

## Lesson A2–6

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# Identifying and Understanding Various Agribusiness Companies

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**Unit A.** Introduction to Agribusiness

**Problem Area 2.** Understanding Business Management and Structures

**Lesson 6.** Identifying and Understanding Various Agribusiness Companies

### **New Mexico Content Standard:**

**Pathway Strand:** Agribusiness Systems

**Standard:** VI: Use sales and marketing principles to accomplish an AFNR business objective.

**Benchmark:** VI-A: Conduct market research.

**Performance Standard:** 1. Evaluate methods of marketing products and services. 2. Apply economic principles to marketing (e.g., supply and demand). 3. Research products and service design(s).

**Student Learning Objectives.** Instruction in this lesson should result in students achieving the following objectives:

1. Explain the size and importance of the agribusiness sector to the United States.
2. Describe the agribusiness input sector and identify companies involved in it.
3. Describe the agribusiness output sector and identify companies involved in it.
4. Explain the agriservices sector and describe its two main segments.

**List of Resources.** The following resources may be useful in teaching this lesson:

**Recommended Resources.** One of the following resources should be selected to accompany the lesson:

Lee, Jasper S., et al. *AgriMarketing Technology: Selling and Distribution in the Agricultural Industry*. Danville, Illinois: Interstate Publishers, Inc., 1994. (Textbook, Chapters 7 and 8).

Morgan, Elizabeth M., et al. *AgriScience Explorations*, Third Edition. Upper Saddle River, New Jersey: Prentice Hall Interstate, 2004. (Textbook and Activity Manual).

Ricketts, Cliff and Omri Rawlins. *Introduction to Agribusiness*. Albany, New York: Delmar Publishers, Inc., 2001. (Textbook, Chapter 2).

**Other Resources.** The following resources will be useful to students and teachers:

Gibson, Jerry D. *Agribusiness: Management, Marketing, Human Resource Development, Communication, and Technology*. Danville, Illinois: Interstate Publishers, Inc., 2001. (Textbook, Chapter 1).

## List of Equipment, Tools, Supplies, and Facilities

Writing surface

Overhead projector

Transparencies from attached masters

**Terms.** The following terms are presented in this lesson (shown in bold italics):

Agribusiness input sector

Agribusiness output sector

Agricultural cooperatives

Check-off

Exports

International trade

Poverty

Private agriservices

Public agriservices

Quality of life

Trade associations

**Interest Approach.** Use an interest approach that will prepare the students for the lesson. Teachers often develop approaches for their unique class and student situations. A possible approach is included here.

*Begin the lesson by asking students to name what they think of when you mention the word “agriculture”. Many will probably say that farming comes to mind. Explain that the agricultural industry is made up of much more than farming. Even though the number of farms in the United States is on the decline, the number of jobs associated with agriculture is on the rise. Use this discussion to move into the lesson’s first objective.*

## Summary of Content and Teaching Strategies

**Objective 1:** Explain the size and importance of the agribusiness sector to the United States.

**Anticipated Problem:** Why is the agribusiness sector important to the United States?

- I. Agriculture is the largest industry in the United States. It accounts for approximately 17 percent of the nation’s total economic output. It is also the nation’s largest employer, providing more than one out of every five jobs. Agriculture contributes to quality of life in the United States **Quality of life** is having a good environment for living. Agriculture contributes to the quality of life in several ways. A few of the ways are listed here.
  - A. The United States is a strong nation because of agriculture. We have an abundance of food available at affordable prices. Because we spend less on food, more money is left over to spend on housing, clothes, and recreational activities.
  - B. **International trade** is buying and selling goods by two or more nations. Goods sold to another country are **exports**. Agriculture strengthens our country’s well-being by providing jobs and by producing products that are exported.
  - C. **Poverty** exists when people do not have enough money to buy food, clothing, and shelter. Because the agribusiness industry is advanced in the United States poverty is not as wide spread as it is in countries with less advanced agribusiness sectors.

*Use selected readings in the recommended resource texts to provide a more complete understanding of this objective. Follow up the reading by displaying TM: A2–6A. It will provide a good overview of how agriculture and agribusiness contribute to quality of life in the United States.*

**Objective 2:** Describe the agribusiness input sector and identify companies involved in it.

**Anticipated Problem:** What is the agribusiness input sector? What are some examples of companies that operate in it?

- II. The **agribusiness input sector** is all of those businesses involved in providing supplies needed in the production of agricultural products. This sector plays a major role in the production of

food and fiber. They supply production agriculture with the feed, seed, machinery, chemicals, and credit needed to operate. Examples of some of the larger companies involved in this sector include:

- A. Deere and Company which manufactures machinery used by producers in raising and harvesting their crop.
- B. Ralston Purina Company produces feed that is used by animal producers.
- C. Pioneer Seed is a leader in the production of seed used by producers involved in the production of plants.
- D. Monsanto Chemical Company is the nation's largest supplier of chemicals used in agricultural production.
- E. Phillips Petroleum Company produces the fuel and lubricants needed by producers to run their mechanized equipment. These products are especially important to agriculture because production agriculture requires more petroleum than any other single industry.

*Have students read the suggested chapters in any of the recommended references. They all provide a good overview of the agribusiness input sector. Use TM: A2–6B as a source for the class to develop a list of other companies that would fit into the input sector.*

**Objective 3:** Describe the agribusiness output sector and identify companies involved in it.

**Anticipated Problem:** What is the agribusiness output sector? What are some examples of companies involved in it?

- III. The **agribusiness output sector** is made up of all the businesses that handle agricultural products from the location of their production to the final consumer. The USDA estimates that over 600,000 businesses, employing 20 million workers are engaged in this sector. It is comprised of businesses that buy, store, grade, process, sell, insure, and advertise agricultural products. Examples of some of the types of companies involved in this sector include:
- A. Grocery merchandisers including Wal-Mart, Albertson's, and Jewel.
  - B. Transportation companies like W.R. Grace and Union Pacific Railroad.
  - C. Wholesalers including Archer Daniels Midland and Conagra.
  - D. Forestry products merchandisers like Boise Cascade and Mead Paper Company.

*Have students read any of the suggested chapters in the recommended resource texts to gain a more complete understanding of this objective. Display TM: A2–6C and use it to illustrate the amount of revenue these companies derive from the sale of agricultural products. Through classroom discussion, have students identify other additional companies that make up the agribusiness output sector.*

**Objective 4:** Explain the agriservices sector and describe its two main segments.

**Anticipated Problem:** What is the agriservices sector and what are its two main segments?

IV. The agriservices sector of the agricultural industry is involved with researching new and better ways to produce and market food. Businesses in this sector are also concerned with protecting producers and consumers and providing custom-type services to all segments of agriculture. The agriservices sector is made up of both public and private agencies. Traditionally, public agencies have played the dominant role in the agriservices area, but in recent years, private organizations are increasing the number and types of services they offer.

- A. **Public agriservices** provide special services at the local, state, and federal levels. The major areas of emphasis include research, education, communication, and regulation. Examples of public agriservice agencies include the United States Department of Agriculture (USDA), Agricultural Research Service (ARS), Food and Drug Administration (FDA), and the Department of the Interior.
- B. **Private agriservices** are non-governmental entities that provide special services to the agriculture industry. The USDA estimates that over \$1 billion is spent annually for private agriservices. This group employs in excess of 100,000 workers. There are three major areas that comprise the private agriservices available to the agricultural industry.
1. **Financial services** provides money to all sectors of the agricultural industry. They are made up of banks, the Farm Credit System, insurance companies and other individual businesses. These types of businesses lend money for a variety of uses including for the purchase of land and equipment, the acquisition of seed and fertilizer, and for the day-to-day capital needs of businesses.
  2. **Trade associations** are made up of members who share an interest in a common enterprise. They serve agribusiness and promote the production and use of particular agricultural products. Examples of trade associations include the Illinois Corn Growers Association and the National Pork Producers Council. These associations represent their membership in areas such as promotion, public relations, and legislative lobbying. They are commonly funded through membership dues or by a **check-off**, where a portion of a producer's sales revenue goes directly toward funding the association.
  3. **Agricultural cooperatives** are businesses that are financed, owned, and controlled by the people who use them. Cooperatives are made up of people with common interests. There are over 4,200 cooperatives in existence. They provide production supplies and services, assist in marketing products, and aid in supplying electricity to rural areas.

*Have students read any of the suggested chapters in the recommended resource texts. Organize the class into teams of four to five students. Assign each team the task of contacting a trade association to determine things such as who their members are, what services they provide, and how they are funded. Much of the research can be conducted using the Internet. After the teams have gathered their findings, use classroom discussion to aid in helping students to fully understand this objective.*

**Review/Summary.** Use classroom discussion of the lesson's student learning objectives to aid in summarizing the content. Use student responses to identify which areas need to be covered in more detail. The summary sections at the end of the chapters in the recommended resources will also provide good review material.

**Application.** The activities at the end of the chapters in the recommended resource texts provide good suggestions for applications. Assigning students the task of researching companies from various agribusiness sectors will also aid them in applying the content of the lesson.

**Evaluation.** Evaluation should focus around student comprehension of the lesson's learning objectives. The questions at the end of the chapters in the recommended resource texts may be helpful. A sample written test is also attached.

## **Answers to Sample Test:**

### **Part One: Matching**

1 = d, 2 = a, 3 = b, 4 = e, 5 = c

### **Part Two: Completion**

1. Private agriservices
2. Exports
3. Agribusiness input sector
4. Poverty

### **Part Three: Short Answer**

1. Possible answers may include:
  - A. Deere and Company—Manufactures machinery used by producers in raising and harvesting their crop.
  - B. Ralston Purina Company—Produces feed that is used by animal producers.
  - C. Pioneer Seed—A leader in the production of seed used by producers involved in the production of plants.
  - D. Monsanto Chemical Company—supplier of chemicals use in agricultural production.
  - E. Phillips Petroleum Company—produces the fuel and lubricants needed by producers to run their mechanized equipment.
2. Possible answers may include:
  - A. Grocery merchandisers including Wal-Mart, Albertson's, and Jewel.
  - B. Transportation companies like W.R. Grace and Union Pacific Railroad.
  - C. Wholesalers including Archer Daniels Midland and Conagra.
  - D. Forestry products merchandisers like Boise Cascade and Mead Paper Company.

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# Test

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## Lesson A2–6: Identifying and Understanding Various Agribusiness Companies

### Part One: Matching

*Instructions.* Match the term with the correct response. Write the letter of the term by the definition.

- a. Check-off
- b. International trade
- c. Trade associations
- d. Agricultural cooperatives
- e. Agribusiness output sector

- \_\_\_\_\_ 1. Businesses that are financed, owned, and controlled by the people who use them.
- \_\_\_\_\_ 2. A type of trade association funding mechanism wherein a portion of a producers sales revenue is allocated.
- \_\_\_\_\_ 3. The buying and selling of goods by two or more nations.
- \_\_\_\_\_ 4. Made up of all the businesses that handle agricultural products from farm to consumer.
- \_\_\_\_\_ 5. Made up of members who share an interest in a common enterprise.

### Part Two: Completion

*Instructions.* Provide the word or words to complete the following statements.

- 1. Non-governmental entities that provide special services to the agricultural industry are known as \_\_\_\_\_.
- 2. \_\_\_\_\_ are goods sold to another country.
- 3. All of the businesses involved in providing the supplies needed for agricultural producers are known collectively as the \_\_\_\_\_.
- 4. The situation when people do not have enough money to buy food, clothing, and shelter is known as \_\_\_\_\_.



# **AGRICULTURE CONTRIBUTES TO QUALITY OF LIFE THROUGH:**

- National Strength—Abundance of food contributes to more available money for shelter, clothing, and recreational activities.**
- International trade—Provides jobs and aids in strengthening economy**
- Poverty is reduced—Abundant food supply is readily available due to advanced agricultural industry.**

# **COMPANIES INVOLVED IN THE AGRIBUSINESS INPUT SECTOR**

- E.I. Du Pont De Nemours—  
Chemicals**
- Dow Chemical—Chemicals**
- Caterpillar—Machinery**
- Pfizer—Animal Pharmaceuticals**
- Monsanto—Chemicals and Seeds**
- Case Equipment—Machinery**
- Amoco Oil—Petroleum Products**

# **REVENUES OF COMPANIES INVOLVED IN THE AGRIBUSINESS OUTPUT SECTORS**

<b>Company Name</b>	<b>Revenue (\$ Millions)</b>
<b>Wal-Mart Stores</b>	<b>93,267</b>
<b>State Farm Insurance Companies</b>	<b>40,810</b>
<b>RJR Nabisco</b>	<b>16,008</b>
<b>Archer Daniels Midland</b>	<b>16,672</b>
<b>Anheuser—Busch</b>	<b>12,326</b>
<b>McDonald's Restaurants</b>	<b>9,795</b>
<b>Campbell Soup</b>	<b>7,278</b>
<b>Mead Paper Company</b>	<b>5,179</b>
<b>Circle K Stores</b>	<b>3,565</b>