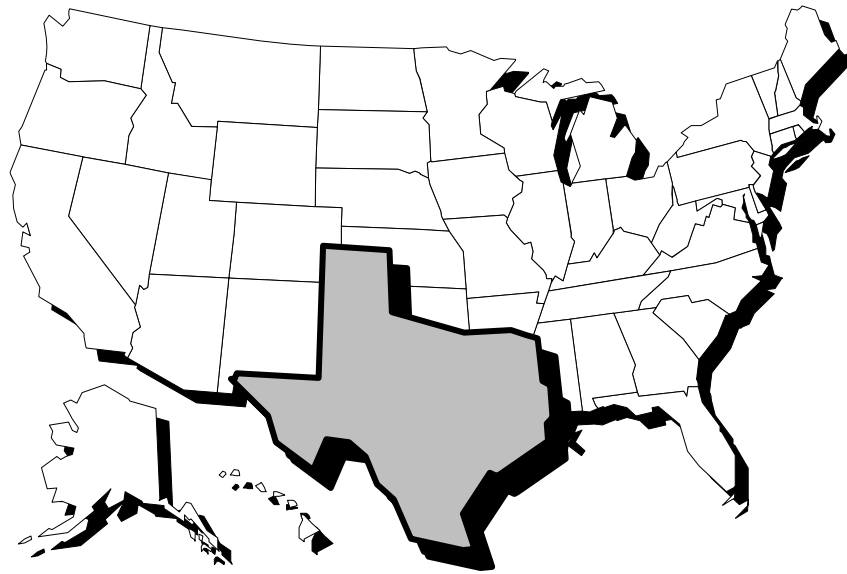


*Facts About  
Texas and U.S. Agriculture*

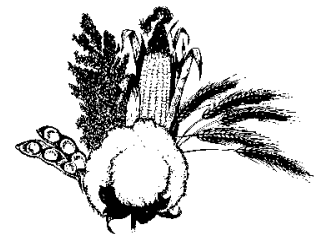


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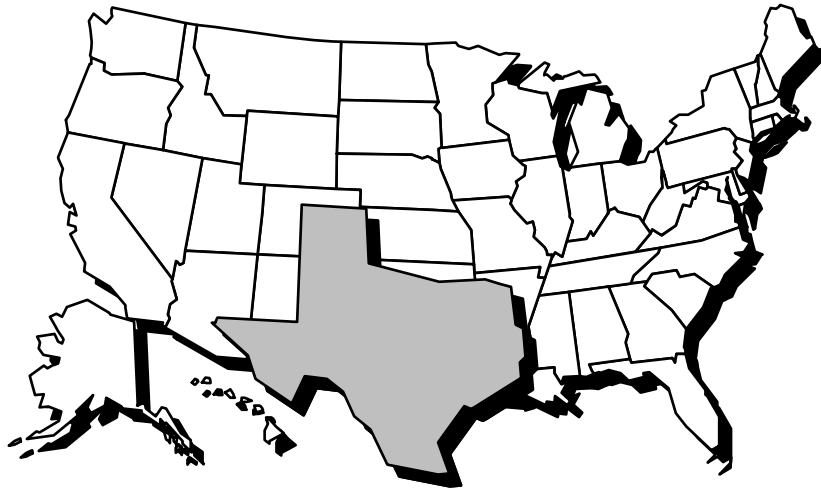
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## **Facts About Texas and U.S. Agriculture**

<http://agecoext.tamu.edu/resources/publications/agsector/index.php>

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## **Agriculture**

Agriculture is one of the most important industries in Texas and the United States. Many businesses, financial institutions and individuals are involved in providing supplies, credit and services to farmers and ranchers in processing and marketing commodities.

Farm and farm related employment accounts for 26 percent of jobs in non-metro areas and 13 percent in metro areas, for a statewide average of 14 percent of employment.

With increasing demand for food and fiber worldwide, and because of the importance of agricultural exports to this nation's trade balance, agriculture is destined to play an even greater role in the future.

Texas ranked second during 2005, behind California among states in farm receipts. A large area of productive soils and excellent export and transportation facilities favor farming and ranching operations in the state.

Texas ranks first in sales of cattle and calves, sheep and wool, goats and mohair, and cotton; and in the value of farm real estate, number of farms and ranches, and amount of farm and ranch land.

The number of farms in Texas has decreased from 506,000 in 1931 to 230,000 in 2006, with an average size of 564 acres.

Farms with sales of less than \$10,000 gross value total 157,000, or 68 percent of all farm operations, but use only 16 percent of the land. Operations that have \$10,000 to \$99,999 in sales total 56,500, make up 25 percent of the group, and 35 percent of acreage. Farms with sales of \$100,000 to \$249,999 total 8,200, use 18 percent of land, and account for 4 percent of farms. The operations with \$250,000 and over in sales total 8,700, or 4 percent of farms, and include 31 percent of land.

The Texas Cooperative Extension and The Texas Agricultural Experiment Station, agencies of The Texas A&M University System, support the state's agricultural industry through education and research.

# The Changing Face of Texas and U.S. Agriculture

## Agriculture in Texas Today

- Agriculture is big business in Texas -- the estimated value of 2006 agricultural production and related items totaled \$17.1 billion. That is down sharply from \$18.5 billion in 2005 and \$18.0 billion in 2004. The statewide drought in 2006 was the main reason for the reduced value of production from the year before.

## Factors Impacting Change in Agriculture

- Consumer-driven changes
  - ☞ Consumer-driven change is becoming the driving force in agriculture.
  - ☞ Changing consumer demands are challenging existing marketing institutions and the traditional ways of doing business.
  - ☞ More and more emphasis is being placed on meeting customer's food needs/interests (convenience, lower cholesterol, healthier, lower prices, increased variety, etc.)
  - ☞ Commodity-based food production system is rapidly moving to a system designed to meet consumer expectations that reflect safety, health and the environment.
  - ☞ The ever-demanding consumers drive the market today. They want simplified, tailored solutions that bring convenience and help improve their lives.
  - ☞ Traceability of food items to their earliest production step will be a key to convincing consumers that safety, health and environmental demands of food are met.
  - ☞ More information is being uncovered on an individual's nutritional needs based on genetic diversity. This will eventually lead to a "diet prescription". Therefore, information on how food products originate is critical.
  - ☞ Consumers are becoming increasingly concerned about genetically engineered crops and their impact on both human health and the environment.
  - ☞ Consumers are gaining more power and control in the marketplace.
  - ☞ Manufacturers will be selling more direct to retailers and consumers.
  - ☞ The Internet, Web sites, and E-Commerce will expand distribution systems, creating continuous supply chains that are convenient to consumers.
- Convenience and lifestyle factors
  - ☞ Fast food -- time is precious commodity
  - ☞ Eating out -- increasingly popular with two wage-earner family

- ☞ Pre-cooked foods -- a time saver for family meals
- Economics
  - ☞ The Farm Security and Rural Investment Act of 2002 -- flexibility, more market-oriented, and better “safety net” than 1996 FAIR Act
  - ☞ Production costs -- continue to increase
  - ☞ Commodity prices to farmers -- vary, often below cost of production
  - ☞ Water availability and costs are cause for concern
  - ☞ Drought -- droughts in 1996, 1998, 2000, and 2006 have taken more than \$22 billion from the Texas economy. Farm and ranch production losses during the same years totaled about \$10.0 billion.
  - ☞ Increased capital outlay/investment
  - ☞ New technology/biotechnology/genetic engineering
  - ☞ Today, agriculture operates in a global, high-tech, consumer-driven environment. The world economy is characterized by the instant flow of capital, communications, and information.
  - ☞ A global food system has emerged which encompasses everything from production to processing to consumption. Increasingly, companies are finding that the best way to plug into the global food system is to form strategic partnerships that increase the ability to source, distribute and transport products.
  - ☞ Improvements in transportation, storage and food technology mean more fresh food can be moved further and faster at lower costs.
  - ☞ Information technology is being used to generate new efficiencies throughout the food and fiber chain.
- Impacts of a “prescription food” system
  - ☞ More detailed record keeping
  - ☞ More restrictions on choice or inputs/practices
  - ☞ Precision agriculture will take on new dimensions through the use of satellites, computers and other high-tech tools to help producers manage inputs such as seed, fertilizers, pesticides and water.
  - ☞ Farmers will be required to become sophisticated producers of food products for which they can be held responsible all the way to the consumer.
  - ☞ These changes will be global in nature as this new world food system develops.

- ☞ Consumers will define food as an input or a prescription for their physical condition, mental health and safety as well as a template for beneficial environmental practices in food production.
  - ☞ Companies and retailers require specific and consistent product characteristics, assured supplies, and timely delivery. Retailers are increasingly contracting directly with producers to meet consumer desires and reduce marketing costs.
  - ☞ The combination of globalization, technology, and ever-demanding consumers means a more tightly connected food chain with stronger linkages among producers, processors, and retailers.
  - ☞ On the one hand, consolidated retailers want large volumes of branded, high-quality products. Processors are expanding operations, acquiring new product lines, or merging with others in order to meet the retailers' needs.
- Land use priorities
    - ☞ Crop, livestock and forest production
    - ☞ Recreation/ecotourism
    - ☞ Wildlife management for income
    - ☞ Accessibility: public and privately owned property
    - ☞ Environmental management
    - ☞ Increased emphasis on conservation of natural resources
    - ☞ Water use and availability
  - Demographics
    - ☞ Changes revealed in the U.S. by the 2002 Census of Agriculture data compared to the 1997 Census
      - √ Big (2,000 acres or more) farms increased 5 percent.
      - √ Number of 10 to 49 acre farms increased by 6 percent -- but they are being operated by part-time farmers. The number of 1 to 9 acre farms decreased 15 percent, and the 50 to 2,000 acre operations decreased slightly.
      - √ Average farm size increased 10 acres to 441 acres.
      - √ The average age of operators has increased to 55.3 years from 54.0.
      - √ Total number of U.S. farms declined to 2.1 million; this is a decline of about 86,894 farms since 1997.
      - √ Fifty-nine percent of farms have less than \$10,000 in sales.

- √ Families or individuals operate 90 percent of operations; 6 percent are partnerships; 3 percent corporations; and other, 1 percent.
- √ Acres of land in farms decreased 1.7 percent.
- ☞ Changes in Texas agriculture revealed by the 2002 Census
  - √ Growth to large farms in Texas has slowed.
  - √ Texas farms with 1,000 acres or more declined 410 to 22,562 in 2002.
  - √ The only increase in farms with less than 1,000 acres was 6,925 to 61,015 farms in the 10 to 49 acre group.
  - √ Land in farms decreased by 4.08 million acres to 129,877,666.
  - √ Average farm size decreased 4 percent to 567.
  - √ Number of farmers whose principal occupation was farming increased 25 percent to 122,719.
  - √ Total number of farms increased slightly from 228,173 to 228,926.
  - √ The number of family or individual farms increased 19 percent to 210,409; partnership farms decreased 32 percent to 12,720; and corporations decreased 23 percent to 4,298. Individuals and families owned 91.9 percent of farms and ranches; partnerships, 5.6 percent; corporations, 1.9 percent; and others, 0.07 percent.

### **What Will the New Face of Texas Agriculture Look Like?**

- Trends reflect some observations
  - ☞ Larger commercial farms and ranches
  - ☞ More smaller part-time farms
  - ☞ More non-farm landowners (other income)
  - ☞ Increasing demand for rural land as investment and for recreation
  - ☞ Shifts -- production/management to reflect
    - √ Improved business/management skills
    - √ Greater risks
    - √ Economics of production -- bottom line
    - √ Comprehensive marketing skills
    - √ Processing facilities (market for products)

- √ Environmental issues
- √ New technologies
- ☞ Diverse income alternatives -- livestock, crops, leases, non-farm businesses
- ☞ Balance of business and production management
- ☞ Lifestyle vs. viable economic unit
- ☞ Best use/demand for land (crops, livestock, wildlife, back to natural habitat, tourism)
- ☞ Consumer-driven markets

### **Impacts**

- Food and fiber production system to feed a growing world population
- Role of USDA and Land Grant University Research and Extension in serving the ag industry and non-ag landowners
- Land values driven in part by non-farm use
- Develop educational programs for absentee landowner

### **Considerations for Producers**

- Become owners or partners in businesses that furnish supplies, services, transportation, storage, etc. Also consider more pooling arrangements in marketing for bargaining power.
- Farmers are taking the lead in more efficiently synchronizing farm production with market demand by recognizing higher value production and value-added processing businesses.
- Pay particular attention to markets for niche or specialty crops.
- Consider leasing or jointly owning large and expensive equipment or using custom operators rather than individually owning such equipment as in the past.
- Develop marketing plans that include forward pricing by contract and use of commodity option markets.
- Devote more attention to becoming better at keeping records that help manage their expenses and improve marketing skills. It will be more critical than ever to know the cost per bushel of grain, per pound of cotton and per hundredweight of cattle.
- Seek out alternative production practices and diversification based on available resources. Quail, dove, turkey, pheasant, waterfowl, deer and even wild hog hunting, as well as wildlife watching (birding, wildlife trails, etc.), can be a growing enterprise for many operations.



## Characteristics of Successful Farm and Ranch Operators

- Adapt to changing needs
  - ☞ Explore new ideas
  - ☞ Resource managers
  - ☞ Networking
- Strategic thinkers
- Objectively understand people
- Seek improvement
- Emphasize system's perspective
  - ☞ Consider alliances
- Excellent risk managers
- Review “what if” scenarios
  - ☞ Develop contingency plans
- Consider “big picture” events
- Strive to overcome challenge
- They lead and motivate people
- Develop a balanced performance
  - ☞ Production, finance, personnel, marketing
- Concentrate on successful performance
  - ☞ Treat causes not symptoms
- Decisions focused on reason and judgement
- Able to implement good ideas
- Communicate what, how and why
  - ☞ Create team effort