

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

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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			
<small>Official account information. Please return if error is detected.</small>					

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.

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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

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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.