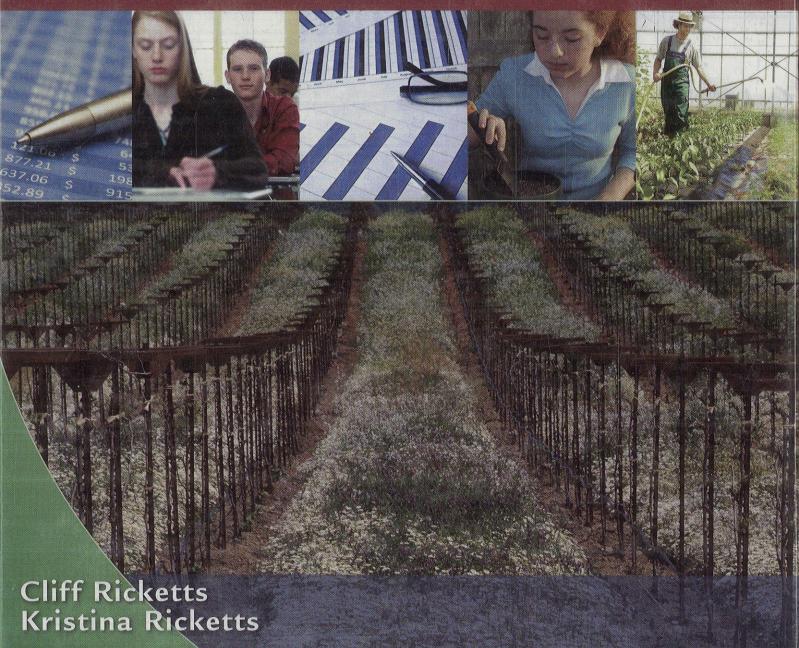
SECOND EDITION

## Agribusiness

FUNDAMENTALS & APPLICATIONS





Preface	XXX	The Steam Era	14
About the Authors	xxxi	Internal Combustion Engine	14
Acknowledgments	xxxii	Fuels Used	14
UNIT 1		The Beginning of Internal Combustion Engines	14
Introduction to Assibusing	4	Farm Tractors	15
Introduction to Agribusiness	1	The First Gasoline-Powered Tractor	15
Chapter 1		Effect of World War I on Tractor	
Agriculture and Agribusiness	3	Production	15
Introduction	4	Effect of the Depression Years on Tractor Production	15
What Is Agribusiness?	4	Henry Ford and the Tractor	15
Is Farming an Agribusiness?	5	Power Take-Off Units, Tricycle-Type	13
Is Agribusiness the Same		Tractors, and Rubber-Tired Tractors	16
as Agricultural Economics?	5	Effect of the Shift from Animal Power	
The Big Picture of Agribusiness	6	to Tractor Power	16
Agribusiness Affects Us Daily	6	Decreased Demand for Animal Feed	16
Farming and Agriculture before		Reduced Labor Time and Cost	16
Agribusiness	7	Advent of Various Fuels	16
Life before Agriculture	7	Modern Tractor Accessories	16
Early Agricultural Development	8	Increased Size and Four-Wheel Drive	16
The Bronze Age	9	Success of American Agribusiness	17
The Iron Age	9	Conclusion	18
The Middle Ages (A.D. 400-1500)	9	Summary	18
The Evolution of Farming		END OF CHAPTER ACTIVITIES	19
and Agribusiness in America	9	REVIEW QUESTIONS	19
The Era after the American Revolution	10	FILL IN THE BLANK	20
The Agricultural and Industrial Revolution	10	MATCHING	21
First Half of the Twentieth Century	11	ACTIVITIES	22
Career Option: Agricultural Scientist-			
George Washington Carver	12	Chapter 2	
Latter Part of the Twentieth Century	12	Agricultural Economics	
Historical Development of Modern Farm Equipment	13	and the American Economy	23
Beginning of Change	13	Introduction	24
From Manpower to Horsepower	14	Definitions of Economics	24
	• •	Demandra of Economics	44

Three Major Components of Economics	24	Characteristics of the American Economy	30
Scarcity	24	The Role of Government	31
Shortage versus Scarcity	24	Freedom of Enterprise	31
Types of Resources	25	Freedom of Choice	31
Natural Resources (Land)	25	Private Property	31
Human Resources (Labor)	25	Profit Incentive	32
Manufactured Resources (Capital)	25	Competition	32
Entrepreneurship (Management)	25	Macroeconomics versus Microeconomics	32
Wants and Needs	25	Macroeconomics	32
Three Basic Economic Questions	26	Gross Domestic Product	32
What Goods, and How Much, to Produce	26	Aggregate Supply	3 <i>2</i>
How to Produce Goods	26	Aggregate Demand	3 <i>2</i>
Who Should Get What?	26	Unemployment Rate	33
Combining the Economic Ingredients	26	Inflation and Deflation	33
What Type of Pie to Produce?	26	Monetary Policy	33
What Combination of Ingredients to Use?	26	Fiscal Policy	33
How to Divide the Pie?	26	Microeconomics	33
Economic Systems	27	Markets and Prices	33
Traditional System	27	Supply and Demand	33
Capitalism	27	Competition and Market Structure	33
Socialism	27	Income Distribution	33
Fascism	28	Business Failures	33
Communism	28	Role of Government	33
Mixed Economic Systems	28	Positive versus Normative Economics	33
American Economy Is Mixed	28	Positive Economics	33
American Agriculture and the Mixed		Cost-Benefit Analysis	34
Economic System	28	Normative Economics	34
Economics-A Historical Perspective	29	Political Campaign Statements	34
The Father of Economics	29	Interrelationship between Positive	
Adam Smith's Proposed Economic System	29	and Normative Economics	34
The Influence of David Ricardo		Agricultural Economics	35
and Thomas Malthus	29	Career Option: Agricultural Economist	35
The Role of Government versus the Role of Individuals	29	Early Agricultural Economics Centered around Farm Production	35
Economic Classification According to the Role of Government in Economic	20	Specialty Areas in Agricultural Economics	36
Decisionmaking	29	Conclusion	36
Classical Economic Theory	29	Summary	37
Keynesian Economics	30	END OF CHAPTER ACTIVITIES	38
Competition	30		
Individual Economic Freedom	30	REVIEW QUESTIONS	38
Political Party Philosophy	30	FILL IN THE BLANK	38

MATCHING	39	Agribusiness Energy as a Petroleum	
ACTIVITIES	39	Alternative	54
		Agribusiness and the Environment	54
Chapter 3		Case Study 1: MTSU's Dr. Cliff Ricketts Hybrid Hydrogen Truck	55
The Size and Importance		Career Options: Environmental Manager,	
of Agribusiness	41	Conservationist	56
Introduction	42	Environmentalists in Agribusiness	56
Size and Importance of Production		Natural Resources Conservation Service	58
Agriculture	42	Summary	58
Land	42	END OF CHAPTER ACTIVITIES	59
Products	42	REVIEW QUESTIONS	59
Percent of Food Dollar to the	4.4	FILL IN THE BLANK	60
Production Agriculturalist  Efficiency of Production Agriculture	44 45	MATCHING	60
Why Is Efficiency So Important?	<b>45</b> 46	ACTIVITIES	61
U.S. Agriculture and the Global Economy	46 46		
Issues	<b>4</b> 7	-	
Magnitude	47	Chapter 4	
Events Shaping the Global Agricultural	77	Emerging Agribusiness	
Market	47	Technologies	62
World Trade	47	Introduction	63
The Agribusiness Economy	48	Global Positioning	63
The Agribusiness Input Sector	48	Purpose of Global Positioning and Field	
The Agribusiness Output Sector	48	Management	63
Processing and Manufacturing Sector	49	Origin of the Global Positioning System	63
Agriservices	49	Global Positioning and the Environment	64
Public Agriservices	50	Precision Farming	64
Private Agriservices	50	Genetic Engineering	64
Financial Services	52	Advantages of Using Genetic Engineering	65
Trade Associations	52	Transforming a Single Gene	65
Agricultural Cooperatives	52	Transfer to a Totally Unrelated Plant	65
Agribusiness and Foreign Trade	52	Making Hybrids from Plants That Cannot	03
Agribusiness and Energy	53	Be Cross-Pollinated	65
Agriculture as a User of Energy	53	Producing Disease-Resistant Plants	65
Energy Produced from Renewable Agricultural Products	53	Producing Plants That Are Toxic to Insects But Not Humans	65
Direct Burning	53	Producing Crops That Are Tolerant	
Ethanol Production	53	of Herbicides	65
Biodiesel	53	Gene Splicing	66
Methane Gas Production	53	Cloning	67
Sun and Water	54	Cloning Plants	68

Embryo Splitting	68	Electronic Sensors	<i>79</i>
Embryo Transfer	68	Robotic Sheep Shearing	<i>79</i>
Advantages of Embryo Transfers	68	Birthing Sensors	<i>79</i>
Gender Selection	69	Live Animal and Carcass	
Sperm-Sexing Procedure	69	Evaluation Devices	79
Advantages of Sperm Sexing	70	X-Ray Scanners	<i>79</i>
Sorting Embryos According to Sex	71	Measuring Percentages of Red Tissues	<i>7</i> 9
Modifying Gender in Fish		Ultrasound Imaging	<i>7</i> 9
by Ultraviolet Light	71	Emerging Mechanical Technologies	
Production Hormones	73	in the Plant Industry	79
Animal Growth Hormones	73	Tissue Culture	80
Bovine Somatotropin	73	Career Options: Aquaculture Research,	
Porcine Somatotropin	74	Genetic Engineering, Hydroponics, Plant Breeding, Plant Propagation,	
Fish Growth Hormones	74	and Tissue Culture	81
Heat Synchronization	74	Special Skills Required	82
Animal Research and Human Medicine	75	Advantages and Disadvantages	
Swine Research for Human Health	75	of Tissue Culture	82
Transplantation Technology	75	Advantages	82
Xenotransplantation	75	Disadvantages	82
Pharmaceutical and Other Medical		Emerging Plant Technologies	82
Products Made from Animal Products	76	Frost-Protected Plants	82
Help for Heart Patients	76	Plant Growth Regulators	82
Help for Burn Victims	76	Salt-Tolerant Plants	82
Help for AIDS Patients	76	Integrated Pest Management	82
Production of Hepatitis B Vaccine	76	Rationale for IPM	83
Help for Leprosy Patients	76	Cultural Control of Pests	83
Using Leeches to Increase Blood Circulation	76	Mechanical Control of Pests	83
Domestic Animals of the Future	76	Biological Control of Pests	83
Dairy Cattle	76	Example of Biological Control	83
Beef Cattle	76	Pesticide Control of Pests	83
Swine	77	Hydroponics and Aquaculture in Extended	
Poultry	77	Space Travel	84
Sheep	<i>77</i>	Aquaculture in Space	84
Catfish	77	Utilization of Plant Residue (Stalks) in Space	84
Bees	77	Hydroponic Plant Growth	85
Transgenic Animals	77	Tank Culture	85
Computerized and Electronic Animal		Modified Drip System	85
Management Technologies	78	Flood System	86
Agricultural Computer Use	78	Airoponics	86
Electronic Animal Management Systems	78	Differences When Using Hydroponic	
Robotic Milking System	<i>78</i>	Systems in Space and on Earth	86

Thirteen Essential Elements for Growing Plants Hydroponically	86	Entrepreneur in Agribusiness—Is It for Me?	103
Macroelements	86	General Characteristics of Entrepreneurs	103
	87	Personal Characteristics of Entrepreneurs	103
Microelements (Trace Elements)	0/	Independent	104
Keeping the Hydroponic Solution Fully Active	88	Self-Confident	104
Technologies Used for Hydroponic		Energetic	104
Growing	88	Organized	104
NASA Discoveries from the CELSS Project	89	Visionary	104
Adoption of NASA Research	89	Persistent	104
Hydroponics Projects	89	Optimistic	104
Geothermal Heating Systems	89	Committed	104
Aquaculture Projects	90	Problem Solver	104
Other Emerging Agribusiness Technologies	90	Self-Nurturing	104
Light Detection and Ranging Systems	90	Risk Taker	104
Feed Formulation Software	90	Action-Oriented	104
Biosensors	90	Has a Sense of Urgency	104
Ranch Management Software	91	Flexible	104
Auction Tools and Technologies	91	Emotionally Stable	104
		Challenges of Entrepreneurship	104
Radio-Frequency Identification Tags	91 81	Total Responsibility	104
Heat-Map Systems	91	Long, Irregular Hours	104
Biofuels	91	Financial Risks	104
Conclusion	92	Career Option: Entrepreneur	105
Summary	92	Why Agribusinesses Fail	106
END OF CHAPTER ACTIVITIES	94	Management	106
REVIEW QUESTIONS	94	Labor	106
FILL IN THE BLANK	95	Financial Resources	107
MATCHING	95	Undercapitalization	107
ACTIVITIES	96	Analyzing Your Agribusiness Venture	107
		Recognizing a Need	107
UNIT 2		Agribusiness Startup Factors to Consider	107
Starting and Running		What Financial Resources Are Needed to Get Started?	108
	99	What Labor Does the Agribusiness Need?	108
an Agribusiness	22	What Management Requirements Exist?	108
Chapter 5		Does a Market Exist for the Product or Service?	108
Planning and Organizing	1 () 1	Where Should the Agribusiness Be Located?	108
an Agribusiness	101	Should You Buy an Agribusiness or Start	
Introduction	102	a New One?	108
Importance of Small Businesses	102	Advantages	108
Small Businesses Are Not Really Small	102	Disadvantages	108

Applying Business Fundamentals	108	Miscellaneous Documents	113
Conducting a Business Survey	109	The Completed Plan	113
Preparing a Business Plan	109	Major Areas of Agribusiness Management	113
Cover Sheet	110	Planning	113
Introduction	110	Organizing	113
Table of Contents	110	Directing (Leading)	114
The Organizational Plan	110	Staffing	114
Summary Description of the Business	110	Controlling	114
Products or Services	110	Goal Setting	115
Intellectual Property	110	Setting Your Agribusiness Goals	115
Location	111	Write Down Your Goals	115
Legal Structure	111	Organize Your Goals	115
Management	111	Reaching Your Goals	115
Personnel	111	Manage Your Time	115
Accounting	111	Establish Priorities	116
Legal	111	Breaking Goals into Manageable Units	116
Insurance	111	Example of Business Goals	116
Security	111	Problem Solving and Decisionmaking	117
The Marketing Plan  Overview and Goals of Your Marketing	111	Skills Needed in Problem Solving and Decisionmaking	117
Strategy	111	Various Styles of Decisionmaking	117
Market Analysis	111	Reflexive Decisionmaking	117
Marketing Strategy	111	Reflective Decisionmaking	117
Implementation of Marketing Strategies	112	Consistent Decisionmaking	117
Customer Service	112	Steps in Problem Solving	
Assessment of Marketing Effectiveness	112	and Decisionmaking	117
Financial Documents	112	Conclusion	118
Summary of Financial Needs	112	Summary	118
Loan Fund Dispersal Statement	112	END OF CHAPTER ACTIVITIES	119
Pro Forma Cash Flow Statement (Budget)	112	REVIEW QUESTIONS	119
Three-Year Income Projection	112	FILL IN THE BLANK	120
Projected Balance Sheet	112	MATCHING	120
Break-Even Analysis	112	ACTIVITIES	121
Appendix (Supporting Documents)	112		
Personal Résumés	112	Chapter 6	
Owner's Financial Statements	112	Types of Agribusiness	123
Credit Reports	112	Introduction	124
Contracts	112	Comparison of Proprietorships,	
Letters of Reference	113	Partnerships, and Corporations	124
Other Legal Documents	113	Single, or Sole, Proprietorship	124

Disadvantages of Sole Proprietorship   125	Advantages of Sole Proprietorship	125	Career Options: Agribusiness Owner/Ma	nager,
Types of Partnerships   126	Disadvantages of Sole Proprietorship	125		_
Types of Partnerships	Partnerships	125		137
Commany	Types of Partnerships	126	<del>-</del>	
Limited Partnership	General Partnership	126		
Limited Liability Partnership	Limited Partnership	126	•	
Advantages of Partnerships         127         FILL IN THE BLANK         139           Disadvantages of Partnership S Written Partnership Agreements         128         MATCHING         139           Corporations         128         ACTIVITIES         140           Corporations         129         Characteristics of Corporations         129           Types of Corporations         129         Chapter 7         Financing the Agribusiness         142           Subchapter S (Small Business or Family) Corporation         130         Introduction         143           Subchapter T Corporations (Cooperatives)         130         Introduction         143           Advantages of Corporations         131         Magnitude of Agricultural Credit         143           Disadvantages of Corporation         132         Successful Farm Credit         144           Limited Liability Companies         133         Three Fundamentals of Credit         144           Advantages of LLCs         133         Returns         144           Cooperatives         133         Repayment Ability         144           Kinds of Cooperatives         133         Rational Credit Principles         145           Supply (Purchasing) Cooperatives         133         Rational Credit Principles         145 <td>Limited Liability Partnership</td> <td>127</td> <td></td> <td></td>	Limited Liability Partnership	127		
Disadvantages of Partnerships         128         MATCHING         139           Corporations         128         ACTIVITIES         140           Corporations         129         Characteristics of Corporations         129           Types of Corporations         129         Chapter 7         Financing the Agribusiness         142           Subchapter S (Small Business or Family)         130         Introduction         143           Corporation         130         Introduction         143           Subchapter T Corporations         Importance of Farm Credit         143           Advantages of Corporations         131         Magnitude of Agricultural Credit         143           Disadvantages of Corporations         131         Successful Farm Credit         144           Limited Liability Companies         133         Three Fundamentals of Credit         144           Advantages of LLCs         133         Returns         144           Limited Liability Companies         133         Repayment Ability         144           Kinds of Cooperatives         133         Repayment Ability         144           Cooperatives         133         Rational Credit Principles         145           Marketing Cooperatives         134         Land	Advantages of Partnerships	127		
Written Partnership Agreements         128           Corporations         128           Characteristics of Corporations         129           Types of Corporations         129           Subchapter C (Regular) Corporation         129           Subchapter S (Small Business or Family)         130           Corporation         130           Subchapter T Corporations (Cooperatives)         130           Advantages of Corporations         131           Disadvantages of Corporations         131           Establishing a Corporation         132           Establishing a Corporation         132           Establishing a Corporation         133           Establishing a Corporation         132           Disadvantages of LLCs         133           Disadvantages of LLCs         133           Returns         144           Advantages of LLCs         133           Repayment Ability         144           Kinds of Cooperatives         133           Supply (Purchasing) Cooperatives         133           Statistics on Cooperatives         134           Statistics on Cooperatives         134           Statistics on Cooperatives         134           Cooperatives and Membership	Disadvantages of Partnerships	128		
Corporations         128           Characteristics of Corporations         129           Types of Corporations         129           Subchapter C (Regular) Corporation         129           Subchapter S (Small Business or Family)         130           Corporation         130           Importance of Farm Credit         143           Gooperatives)         130         Change in Credit Needs         143           Advantages of Corporations         131         Magnitude of Agricultural Credit         143           Disadvantages of Corporation         132         Objectives         144           Limited Liability Companies         133         Three Fundamentals of Credit         144           Advantages of LLCs         133         Returns         144           Disadvantages of LLCs         133         Repayment Ability         144           Kinds of Cooperatives         133         Repayment Ability         144           Kinds of Cooperatives         133         Rational Credit Principles         145           Supply (Purchasing) Cooperatives         133         Rational Credit Principles         145           Marketing Cooperatives         134         Buildings         145           Service Cooperatives         134	Written Partnership Agreements	128		
Types of Corporations  Subchapter C (Regular) Corporation  Subchapter S (Small Business or Family) Corporation  Subchapter T Corporations  Subchapter T Corporations  (Cooperatives)  Advantages of Corporations  Disadvantages of Corporations  Stablishing a Corporation  130  Limited Liability Companies  Advantages of LLCs  Disadvantages of LLCs  133  Returns  Returns  Repayment Ability  144  Kinds of Cooperatives  133  Rational Credit Principles  145  Supply (Purchasing) Cooperatives  134  Service Cooperatives  135  Service Cooperatives  136  Service Cooperatives  137  Cooperatives and Membership  Distinguishing Characteristics of Cooperatives  138  Advantages of Cooperatives  139  Disadvantages of Cooperatives  130  Cooperatives and Taxes  Advantages of Cooperatives  131  Disadvantages of Cooperatives  132  Disadvantages of Cooperatives  133  Advantages of Franchises  134  Cooperatives and Taxes  135  Cooperative Expenses  146  Characteristics of Franchises  136  Length of Financing  147  Types of Loans  147	Corporations	128	ACTIVITIES	140
Subchapter C (Regular) Corporation  Subchapter S (Small Business or Family) Corporation  Subchapter T Corporations  Subchapter T Corporations  (Cooperatives)  Advantages of Corporations Disadvantages of Corporations Establishing a Corporation  Limited Liability Companies  Advantages of LLCs Disadvantages of Cooperatives Distinguishing Characteristics of Cooperatives Distinguishing Characteristics Of Cooperatives Disadvantages of	Characteristics of Corporations	129		
Subchapter C (Regular) Corporation Subchapter S (Small Business or Family) Corporation  130 Introduction 143 Subchapter T Corporations (Cooperatives) 130 Change in Credit Needs 143 Advantages of Corporations 131 Magnitude of Agricultural Credit 143 Disadvantages of Corporations 131 Successful Farm Credit 144 Disadvantages of LCs 133 Returns 144 Advantages of LLCs 133 Returns 144 Cooperatives 134 Risk 144 Kinds of Cooperatives 135 Rational Credit Principles 145 Supply (Purchasing) Cooperatives 136 Service Cooperatives 137 Service Cooperatives 138 Cooperatives and Membership 139 Cooperatives and Membership 130 Cooperatives 131 Cooperatives 132 Cooperatives 133 Cooperatives 134 Service Cooperatives 135 Service Cooperatives 136 Cooperatives and Control 137 Distinguishing Characteristics 138 Cooperatives 139 Cooperatives 130 Cooperatives 130 Change in Credit Needs 143 Magnitude of Agricultural Credit 143 Agenicultural Credit 143 Change in Credit Needs 143 Successful Farm Credit 144 Credit 144 Advantages of Cooperatives 138 Returns 144 Returns 145 Returns 146 Returns 147 Returns 146 Returns 147 Returns 148 Returns 149 Returns 144 Returns 144 Returns 145 Returns 144 Returns 145 Returns 144 Returns 145 Returns 144 Returns 144 Returns 145 Returns 144 Returns 144 Returns 145 Returns 144 Returns 144 Returns 145 Returns 144 Returns 145 Returns 144 Returns 145 Returns 144 Returns 145 Returns 144 Returns 144 Returns 144 Returns 144 Returns 145 Returns 144 Returns 145 Returns 144 Returns 145 Returns 146 Returns 147 Returns 148 Retu	Types of Corporations	129	Chapter 7	
Subchapter 7 Corporations 130 Introduction 143 (Cooperatives) 130 Change in Credit Needs 143 (Cooperatives) 131 Magnitude of Agricultural Credit 143 Disadvantages of Corporations 131 Successful Farm Credit 144 Disadvantages of Corporation 132 Objectives 144 Limited Liability Companies 133 Three Fundamentals of Credit 144 Advantages of LLCs 133 Returns 144 Disadvantages of LLCs 133 Returns 144 Disadvantages of LLCs 133 Repayment Ability 144 Cooperatives 133 Rational Credit Principles 145 Supply (Purchasing) Cooperatives 134 Fixed Expenses 145 Service Cooperatives 134 Land 145 Statistics on Cooperatives 134 Buildings 145 Statistics on Cooperatives 134 Buildings 145 Cooperatives 134 Buildings 145 Distinguishing Characteristics of Cooperatives 135 Startup Expenses 146 Cooperatives 136 Cooperatives 137 Startup Expenses 146 Advantages of Cooperatives 135 Length of Financing 146 Characteristics of Cooperatives 135 Intermediate-Term Loans 146 Characteristics of Franchises 136 Types of Loans 147 Distinguish of Financing 146 Characteristics of Franchises 136 Types of Loans 147 Distinguish of Financing 146 Characteristics of Franchises 136 Types of Loans 147 Distinguish of Financing 146 Disadvantages of Franchises 136 Types of Loans 147	Subchapter C (Regular) Corporation	129	*	142
Subchapter T Corporations (Cooperatives) 130 Change in Credit Needs 143 Advantages of Corporations 131 Magnitude of Agricultural Credit 143 Disadvantages of Corporations 131 Successful Farm Credit Establishing a Corporation 132 Objectives 144 Limited Liability Companies 133 Three Fundamentals of Credit 144 Advantages of LLCs 133 Returns 144 Disadvantages of LLCs 133 Repayment Ability 144 Cooperatives 133 Rational Credit Principles 145 Supply (Purchasing) Cooperatives 134 Service Cooperatives 135 Statistics on Cooperatives 136 Statistics on Cooperatives 137 Cooperatives and Membership 138 Cooperatives and Membership 139 Cooperatives and Control 130 Distinguishing Characteristics 130 Operatives 131 Cooperatives 132 Cooperatives 133 Cooperatives 134 Buildings 145 Buildings 145 Cooperatives and Tools 145 Cooperatives 136 Cooperatives 137 Cooperatives 138 Cooperatives 139 Cooperatives 130 Distinguishing Characteristics 131 Cooperatives and Taxes 132 Cooperatives and Taxes 133 Cooperative Expenses 146 Cooperatives 134 Cooperatives and Taxes 135 Cooperative Expenses 146 Cooperatives of Cooperatives 137 Cooperatives and Taxes 138 Cooperative Expenses 146 Cooperatives 139 Cooperatives 130 Cooperatives 131 Cooperative Expenses 146 Cooperatives 147 Cooperatives 147 Cooperatives 148 Cooperatives 149 Cooperatives 149 Cooperatives 149 Cooperatives 149 Cooperatives 140 Cooperatives 140 Cooperatives 145 Cooperatives 146 Cooperatives 147 Cooperatives 147 Cooperatives 148 Cooperatives 149 Cooperatives 149 Cooperatives 140 Cooperatives 145 Cooperatives 146 Cooperatives 146 Cooperatives 147 Cooperatives 147 Cooperatives 148 Cooperatives 149 Cooperatives 149 Cooperatives 140 Cooperatives 145 Cooperatives 145 Cooperatives 145 Cooperatives 146 Cooperatives 147 Cooperatives 148 Cooperatives 149 Cooperatives 140 Cooperatives 140 Cooperatives 140 Cooperatives 145 Cooperatives 146 Cooperatives 147 Cooperatives 147 Cooperatives 148 Cooper	Subchapter S (Small Business or Family)			142
(Cooperatives)130Change in Credit Needs143Advantages of Corporations131Magnitude of Agricultural Credit143Disadvantages of Corporations131Successful Farm Credit144Establishing a Corporation132Objectives144Limited Liability Companies133Three Fundamentals of Credit144Advantages of LLCs133Returns144Disadvantages of LLCs133Repayment Ability144Cooperatives133Rational Credit Principles145Supply (Purchasing) Cooperatives133Rational Credit Principles145Supply (Purchasing) Cooperatives134Fixed Expenses145Service Cooperatives134Fixed Expenses145Statistics on Cooperatives134Buildings145Cooperatives and Membership134Machinery and Equipment145Cooperatives and Control134Machinery and Equipment145Distinguishing Characteristics of Cooperatives135Startup Expenses146Operatives and Taxes135Startup Expenses146Advantages of Cooperatives135Short-Term Loans146Franchises135Intermediate-Term Loans146Characteristics of Franchises136Long-Term Credit147Advantages of Franchises136Types of Loans147	Corporation	130	Introduction	143
Advantages of Corporations Disadvantages of Corporations Disadvantages of Corporations Establishing a Corporation 131 Successful Farm Credit Disectives 144  Limited Liability Companies 133 Three Fundamentals of Credit 144  Advantages of LLCs 133 Returns 144  Cooperatives 133 Returns 144  Kinds of Cooperatives 133 Rational Credit Principles 145  Supply (Purchasing) Cooperatives 134 Service Cooperatives 134 Statistics on Cooperatives 134 Statistics on Cooperatives 134 Cooperatives and Membership Cooperatives and Membership Distinguishing Characteristics of Cooperatives 134 Cooperatives 134 Cooperatives and Taxes Advantages of Cooperatives 135 Short-Term Loans 146 Characteristics of Franchises 136 Types of Loans 147		420	Importance of Farm Credit	143
Disadvantages of Corporations Establishing a Corporation 131 Successful Farm Credit Objectives 144  Limited Liability Companies 133 Three Fundamentals of Credit 144  Advantages of LLCs 133 Returns 144  Cooperatives 133 Risk Kinds of Cooperatives 133 Rational Credit Principles 145  Supply (Purchasing) Cooperatives 134 Fixed Expenses 145  Service Cooperatives 134 Fixed Expenses 145  Statistics on Cooperatives 134 Buildings 145  Cooperatives and Membership 134 Machinery and Equipment 145  Cooperatives and Control 134 Fixtures and Tools 145  Distinguishing Characteristics of Cooperatives 135 Startup Expenses 146  Advantages of Cooperatives 136 Length of Financing 146  Franchises 147  Characteristics of Franchises 136 Long-Term Credit 147  Types of Loans 147	, ,		Change in Credit Needs	143
Establishing a Corporation 132 Objectives 144  Limited Liability Companies 133 Three Fundamentals of Credit 144  Advantages of LLCs 133 Returns 144  Cooperatives 133 Risk 144  Kinds of Cooperatives 133 Rational Credit Principles 145  Supply (Purchasing) Cooperatives 134 Fixed Expenses 145  Service Cooperatives 134 Eand 145  Statistics on Cooperatives 134 Buildings 145  Cooperatives and Membership 134 Machinery and Equipment 145  Cooperatives and Control 134 Fixtures and Tools 145  Distinguishing Characteristics of Cooperatives 135 Startup Expenses 146  Advantages of Cooperatives 135 Length of Financing 146  Franchises 136 Long-Term Loans 146  Characteristics of Franchises 136 Types of Loans 147			Magnitude of Agricultural Credit	143
Limited Liability Companies133Three Fundamentals of Credit144Advantages of LLCs133Returns144Disadvantages of LLCs133Repayment Ability144Cooperatives133Risk144Kinds of Cooperatives133Rational Credit Principles145Supply (Purchasing) Cooperatives133Three Areas of Credit Needs145Marketing Cooperatives134Fixed Expenses145Service Cooperatives134Land145Statistics on Cooperatives134Buildings145Cooperatives and Membership134Machinery and Equipment145Cooperatives and Control134Fixtures and Tools145Distinguishing Characteristics of Cooperatives134Operating Expenses146Advantages of Cooperatives135Startup Expenses146Advantages of Cooperatives135Length of Financing146Disadvantages of Cooperatives135Short-Term Loans146Franchises135Intermediate-Term Loans146Characteristics of Franchises136Long-Term Credit147Advantages of Franchises136Types of Loans147	•			
Advantages of LLCs Disadvantages of Cooperatives Disadvantages of Cooperatives Disadvantages of Cooperatives Disadvantages of Cooperatives Disadvantages of Franchises Disadvantages of Long-Term Credit Disadvantages of Long-Term Credit Disadvantages of Long-Term Credit Disadvantag	·		•	144
Disadvantages of LLCs  Cooperatives  133 Risk  Kinds of Cooperatives  Supply (Purchasing) Cooperatives  Marketing Cooperatives  Service Cooperatives  134 Fixed Expenses  135 Land  Machinery and Equipment  145  Cooperatives and Membership  Cooperatives and Control  Distinguishing Characteristics of Cooperatives  Advantages of Cooperatives  134 Operating Expenses  145  Coaperatives and Taxes  Advantages of Cooperatives  135 Length of Financing  Characteristics of Franchises  136 Long-Term Credit  147  Types of Loans  147	•		Three Fundamentals of Credit	144
Cooperatives133Risk144Kinds of Cooperatives133Rational Credit Principles145Supply (Purchasing) Cooperatives133Three Areas of Credit Needs145Marketing Cooperatives134Fixed Expenses145Service Cooperatives134Land145Statistics on Cooperatives and Membership134Buildings145Cooperatives and Control134Machinery and Equipment145Distinguishing Characteristics of Cooperatives134Operating Expenses146Cooperatives and Taxes135Startup Expenses146Advantages of Cooperatives135Length of Financing146Disadvantages of Cooperatives135Intermediate-Term Loans146Franchises135Intermediate-Term Loans146Characteristics of Franchises136Long-Term Credit147Advantages of Franchises136Types of Loans147	<u> </u>		Returns	144
Kinds of Cooperatives  Supply (Purchasing) Cooperatives  Marketing Cooperatives  Service Cooperatives  Service Cooperatives  Statistics on Cooperatives  Cooperatives and Membership  Distinguishing Characteristics  of Cooperatives  Advantages of Cooperatives  Characteristics of Franchises  Characteristics of Franchises  Characteristics of Franchises  Cooperatives  133  Rational Credit Principles  145  Rational Credit Principles  145  Rational Credit Principles  145  Three Areas of Credit Needs  145  Land  145  Buildings  145  Machinery and Equipment  145  Fixtures and Tools  Operating Expenses  146  Fixtures and Tools  Operating Expenses  146  Startup Expenses  146  Length of Financing  146  Franchises  135  Characteristics of Franchises  136  Long-Term Loans  146  Types of Loans  147			, ,	144
Supply (Purchasing) Cooperatives  Marketing Cooperatives  Service Cooperatives  Statistics on Cooperatives  Cooperatives and Membership  Distinguishing Characteristics  of Cooperatives  Advantages of Cooperatives  134  Characteristics of Cooperatives  135  Characteristics of Cooperatives  136  Characteristics of Cooperatives  137  Three Areas of Credit Needs  Fixed Expenses  145  Land  145  Land  145  Buildings  145  Machinery and Equipment  145  Fixtures and Tools  145  Operating Expenses  146  Cooperatives and Taxes  135  Characteristics of Cooperatives  135  Characteristics of Franchises  136  Characteristics of Franchises  137  Characteristics of Franchises  138  Three Areas of Credit Needs  145  Fixed Expenses  145  Machinery and Equipment  145  Fixtures and Tools  145  Coperating Expenses  146  Startup Expenses  146  Financing  146  Financhises  135  Characteristics of Franchises  135  Characteristics of Franchises  136  Long-Term Credit  147  Advantages of Franchises  137  Types of Loans  147	•		Rísk	144
Marketing Cooperatives134Fixed Expenses145Service Cooperatives134Land145Statistics on Cooperatives134Buildings145Cooperatives and Membership134Machinery and Equipment145Cooperatives and Control134Fixtures and Tools145Distinguishing Characteristics of Cooperatives0perating Expenses146Cooperatives and Taxes135Startup Expenses146Advantages of Cooperatives135Length of Financing146Disadvantages of Cooperatives135Short-Term Loans146Franchises135Intermediate-Term Loans146Characteristics of Franchises136Long-Term Credit147Advantages of Franchises136Types of Loans147	·		Rational Credit Principles	145
Service Cooperatives 134 Land 145 Statistics on Cooperatives 134 Buildings 145 Cooperatives and Membership 134 Machinery and Equipment 145 Cooperatives and Control 134 Fixtures and Tools 145 Distinguishing Characteristics of Cooperatives 134 Operating Expenses 146 Cooperatives and Taxes 135 Startup Expenses 146 Advantages of Cooperatives 135 Length of Financing 146 Disadvantages of Cooperatives 135 Short-Term Loans 146 Franchises 136 Long-Term Credit 147 Advantages of Franchises 136 Types of Loans 147	, ,		Three Areas of Credit Needs	145
Statistics on Cooperatives 134 Buildings 145 Cooperatives and Membership 134 Machinery and Equipment 145 Cooperatives and Control 134 Fixtures and Tools 145 Distinguishing Characteristics of Cooperatives 134 Operating Expenses 146 Cooperatives and Taxes 135 Startup Expenses 146 Advantages of Cooperatives 135 Length of Financing 146 Disadvantages of Cooperatives 135 Short-Term Loans 146 Franchises 135 Intermediate-Term Loans 146 Characteristics of Franchises 136 Long-Term Credit 147 Advantages of Franchises 136 Types of Loans 147	, ,		Fixed Expenses	145
Cooperatives and Membership Cooperatives and Control Distinguishing Characteristics of Cooperatives 134 Cooperatives 134 Distinguishing Characteristics of Cooperatives 134 Cooperatives 135 Cooperatives and Taxes 135 Advantages of Cooperatives 135 Disadvantages 136 Characteristics of Franchises 137 Characteristics of Franchises 138 Disadvantages 139 Disadvantages 130 Disadvantages 130 Disadvantages 131 Disadvantages 133 Disadvantages 134 Disadvantages 135 Disadvantages 136 Disadvantages 137 Disadvantages 138 Disadvantages 139 Disadvantages 130 Disadvantages 130 Disadvantages 131 Disadvantages 133 Disadvantages 134 Disadvantages 135 Disadvantages 136 Disadvantages 137 Disadvantages 138 Disadvantages 139 Disadvantages 130 Disadvantag	·		Land	145
Cooperatives and Control  Distinguishing Characteristics of Cooperatives  of Cooperatives and Taxes  Advantages of Cooperatives  Disadvantages of Cooperatives  Tas Short-Term Loans  Characteristics of Franchises  136  Cooperatives  137  Length of Financing  148  Short-Term Loans  149  Characteristics of Franchises  130  Characteristics of Franchises  131  Types of Loans  145  Intermediate-Term Credit  147  Types of Loans  147	·		Buildings	145
Distinguishing Characteristics of Cooperatives 134 Operating Expenses 146 Cooperatives and Taxes 135 Startup Expenses 146 Advantages of Cooperatives 135 Length of Financing 146 Disadvantages of Cooperatives 135 Short-Term Loans 146 Franchises 135 Intermediate-Term Loans 146 Characteristics of Franchises 136 Long-Term Credit 147 Advantages of Franchises 136 Types of Loans 147	•		Machinery and Equipment	145
of Cooperatives 134 Operating Expenses 146 Cooperatives and Taxes 135 Startup Expenses 146 Advantages of Cooperatives 135 Length of Financing 146 Disadvantages of Cooperatives 135 Short-Term Loans 146 Franchises 135 Intermediate-Term Loans 146 Characteristics of Franchises 136 Long-Term Credit 147 Advantages of Franchises 136 Types of Loans 147	•	134	Fixtures and Tools	145
Cooperatives and Taxes135Startup Expenses146Advantages of Cooperatives135Length of Financing146Disadvantages of Cooperatives135Short-Term Loans146Franchises135Intermediate-Term Loans146Characteristics of Franchises136Long-Term Credit147Advantages of Franchises136Types of Loans147		12/	Operating Expenses	146
Advantages of Cooperatives 135 Length of Financing 146 Disadvantages of Cooperatives 135 Short-Term Loans 146 Franchises 135 Intermediate-Term Loans 146 Characteristics of Franchises 136 Long-Term Credit 147 Advantages of Franchises 136 Types of Loans 147			Startup Expenses	146
Disadvantages of Cooperatives 135 Short-Term Loans 146  Franchises 135 Intermediate-Term Loans 146  Characteristics of Franchises 136 Long-Term Credit 147  Advantages of Franchises 136 Types of Loans 147	·		•	146
Franchises135Intermediate-Term Loans146Characteristics of Franchises136Long-Term Credit147Advantages of Franchises136Types of Loans147				
Characteristics of Franchises 136 Long-Term Credit 147 Advantages of Franchises 136 <b>Types of Loans</b> 147				
Advantages of Franchises 136 <b>Types of Loans</b> 147				
6. 1			*	
	<del>-</del>			

Revolving Line of Credit	147	Points to Remember When Writing Checks	168
Term Loan	148	Steps in Writing a Check	168
Components of a Credit Profile	148	Keeping a Checkbook Register	169
Computing Interest	153	Entering Checks Written	169
Interest Rates	153	Entering Deposits	169
Simple Interest	153	Entering Service Charges	169
Remaining Balance Method	153	Balancing (Reconciling) Your Checkbook	170
Add-On Method	153	Importance of Balancing Your Checking	
Amortization Tables	154	Account Monthly	170
Feasibility	154	Common Reasons Why Checkbook Registers	170
Profitability Index	156	and Account Statements Differ	170
Agricultural Credit Sources for Real Estate		Steps in Balancing (Reconciling) a Bank Statement	170
and Non-Real Estate Loans	156	Where Your Money Goes	171
Non-Real Estate Loans	156	Handling Money Takes Discipline	171
Real Estate Loans	157	Fixed Expenses	171
Career Option: Farm Credit Officer	157	Mortgage or Rent Payments	171
Conclusion	157	Other Real Estate Payments	172
Summary	158	Income and Property Taxes	172
END OF CHAPTER ACTIVITIES	159	Installment Contract Payments	172
REVIEW QUESTIONS	159	Insurance	172
FILL IN THE BLANK	159	Regular Contributions	172
MATCHING	160	Dues	172
ACTIVITIES	160	Savings	172
		Variable Expenses	172
Chapter 8		Utilities	172
Personal Financial Management	162	Charge Accounts	172
Introduction	163	Medical/Dental Bills Not Covered	172
Earning Money	163	by Insurance	172
Gross versus Net Pay	163	Transportation	173
Mandatory Deductions	163	Household Maintenance and Repair	173
Employee Benefits	164	Child Care	173
Taxes and Benefits Summary	164	Food	173
Selecting a Financial Institution	166	Personal Maintenance	173
Types of Institutions	166	Self-Improvement/Education	173
Factors to Consider in Choosing	100	Recreation/Entertainment	173
a Financial Institution	166	Other Expenses	173
Checking Accounts	166	Planning and Preparing a Budget	173
Use Caution	166	Benefits of a Budget	174
Reasons for Writing Checks	168	Budget while Still Living at Home	174

Living on Your Own Budget	174	Plan Three: The 25-Plus-10 Plan	189
Family Budgets	175	Plan Four: The 80-10-10 Plan	189
Financial Management and Security Tips	175	Key Factors in Making the Millionaire	
Limit Debt	175	Plans Work	189
Do Not Use Credit Cards	178	Manage Investments to Achieve	400
Credit Card Alternative	179	a 12 Percent Interest Rate	189
Credit Scores	179	Difference in 1 Percent (0.01) Interest Rate	190
Protect Your Credit Rating	179	The Rule of 72	190
Save Big Money on Home Mortgages	180	Invest in Mutual Funds to Achieve a 12 Percent Interest Rate	190
15-Year Rather than 30-Year Loans	180	Types of Mutual Funds	191
Pay an Additional Payment per Year	180	Are Mutual Funds Risky?	191
Divide the Total into Two Monthly		Are Mutuals the Only Investment?	191
Payments	180	More Information	191
Increasing Retirement Benefits	181	Tax-Deferred Savings	192
Reduce Debt by Using the Debt Snowball Technique	181	· ·	
Rationale	181	Tax-Free Earnings  Amount Invested	192
Procedure	181		192
What about the House?	181	Required Distributions	193
I Need a Car	181	Estate Tax Reduction	193
Attitude toward Debt	182	Early Distributions	193
Develop Power over Purchases	182	When Do I Get My Money?	193
Live within and below Your Income	182	Financial Security	193
Paying Cash for a Car versus Going		Financial Security Defined	193
into Debt	182	Assumptions for Reaching Financial	400
Negotiate and Buy Only Big Bargains	182	Security	193
Build an Emergency Fund	183	Career Options: Avocational (Part-Time) Production Agriculture, Agribusiness	
Manage Your Budget Busters	183	Recreation, Agricultural Mechanic,	
Envelope System	183	Nursery Production	194
Have Enough Insurance	184	Selecting Part-Time Agricultural Enterprises	194
Master the Magic of		The \$2,000 Work-Unit Approach	194
Compound Interest	184	Procedures for Potentially Achieving	
Use an Automatic Savings Plan	184	Financial Security by Age 30 to 34	196
Take Advantage of Matching Stock Purchases	184	Invest Earnings in Tax-Free Bond Mutual Funds	196
Use Your Hobby to Make Money	184		
Retiring as a Millionaire	185	Change in Strategy	196
Plan One: \$2,000 a Year for Six Years	185	Limitations on Potentially Achieving Financial Security through Avocational	
Plan Two: Buy a Used Car Instead	, 55	Enterprises	196
of a New One and Invest the Difference	187	Levels of Financial Management	198
What about the Repairs?	187	Conclusion	198

Summary	198	Journals	210
END OF CHAPTER ACTIVITIES	199	Use of the Journal	211
REVIEW QUESTIONS	199	Why Use a Journal?	211
FILL IN THE BLANK	200	The Ledger	211
MATCHING	200	Parts of the Ledger	211
ACTIVITIES	201	Posting	211
Activities	201	Trial Balance	214
		Limitations of the Trial Balance	214
Chapter 9		Basic Accounting Considerations	214
Agribusiness Recordkeeping		Assets and Liabilities	214
and Accounting	203	Capital and Owner Equity	214
Introduction	204	Revenue, Cost of Sales, and Net Profit	216
Role of the Financial Manager	204	Operating and Incidental Expenses	216
Sources of Income	204	Inventory	216
Expenses	204	When to Inventory	216
Accounting versus Bookkeeping	204	Determining Inventory Value	216
Bookkeeping	205	Depreciation	216
Accounting	205	Real Estate Depreciation	216
The Six-Step Accounting Cycle	205	Calculating Depreciation	217
Analyze and Categorize Documents	205	Principal and Interest Payments	217
Record the Information into Journals	205	Profit and Loss	217
Post the Preceding Information into Ledgers	205	Preparing an Income Statement, Balance	240
Prepare a Trial Balance	205	Sheet, and Statement of Cash Flows	218
Prepare an Income Statement, Balance	200	Income Statement	218
Sheet, and Statement of Cash Flows	205	Revenue	218
Analyze the Financial Statements	206	Expenses	219
Budgets	206	Taxes	219
The Operating Budget	206	Other	220
The Cash-Flow Budget	206	Cash or Accrual?	220
The Capital Expenditures Budget	207	Determining the Transaction Date Balance Sheet	220
Relationships between the Operating,			220
Capital Expenditures, and Cash-Flow	207	Current Assets and Liabilities	220
Budgets	207	Intermediate Assets and Liabilities	220 221
Single-Entry Bookkeeping System	207	Long-Term Assets and Liabilities Net Worth	221
Separate Business Accounts from Personal Accounts	207	Statement of Cash Flows	221
Sales Slips plus Checking Account	208		221
Double-Entry Bookkeeping System	209	Comparison of Cash-Flow Statement and Statement of Cash Flows	222
Recording the Transaction	-	Sources of Cash Flows	222
in Two Places	209	Statement of Owner Equity	224
Keeping the Books Balanced	210	Explanation of the Statement	-
Journals and Ledgers	210	of Owner Equity	224

Analyzing Financial Statements	225	Theory X	240
Compare All Financial Statements		Theory Y	240
with Each Other	225	Theory Z	241
Objective of Financial Analysis	226	Herzberg's Motivating Factors	241
Methods of Financial Analysis	226	Motivators	243
Liquidity Ratio	226	Hygiene Factors	243
Leverage (Debt) Ratios	226	Money Isn't Everything	243
Profitåbility (Performance) Ratios	226	Job Motivation	243
Activity Ratios	227	Setting Goals and Objectives	244
Inventory Turnover Ratio	227	Listening to Employees	244
Computer Technology		Evaluating Employees	244
and Agribusiness Records	227	Laws Affecting the Management	
Filing Taxes with Computer Software	227	of Human Resources	245
Career Options: Accountant, Bookkeeper, Financial Manager, Management Analyst	228	Laws That Apply to Agribusinesses of Any Size	246
Conclusion	228	Fair Labor Standards Act	246
Summary	229	Social Security	246
END OF CHAPTER ACTIVITIES	230	Federal Insurance Contributions Act	247
REVIEW QUESTIONS	230	Medicare	247
FILL IN THE BLANK MATCHING	231 231	Equal Pay Act	247
ACTIVITIES	232	Immigration Reform and Control Act	247
ACTIVITIES	232	Federal Unemployment Tax Act	247
Chapter 10		Laws That Apply to Agribusinesses with More than 10 Employees	247
Managing Human Resources	234	Occupational Safety and Health	
Introduction	235	Administration Act	247
Considerations as Employees Are Hired for Agribusiness	235	Laws That Apply to Agribusinesses with More than 14 Employees	247
Determine Job Requirements	235	Title VII of the Civil Rights Act	247
Determine Cost of Labor	235	Americans with Disabilities Act	247
Recruitment	235	Pregnancy Discrimination Act	248
Selection	235	Laws That Apply to Agribusinesses	
Application	235	with More than 19 Employees	248
Résumé	236	Age Discrimination in Employment Act	248
Interview	236	Older Worker Benefit Protection Act	248
Orientation and Training	236	Consolidated Omnibus Budget Reconciliation Act	248
Working with Employees	236	Laws That Apply to Larger Agribusinesses	248
Motivating Employees	239	Family and Medical Leave Act	248
Hawthorne Effect	239	Worker Adjustment and Retraining	
Maslow's Hierarchy of Needs	239	Notification Act	248
McGregor's Theory X and Theory Y	239	Employee Retirement Income Security Act	248

Conclusion	248	Importance	<i>26</i> 2
Summary	249	Purpose	262
END OF CHAPTER ACTIVITIES	249	Partial Budgeting	263
REVIEW QUESTIONS	249	Calculating a Partial Budget	263
FILL IN THE BLANK	250	Enterprise Budgeting	263
MATCHING	250	Explanation	263
ACTIVITIES	251	Purpose	264
		Developing an Enterprise Budget	264
Chapter 11		Break-Even Analysis	265
•	253	Cash-Flow Budget	265
Farm Management		Importance	266
Introduction	254	Developing a Cash-Flow Budget	266
Importance of Farm Management	254	Analyzing Your Budget	266
Basics of Farm Management	254	Farm Recordkeeping	266
What Is a Manager?	254	Selecting an Appropriate Farm	
Three Basic Functions of Management	255	Record System	266
The Challenge of Farm Management	255	Farm Record Uses	268
Enterprise Selection	256	Net Worth Statement (Balance Sheet)	269
Determine Your Goals	256	Valuing the Assets	269
Inventory Your Resources	256	Operational Liabilities	269
List the Physical, Financial,		Farmer's Equity	269
and Management Factors Involved	257	Usefulness	269
Physical Factors	257	Farm Income Statement	271
Financial Factors	257	Cash Income	271
Management Factors	257	Accrual Adjustments	271
Develop a List of Potential Enterprises	257	Cash Expenses	271
Compatibility with Resources	258	Adjustments to Expenses	271
Growing Considerations	258	Summarizing	274
Compatibility among Enterprises	259	Cash-Flow Statement	274
Depreciation	259	Statement of Owner Equity	274
What Qualifies as a Depreciable Asset?	259	Employing Farm Records for Analysis	274
Reasons for Using Depreciation	260	Financial Performance Measures	274
Methods of Depreciation	261	Other Farm Management Issues	277
Straight-Line Depreciation	261	Managing Risk and Uncertainty	277
Accelerated Cost Recovery System	261	Uncertainty	277
Modified Accelerated Cost Recovery System	261	Risk	<i>277</i>
Machinery Cost Calculations	261	Income Tax Management	278
Ownership Costs	261	Whole-Farm Planning	278
Operating Costs	262	Family Planning	278
Agribusiness Budgeting	262	Long-Term Vision	279
Complete Budgeting	262	Setting Goals	2 <i>7</i> 9

Making an Inventory and Assessment		Principle of Diminishing Returns-Input Basi	s 296
of Farm Resources	279	Purpose of Diminishing Returns	<i>297</i>
Developing and Implementing an Action Plan	279	Returns to Scale	297
Monitoring Farm Progress toward Goals	280	Production Efficiency	297
Conclusion	280	The Cost Function	297
Summary	280	Short-Run Costs	297
END OF CHAPTER ACTIVITIES	282	Total Costs	298
REVIEW QUESTIONS	282	Average Total Costs	298
FILL IN THE BLANK	282	Marginal Costs	298
MATCHING	283	Relationships between Costs	298
ACTIVITIES	284	Long-Run Average Costs	298
		Economies of Scale	298
Chapter 12		Resource Substitution	299
Production Economics	287	Marginal Rate of Substitution	300
Introduction	288	Isoquant Curve	300
Economics in Society	288 288	Types of Substitutes	300
The U.S. Food and Fiber System	288	Isocost Line	301
Comprehensive View of the Economy		Least-Cost Combination of Inputs	302
Economics Basics	289 <b>290</b>	Profit Maximization	302
Scarcity of Resources	2 <b>90</b> 290	The Totals Approach	302
,	290 291	The Marginal Approach	303
Basic Economic Concepts  Supply and Demand	291 291	Conclusion	303
	291 292	Summary	303
Opportunity Cost	292 293	END OF CHAPTER ACTIVITIES	306
Diminishing Returns Marginality	293 293	REVIEW QUESTIONS	306
Costs and Returns	293 293	FILL IN THE BLANK	307
Externalities	293 293	MATCHING	308
The Production Function	293 <b>293</b>	ACTIVITIES	309
Factors of Production	2 <b>93</b> 294		
Inputs	294 294	UNIT 3	
Outputs	294 294	· · · · · · · · · · · · · · · · · · ·	
Production Equations	29 <del>4</del> 294	The Agribusiness Input	
Total Product	29 <del>4</del> 294	(Supply) Sector	311
Average Product	29 <del>4</del> 295	Chapter 13	
Marginal Product	295 295	Supplies, Machinery,	
Other Production Equations	295 295	and Equipment	313
Three Stages of Production	295 295	Introduction	314
Stage 1	295 295	Changes in the Agribusiness Input Sector	314
Stage II	293 296	Size of the Agribusiness Input Sector	315
Stage III	296 296	Types of Agribusiness Inputs	315
Juze III	Z70	Types of Agricusiness inputs	212

Major Agribusiness Inputs	315	Farm Machinery and Equipment	327
Minor Agribusiness Inputs	315	Market Structure	327
Agribusiness Inputs That Are Often		Full-Line Companies	327
Overlooked	315	Long-Line Companies	327
Feed Industry	315	Short-Line Companies	327
Historical Development	315	Size of the Farm Machinery	
Feed Production and Consumption	316	and Equipment Market	328
Types of Feed	316	Diversification of Farm Machinery	
Market Structure	316	and Equipment Companies	328
Careers in the Feed Industry	318	Foreign Trade	329
Fertilizers	318	Exports	329
Fertilizer Analysis	318	Imports	329
Nitrogen	320	Trends in the Farm Machinery	
Phosphate	321	and Equipment Industry	329
Potassium	321	Mergers	330
Fertilizer Use	321	Products of the Farm Machinery and Equipment Manufacturers	330
Environmental Policy	321	Careers in Farm Machinery	330
Interrelationships among Fertilizers,		and Equipment Manufacturing	330
Pesticides, and Other Chemicals	321	Factory Jobs	330
Careers in the Fertilizer Industry	322	Office and Professional Jobs	331
Pesticides	322	Farm Machinery and Equipment	
Types of Pesticides	322	Wholesalers	331
Historical Background	322	Careers in Wholesaling	331
Discovery of Herbicides	323	Dealerships	335
Discovery of Fungicides and Insecticides	323	A Complex Business	335
DDT	324	Dealership Careers	335
Benefits of Pesticides	324	Farm Custom and Contracting Services	336
Concerns about Pesticides	324	Custom Farming	336
Careers	324	Farm Contracting Services	336
Farm Supply Stores	324	Conclusion	336
Types of Farm Supply Stores	325	Career Option: Agricultural	
Farmer Cooperatives	325	Equipment Dealer	337
Farmer Supply Chain Stores	325	Summary	337
Career Options: Animal Nutritionist,		END OF CHAPTER ACTIVITIES	339
Feed Formulator, Pesticide Applicator,		REVIEW QUESTIONS	339
Pesticide Specialist, Seed Analyst, Fertilizer Chemist	326	FILL IN THE BLANK	340
Single (Sole) Proprietorship Feed	320	MATCHING	341
and Supply Stores	<i>327</i>	ACTIVITIES	342

Chapter 14		Bank Money	350
Economic Activity		Functions of Money	350
and Analysis	343	Medium of Exchange	350
Introduction	344	Storage Value	350
Economic Activity in the United States	344	Standard of Value	350
Purpose of the Economist	344	How Banks Create Money	350
The Great Depression	344	The Federal Government	
Business Cycles and Patterns	344	and Economic Stability	351
Economic Recovery	345	Fiscal Policy	351
Peak	345	Government Expenditures	351
Contraction	345	Taxes	351
Trough	345	Monetary Policy	352
Circular Flow of the Economy	345	Slowing Down the Economy	352
Specific Explanation of Circular Flow	345	Speeding up the Economy	352
Your Effect on the Circular Flow	345	Independence of the Federal Reserve System	<i>352</i>
Interdependence	346	Basis of Economic Policy	352
Measuring Economic Activity		Positive Economics	352
via Economic Indicators	346	Normative Economics	352
Gross Domestic Product	346	The Nation's Economic Goals	352
Determining Economic Growth	<i>347</i>	Economic Growth	353
Standard of Living	347	Economic Stability	353
Inflation	347	Production Agriculturalists and Economic	
Inflation and the Purchasing Power of Money	<i>347</i>	Stability	353
Losing from Inflation	347	Economic Justice	353
Gaining from Inflation	348	Ways to Attain Economic Justice	353
Measuring Inflation	348	Progressive Income Tax	353
Calculating Inflation from the Consumer		Economic Security	353
Price Index	348	Economic Freedom	354
Unemployment	349	Production Agriculturalists and Economic Freedom	254
Calculating the Unemployment Rate	349	Types of Economic Analysis	354
Types of Unemployment	349	Marginal Analysis	355
Why Unemployment Matters as an Economic Indicator	2.40	Marginal Benefit	355
Value of Economic Indicators	349	Marginal Cost	355
Money and Banks	349	Economic Decisions	355
Different Types of Money	<b>350</b> 350		355
Fiat Money	350 350	Ceteris Paribus ("All Else Held Constant")	355
Commodity Money	350 350	Determining the Cause of an Increase in Sales Production Possibilities	355 255
minority iridity	220	croduction rossibilities	355

Opportunity Cost	356	Importance of the Food Supply	368
Law of Increasing Cost	356	Importance of Food Safety	368
Equal Product Curve	357	Poverty (Economic Justice)	368
Productive Power of Advanced Technology		Environmental Externalities	368
and Innovations	357	Other Public Concerns and Expectations	368
Common Pitfalls in Economic Analysis	358	Development of Agricutural Policies	369
Fallacy of Composition	358	Influence of Groups and Farm Organizations	
False-Cause Fallacy	358	on Agricultural Policy Development	369
Career Options: Ag Banker, Financial		History of Farm Legislation	371
Manager, Agriscience Loan Officer, Financial Analyst, Marketing Specialist	359	Settlement Period (1776–1929)	371
Attaining Economic Efficiency	359	Official Farm Legislation Passed	
Conclusion	360	by Congress	371
Summary	360	Future of Agricultural Policy	371
END OF CHAPTER ACTIVITIES	361	Reasons for Governmental Services	377
REVIEW QUESTIONS	361	Production	377
FILL IN THE BLANK	362	Education	377
MATCHING	362	Services	378
ACTIVITIES	363	Organizational Structure of the USDA	378
ACTIVITIES	303	Food, Nutrition, and Consumer Services	379
Chapter 15		Food and Nutrition Service	379
Agricultural Policy and		Marketing and Regulatory Programs	380
		The Agricultural Marketing Service	380
Governmental Agribusiness	271	Animal and Plant Health	
Services	364	and Inspection Service	380
Introduction	365	Grain Inspection, Packers, and	200
Historical Perspective	365	Stockyards Administration	380
Why Agricultural Policy?	366	Farm and Foreign Agricultural Services	380
Goals of Present and Future	266	Farm Service Agency	381
Agricultural Policy	366	History	381
Forces That Cause Policy Change	366	Responsibilities	381
Instability Globalization	367	Size	381
	367	Commodity Credit Corporation	381
Technology	367	Foreign Agricultural Service	382
Food Safety Environment	367	Risk Management Agency	382
Industrialization of Agriculture	367	Rural Development	382
Politics	367	Rural Utilities Service	383
Unforeseen Events	367 367	Rural Housing Service	383
Conditions Leading to and Reasons	367	Rural Business-Cooperative Service	383
for Governmental Involvement	368	Natural Resources and Environment	383
Price and Income Stability	368	Forest Service	383

Natural Resources Conservation Service	384	Future Farmers of America	392
Jobs	384	Size	392
Research, Education, and Economics	384	Career Options: Natural Resources	
Agricultural Research Service	385	Conservation Service, Air Quality Control,	
Animal and Plant Research	385	Federal and State Regulatory Agencies, Agricultural Extension and/or 4-H Leader,	
Marketing Research	385	Agricultural Education Teacher	393
National Agricultural Library	385	Jobs in Agricultural Education	393
Cooperative State Research, Education,		Conclusion	393
and Extension Service	385	Summary	394
The Cooperative State Research Service	385	END OF CHAPTER ACTIVITIES	395
Extension Service	385	REVIEW QUESTIONS	395
4-H Clubs	386	FILL IN THE BLANK	396
Economic Research Service	386	MATCHING	397
National Agricultural Statistics Service	386	ACTIVITIES	398
Food Safety and Inspection Service	387		
USDA Summary	387	Charten 16	
State Departments of Agriculture	387	Chapter 16	200
Mission	387	Private Agribusiness Services	399
National Association of State Departments		Introduction	400
of Agriculture	387	Resource Specialization	400
Land Grant System	388	Private Agribusiness Services	400
History of Land Grant Systems	388	General Farm Organizations	400
Colleges of 1890	388	The National Grange	400
Agricultural Experiment Stations	388	Accomplishments	401
Development of the Cooperative	200	Membership	401
Extension Service	388	National Farmers Union	401
Non-Land Grant Agricultural Programs	390	Intended Purposes	401
Comparison of Land Grant and Non-Land Grant Universities	390	American Farm Bureau Federation	402
Sea Grant Program	390	Insurance	402
Historical Development	390	Marketing	402
Mission	390	Accomplishments	402
Reason for the Sea Grant Name	390	National Farmers Organization	402
Funding	390	Strategy to Improve Farm Prices	402
Project Awards	391	Holding Actions	403
Coherent Project Programs	391	Price Improvement Challenge	403
Sea Grant Institutional Programs	391	American Agriculture Movement	403
Sea Grant Colleges	391	Agricultural Commodity	
International Mission of the Sea		Organizations	403
Grant Programs	391	Services Performed	404
Agricultural Education	391	Selected Types of Commodity Groups	404

Farm Commodity Groups	404	Historical Beginning	422
Agribusiness Commodity Groups	405	Purpose	423
Agricultural Research	405	Change from FmHA to FSA	423
Areas of Agricultural Research	405	Nonfarm Portion of FmHA	423
Consulting	405	Commercial Banks	423
Crop Consulting	405	Organization of Commercial Banks	424
Livestock Consulting	405	Agricultural Loans	424
Artificial Insemination	40 <i>7</i>	Life Insurance	424
Historical Developments	407	Size of Loans	424
The Artificial Insemination Industry	407	Source of Funds	424
Artificial-Breeding Companies	409	Commodity Credit Corporation	424
Veterinary Services	409	Nonrecourse Loans	425
Father of Veterinary Medicine	409	Limitations	425
First Veterinary Schools	414	Individual and Other Loans	425
First College of Veterinary Medicine	414	Merchants	425
Present-Day Veterinarians	414	Farm Implement Dealers	425
Agricultural Communications	415	Career Opportunities in Agribusiness	
Agricultural Cooperatives	415	Input Credit Services	425
History and Development of Cooperatives	415	Experience	425
First Agricultural Cooperative	415	Education	426
Forerunner of Modern-Day Cooperatives	415	Potential Available Jobs	426
Present-Day Cooperatives	416	Conclusion	426
Impact of Cooperatives	416	Summary	426
Career Options: Breed Association		END OF CHAPTER ACTIVITIES	427
Representative, Artificial Insemination		REVIEW QUESTIONS	427
Technician, Veterinarian, Animal Health Technician, Agricultural Communications	417	FILL IN THE BLANK	429
Types of Cooperatives	418	MATCHING	429
Careers	420	ACTIVITIES	430
Farm Credit System	420		
Historical Beginning of Federal Land Banks			
Historical Beginning of Production	720	UNIT 4	
Credit Associations	421	The Agribusiness Output	
Historical Beginning of the Bank		(Marketing) Sector	431
for Cooperatives	421	Chanton 17	
Restructured and Present-Day Farm		Chapter 17	422
Credit Systems	421	Basic Principles of Agrimarketing	433
Agricultural Credit Act of 1987	422	Introduction	434
Types of Farm Credit Service Loans	422	What Is Agrimarketing?	434
Banks for Cooperatives	422	The Difference between Selling	
Consolidated Farm Service Agency	422	and Marketing	435

Selling	435	On-Farm Restaurants	443
Marketing	435	Wineries	443
How Agrimarketing Developed	436	Marketing Agribusiness Products	443
Supply and Demand	436	Advertising	443
Prerequisites of an Efficient Economic System	437	Career Option: Salesperson/Agrimarketing	
A Free Market Economy	437	Specialist	444
Prices That Reflect the Full Value of Market Resources	437	What Is Advertising and What Will It Accomplish?	444
More Interaction between Consumers		Setting Advertising Goals	444
and Production Agriculturalists	437	Advertising Budgets	445
Factors to Consider in a		Types of Advertising	445
Consumer-Driven Market	437	Price Promotions	445
Meeting Modern Demands	438	Merchandising Promotions	445
Predicting Consumer Demands Is Big Business	438	Public Relations Activities	445
The Consumer Population	438	Coordination	445
Farm Commodity Marketing	438	The Four Ps of Agribusiness Marketing	
Marketing Strategies for Farm Commodities	439	and the Marketing Mix	445
Types of Livestock and Dairy Markets	439	Functions of Marketing	446
Terminal Markets	439	Buying and Selling	446
Auction Markets	439	Transporting and Storing	446
Direct Sales	440	Providing the Right Quality and Quantity	446
Cooperatives	440	•	
Government	440	Financing	447
Vertical Integration	440	Risk Taking	447
Futures Markets	440	Gathering Marketing Information	447
Types of Grain Markets	441	Other Marketing Functions	447
Forward Contracting	441	Value Adding	447
Harvest Pricing	441	Value Adding Can Occur at Any Point During Marketing	447
Postharvest Pricing	441	Packaging Packaging	447
Types of Fruit and Vegetable Markets	442	Commodity Research	777
Roadside Markets	442	and Promotion Boards	447
Farmer's Markets	442	Check-Off Program	448
Pick Your Own	442	New Product Development	
Food Brokers	443	by Commodity Boards	448
Wholesalers	443	Potato Board	448
Processors	443	Cattlemen's Beef Promotion	
Specialty Markets	443	and Research Board	448
Fee Fishing	443	National Honey Board	448
Organically Grown Crops	443	Cotton Board	448
Hormone-Free Beef	443	American Egg Board	449

National Pork Board	449	Buying Futures Contracts	461
National Dairy Promotion and Research Board	449	What Does a Futures Contract Look Like?	462
Market Analysis	450	Practice Reading a Price Quote	463
Strategic Planning and Marketing	450	Determining the Value of a Futures	
Plan for Success	450	Contract	463
Success Strategies	450	Determining Profit or Loss on a Futures	465
Characteristics of Strategic Planning	451	Contract	465 465
The Purpose of Strategic Planning	451	Hedgers and Speculators	466
Financial Reasons for Strategic Planning	451	Long (Buying) and Short (Selling) Hedgers	466
Steps of the Strategic Planning Process	452	Example of a Long Hedge	466
Developing the Strategic Marketing Plan	452	Example of a Short Hedge	467
Analysis of the Agribusiness's Situation	452	Transactions Can Be Unpredictable	407
Objectives of the Agribusiness	452	Relationships between the Cash and Futures Market	467
Strategy Statements	452	Basis	467
Procedures for Monitoring and		Fertilizer Futures Now Traded	467
Controlling the Strategic Plan	452	Fertilizer Futures Contract Example	468
Conclusion	452	Speculators	468
Summary	453	Gambler or Businessperson	468
END OF CHAPTER ACTIVITIES	454	Speculators Are a Positive Influence	
REVIEW QUESTIONS	454	in the Futures Market	468
FILL IN THE BLANK	455	Speculators Are Not Interested	
MATCHING	456	in the Physical Commodity	468
ACTIVITIES	456	Trading Philosophy of Speculators	469
		Types of Speculators	469
Chapter 18		Speculation Example	469
Commodity (Futures) Marketing	458	Determining the Price of a Commodity	469
Introduction	459	Price Discovery Trading	470
History of Commodity (Futures) Markets	459	on the Trading Floor	470
No Early Standards	459	Forecasting Market Direction through Government Reports	470
Formation of the Chicago Board of Trade	459	Making the Futures Trading Transaction	470
Forward Contracts Increase in Popularity	459	Opening an Account	470
Change from Forward Contracts		Types of Accounts	471
to Futures Contracts	460	Margins	471
Standardized Agreements in Futures Contracts	460	Placing Orders	471
Initiation of the Margining System	460	Market Order	472
Commodity (Futures) Exchanges	460	Limit Order	472
Exchanges Do Not Trade Anything Physical	460	Stop Order	472
Other Commodities Are Also Traded	461	Order Route	472
Purpose of Commodity (Futures) Markets	461	Action on the Trading Floor	472
(	'	~	

473	Impact on States	491
	Consumer Benefit from International Trade	491
475	Basis for Trade	492
475	Absolute Advantage	492
475	Comparative Advantage	492
476	Importance of Specialization	493
477	Exporting Agricultural Products	493
477	· -	493
477	Major Buyers of U.S. Exports	493
477	Humanitarian Reasons for Exporting	494
478	Beneficial Side Effects of Exporting	495
478	Importing Agricultural Products	495
	Agricultural Trade Balance	495
478	Free Trade or Protectionism	496
478	Agricultural Trade Policy	497
478	General Economic Arguments	
478		497
478	- /1 0	498
		498
479	· · · · · · · · · · · · · · · · · · ·	498
479		
480		498
480		498
481	•	498
481		498
482		498
482	Export and Import Trade Barriers	499
482	Import Controls	499
483	Export Controls	499
483	International and Regional Trade Agreements	499
	International Approach to Trade Agreements	500
	•	500
489	•	500
490		501
490	•	501
490	The World Bank	501
490		501
490	Purpose	502
	475 475 475 476 477 477 477 478 478 478 478 478 478 478	Consumer Benefit from International Trade  475 Basis for Trade  475 Absolute Advantage  476 Importance of Specialization  477 Exporting Agricultural Products  477 Major Commodities Exported  478 Major Buyers of U.S. Exports  479 Humanitarian Reasons for Exporting  478 Beneficial Side Effects of Exporting  478 Importing Agricultural Products  478 Agricultural Trade Balance  478 Free Trade or Protectionism  478 Agricultural Trade Policy  478 General Economic Arguments  478 for Free Trade  478 General Economic Arguments Supporting  479 Protectionism  479 Infant Industry  480 Unfair Competition Argument  480 Self-Sufficiency for National Security  481 Diversification for Stability  481 Protection of Wages and the Standard of Living  482 Which Is Best?  483 Export and Import Trade Barriers  484 International and Regional  485 Trade Agreements  486 International Approach  487 to Trade Agreements  488 Und Trade Organization  489 Mission  490 Major Thrust  490 Benefits  490 The World Bank  490 International Monetary Fund

Regional Approach to Trade Agreements	502	Competition	515
The European Union	502	Processors	515
North American Free Trade Agreement	503	Food Manufacturers	516
Benefits to U.S. Agriculture	503	Agribusiness Wholesaling	517
Disputes	503	Size and Volume of Sales	517
Impact of Exchange Rates on International Trade	504	Trend toward Wholesale-Retail Affiliation	517
It All Evens Out	504	Reasons Why Wholesalers Exist	51 <i>7</i>
Careers Related to International Agriculture	504	Credit	<i>517</i>
Export-Import Services	504	Savings	51 <i>7</i>
Career Option: International		Variety	517
Agriculture Trader/Marketer	505	Types of Wholesalers	518
Foreign Agricultural Services	505	Merchant Wholesalers	518
International Agricultural Research	506	Manufacturers' Sales Branches	518
The Peace Corps	506	Agents and Brokers	518
Conclusion	506	Agribusiness Retailing	518
Summary	507	Chain Stores	519
END OF CHAPTER ACTIVITIES	508	Types of Grocery Stores	519
REVIEW QUESTIONS	508	Supermarkets	519
FILL IN THE BLANK	508	Convenience Stores	520
MATCHING	509	Superettes	520
ACTIVITIES	510	Specialized Food Stores	520
		Other Agribusiness Retailing	520
Chapter 20		Food Service Industry	520
Agrimarketing Channels	511	Growth and Volume of the Food Service Industry	520
Introduction	512	Percentage of Selected Foods Consumed	
Historical Evolution of Agrimarketing Channels	512	in the Food Service Industry	522
Evolution of Specialists	512	Reasons for Growth in the Food	
The Farmer's Share of the Consumer's	312	Service Industry	522
Dollar Falls	512	Types of Food Service Establishments	522
Both Producer and Consumer Gain	514	Commercial	522
Assemblers of Agricultural Products	514	Noncommercial Establishments	523
Agricultural Commodity Processors		Taste Trends and New Operating Styles	523
and Food Manufacturers	515	Future of the Food Service Industry	523
Technology in Commodity Processing		Related and Contributory Services	523
and Food Manufacturing	515	Standardization and Grading	523
Size, Volume, and Structure	515	Packaging	524
Size	515	Storage	524
Volume	515	Order Processing	524
Structure	515	Inventory Control	524

Transportation	524	Cotton Industry	527
Truck Transportation	524	Dairy Industry	527
Railroads	524	Career Options: Inspector, Quality Controlle	er,
Boat Transport	524	Seller, Processor, Trucker, Wholesaler,	
Air Transport	524	Distributor, Produce Manager, Meat Cutter, Packer, Grader, Auctioneer, Co-op Manager	
Market Communications	524	Conclusion	529
Financing	525	Summary	529
Product Development	525	END OF CHAPTER ACTIVITIES	531
Market Research	525	REVIEW QUESTIONS	531
Merchandising	525	FILL IN THE BLANK	532
Advertising	525		
Regulation	525	MATCHING	533
Careers in Agrimarketing	525	ACTIVITIES	533
Meat and Livestock Industry	525		
Feed Industry	527	Appendix	535
Fruits and Vegetables	527	Glossary	537
Ornamental Horticulture	527	Index	557