change according to the level of production or depending on the amount of time the resource is used. Examples include fertilizer, chemicals, seed, oil, inventory, salaries, payroll, supplies, advertising, utilities, telephone, and principal payment. These costs may also be referred to as operating costs.

Gross and Net Income

Income is very important for any business. If there is no income, a business eventually will have to close or declare bankruptcy. It is important for a business to accurately record its income so it can stay within a budget and so it will know how much income tax it will owe at the end of the year.

Gross income is the total amount received after selling a product or performing a service. Gross income does not consider any deductions for supplies, labor, etc., or any operating expenses.

Net income is the actual amount gained from a service or product after all production and operating expenses have been subtracted. Personal net income is calculated by subtracting all payroll deductions from the gross income. Examples of standard personal payroll deductions include Social Security, state and local taxes, and health insurance. An employee's net income must also deduct individual expenses such as rent, utilities, food, and life insurance.

When calculating the net income of an agricultural business, that company considers many factors: their employee payroll, any operating and production costs, phone, electricity, etc. An example would be if a salesperson sells a tractor for \$250,000. But the company does not make that amount. It must subtract all expenses that have gone into selling the tractor, such as the cost of making the tractor, the salesperson's salary, shipment of the tractor, cost of phone and electricity, and future service if there is a warranty.

Summary

Those involved in agricultural business should understand the basic economic principles affecting the industry such as the relationship between supply and demand and the concept of opportunity costs. They should also be aware of the definitions of fixed and variable costs and how gross income differs from and net income.

Credits:

Agribusiness Sales, Marketing & Management (Instructor Guide). University of Missouri-Columbia, Instructional Materials Laboratory, 1997.

"Introductory Economics Revision Notes: Supply and Demand." <<http://www.bized.ac.uk/stafsup/options/notes/econ207.htm>> (1-5-01)

Activities Used in Agricultural Businesses

Lesson 5: Activities Used in Agricultural Businesses

Like all businesses, agriculture businesses must devise effective means for sustaining their operations. They must keep track of expenses and many records and advertise their products or services so the public will know they exist. To sell their products or services, business owners must also be aware of the available markets.

Types of Records Kept in Agricultural Businesses

The records a business should keep largely depends on the type of business. For example, if someone's agricultural business is dedicated entirely to producing corn, then maintaining records on livestock or soybeans would be unnecessary. Whereas all businesses track their progress differently, certain records must be kept regardless of the type of business.

One record agricultural businesses should keep is accounts payable. This record tells the owner how much money the business owes outside vendors for goods and services. For example, an aquaculture business that raises and sells catfish may owe a supplier for the fish stock, equipment, and medical supplies. Accounts payable can be short- or long-term debts. An example of a long-term debt, also known as a capital debt, would be if an agricultural business requires any capital expense such as an expensive irrigation system and it would take 2 or more years of gradually repaying a bank loan.

In addition to keeping track of what the business owes, owners should record what is owed to them. This record is called accounts receivable. It records the amount of money owed to the business for goods and/or services that customers have purchased using credit. These debts accumulate when customers purchase products or services with credit. Credit can be extended anywhere from 30 days to several years depending on the type of business and the cost of its products. For example, if a business sells tractors,

the owner might accept monthly payments from customers with good credit. This type of financing usually accumulates interest and can take up to 5 years to pay. Some agricultural businesses receive payment immediately, such as a local bakery that receives cash from its customers.

Some types of businesses, such as local convenience markets, receive most of their payments in cash, credit cards, or checks. They may have short-term accounts receivable for 30 days, after which interest is applied and sometimes a service charge.

Another important record for businesses to maintain is inventory. Inventory is an accurate count of available items in stock and represents the agricultural business' consumable supplies. Keeping up with inventory is a consideration in determining the net worth of a business, and it is required for tax purposes.

Insurance is important because it helps protect the business from suffering major financial losses due to theft or fire. Insurance is also a valuable asset because it helps cover medical expenses if a customer is injured or if an employee is hurt on the job.

Every agricultural business that has employees has a payroll. This is a record of how much the company has paid each employee in the past. Payroll includes writing employees' paychecks so they will be paid on time. Generally, employees are paid either every week, every 2 weeks, or once a month. Businesses also keep track of government related expenses such as payments of licensing fees and of city, state, and federal taxes. Employees should also maintain an organized record of their salary and payroll deductions.

It is important for agricultural businesses to keep receipts of items that it buys and to write receipts for customers when they make purchases. Receipts should include the date of the purchase, what items were purchased and how many, how much they cost, how much tax was added to the cost, and the total. If a receipt is written by hand, the salesperson should always sign it. Businesses that write receipts by hand

Introduction to Agricultural Business

generally use something that looks like the example in Figure 5.1. It is a good idea for businesses that use this type of receipt to keep a carbon copy for their records. Many businesses have cash registers that automatically print receipts. Customers should keep receipts in case problems arise with the product after the purchase. Businesses have various policies on handling complaints, but if the customer has a receipt, the business usually does its best to satisfy the customer.

Figure 5.1 - Generic Receipt

Date: / /

Acct. Name:

Acct. #:

Reg. #	Clerk:	Account Forwarded	\$	¢
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
183075		Tax		
		Total		

Official account information. Please return if error is detected.

Recording production information helps the agricultural business plan for the future. Two examples in agricultural business would be maintaining production information for crop producers and livestock producers. Crop producers should keep track of the number of seeds planted, the size of the crop or number of plants harvested, type of fertilizer applied, and amount of irrigation required, etc. On the other hand, if the business raises livestock it should keep track of the number of animals born each breeding season, which animals gave birth and the number of offspring, the condition of the offspring, and the male used for

breeding. Animal producers should also record what shots were given to each animal and when.

Business owners may also want to keep records of communication that document correspondence that might be referenced at a later date. These records may include correspondence between employees and management and all information that is discussed between the business and its customers. An example of this would be if a nursery-landscaping service sold someone a riding mower with a service warranty, a copy of the contract would be necessary for the business' records.

Maintaining a file of employee information is also helpful. This file could include the date the employee was hired, the worker's attendance, rate of pay, someone to notify in case of an emergency, and home address and phone number so the business can mail pay checks or tax information. Companies may choose to include other items in this file as well, such as performance evaluations.

Why Agricultural Businesses Advertise and Promote Their Activities

Businesses want potential customers to know what they have to offer. That is why many companies devote a major portion of their budgets developing logos, slogans, and advertisements. Agricultural businesses advertise and promote their activities for diverse reasons. Some common motivations are to:

- Inform consumers that a certain product or service is available
- Let customers know how much a product or service costs
- Increase sales of a particular product or service
- Create a positive relationship with consumers
- Promote business-sponsored special events that might interest consumers

Advertising is the primary way businesses communicate with the public. If a company doesn't make an effort to promote its products then its competitors will be one step ahead.

Activities Used in Agricultural Businesses

How Agricultural Businesses Advertise

Businesses have diverse sources to choose from when deciding how to advertise. Each method varies in cost and reaches a different audience. Before deciding where to advertise, agricultural business should consider all of these alternatives.

Newspapers are a good way for local businesses to reach many potential customers because they generate sales quickly and the ads are inexpensive compared to other media.

Trade journals and magazines allow agricultural businesses to design high-quality color ads, which are more expensive than newspaper ads, that are aimed at audiences with specific interests and needs. Because these publications usually circulate longer than newspapers, there is a high likelihood that the targeted consumer will read the advertisement. The most common magazine advertisers are corporations or large companies that offer services to a broad customer base.

Radio allows businesses to use catchy jingles and slogans that increase name recognition. These ads can target a specific audience by advertising on stations that are popular with the agricultural business' potential client base. Radio reaches a large amount of people at once and is considered a good advertising medium for small, local companies as well as large corporations.

By incorporating both video and audio, television commercials attract the audience's attention by using more senses than newspapers, magazines, or radio ads. The ads can target a specific area or a wide audience, depending on the broadcast station. Because television advertising can be very expensive, large companies comprise the bulk of advertisers on the major networks such as ABC, NBC, CBS, and FOX. Cable television can also provide advertising at the local level. Local stations do offer more affordable rates for smaller businesses.

The Internet is a fairly new medium for advertising. Through sound and animation on their web site, agricultural businesses can add creativity to their

advertisements. Related sites may also sell advertising space on their pages. This method of advertising could quickly reach millions of customers worldwide and is inexpensive compared to other advertising techniques. Advertising via the Internet could allow the company to connect with many potential customers who might never have heard about the company. Although Internet advertising is primarily used by large organizations serving a wide range of people, it is an ideal option for a small business offering an unusual product.

Other methods for advertising are through mailings, brochures, and coupons. These are typically sent to residents or are available for free in supermarkets or newspapers. Often a customer will try a new product or service because of a discounted price.

Available Markets in Agricultural Businesses

Many markets are available to agricultural business owners. Another way to think of a market is to consider it as an opportunity for a business to sell its products. Depending on the size of the business and the amount of products produced, one market might be more appropriate than another.

One way businesses sell products is by direct marketing. This type of marketing involves selling raw products to processors without the aid of an intermediary company. Producers selling large crops or a large number of livestock often use direct marketing. A farmers' market is a local form of direct marketing.

A business uses wholesale marketing when it buys products in bulk from processors and resells the products to retailers (salespersons) at a slightly higher cost. Wholesalers buy and sell large volumes of merchandise; their profit comes when they resell the product. A meat packing plant that buys large amounts of pork and then sells the meat to a retailer for a profit is using wholesale marketing.

When a customer walks into a store and buys something, that business is using retail marketing. Most retailers buy merchandise from a wholesaler or some other discounted supplier and resell the product for more than they paid. In addition to selling at regular

Introduction to Agricultural Business

stores, retail businesses also sell products through mail-order catalogs. A familiar agricultural retailer is MFA Oil, which purchases large amounts of gasoline from a supplier and sells it for a profit to the consumer.

A new marketing option is electronic marketing. This allows businesses to buy and sell products via their web sites. As an example, livestock breeders can search the Internet for top-quality purebreds and negotiate a price with the owners. Customers can now order merchandise over the Internet, and some businesses offer secured web sites that protect customers who provide information such as credit card numbers.

Summary

In order to remain in business, all companies must keep records of important information, know how to advertise their products and/or services, and understand the available markets. With a firm grasp of these concepts, agricultural business owners greatly improve their chances for success.

Credits:

Agribusiness, Sales, Marketing & Management (Instructor Guide). University of Missouri-Columbia: Instructional Materials Laboratory, 1997.