For more information, contact:

Nelson Bills
Department of Applied Economics and Management
Cornell University
Ithaca, New York 14853-7801
Telephone: 607-255-7734
Email: nlb4@cornell.edu

For more information regarding agriculture economic and community development, visit the following resources on-line:

The Agriculture Economic and Community Development Clearinghouse  
www.nyagdev.net
Cornell’s Applied Economics and Management Department  
www.aem.cornell.edu
Cornell’s Community, Food, and Agriculture Program  
www.CFAP.org

This material is based upon work supported by the New York State Department of Agriculture and Markets and published with Smith Lever funds from the Cooperative State Research, Education, and Extension Service, U.S. Department of Agriculture. Any opinions, findings, conclusions, or recommendations expressed in this publication are those of the author(s) and do not necessarily reflect the view of the New York State Department of Agriculture and Markets or the U.S. Department of Agriculture.

Credits

Photos
Inside spread: Community, Food, and Agriculture Program
Inside insert: Unknown source

Design
Barbara Iell
The Image Lab
College of Veterinary Medicine
Cornell University

Image Lab of the College of Veterinary Medicine
Cornell University
VALUE-ADDED FARM AND FOOD PRODUCTION

The term “value added” is used liberally in discussions of agricultural economic development, but the meaning is often shaded differently depending on the focus and context. A starting point is the term “value added”. Everyone in the economy who handles a product and then sells it is considered to be “adding value”. Value added is calculated by separating cash transactions between businesses (to eliminate double-counting) from total business revenue. The remainder accrues to households in such categories as wages, salaries, and net business income. At the national level, this remainder is defined as gross domestic product (GDP).

Measures of GDP disaggregated by industrial sector at the state level reveal how much value-added there is in farm and food production statewide – see graph. Here we include farms, agricultural services, and food manufacturing so that production downstream from the farm gate can be taken into account. This is arbitrary, and growing farm businesses sometimes branch into wholesaling, retailing, or transportation as well.

The trend data show that value added originating in farming has remained stable in the last decade while value added in agricultural services has increased and presently exceeds the value added in production agriculture. Value added in food manufacturing has increased since the mid-1970s and has hovered in the $5.5 billion range in the last decade.

This overview of food and agriculture conveys what many observers mean when they use the term “value added”. To facilitate an ongoing debate over strategies to promote agriculturally based economic development, the U.S. House Committee on Agriculture suggests that value-added agriculture has gained currency in the ongoing farm policy debate because of concern over the farm share of the consumer food dollar and excessive profit-taking by processors and retailers. Value-added efforts – such as direct marketing, farmer ownership of processing facilities, and producing farm products with a higher intrinsic value (such as identity-preserved grains, organic produce, free-range chickens, etc.) – may have strategical merit for the farm and food sectors.

These concerns seem to hint at unfair treatment of the farmer regarding his/her share of the consumer dollar and emphasize processing as a way to add value to commodities. Other observers acknowledge the fairness issues but stress other aspects of production and marketing activities. Other aspects include strategies that encourage farm operators to diversify their business or to give more attention to direct marketing as a value-added activity, especially for commodities that are consumed in their raw state. Elsewhere, words such as “branding” and “identity-preserved” are used in conjunction with value added. And finally, alternative uses for agricultural assets, such as agritourism, are often swept into the broad term of value added.