

The impact of West Virginia agriculture extends far beyond the state's 20,500 farms which produce around a half-billion dollars in farm commodities each year.

The Value of West Virginia's Farm and Food Industries

West Virginia's farmers produced commodities valued at \$447 million in 1997, when the last national Census of Agriculture was undertaken. Livestock sales account for the largest portion (86%) of total sales, with crop sales accounting for the remainder. The largest livestock commodity is poultry, accounting for almost half of total farm sales. The largest crop commodity is nursery and green-house products racking up \$19 million, or 30% of total crop sales in the Mountain State.

Net value added by West Virginia farmers, a measure of the sector's contribution to the national economy, was \$106 million in 2001, almost unchanged both from the previous year as well as the preceding 10-year average. During a typical year, **net farm income**, representing the farm operators' share of income from the sector's production activities, is roughly half this value, amounting to \$48 million during 2001.

The West Virginia Food System

In addition to farm production, the processing and marketing of farm and food products contribute significantly to the West Virginia economy and to local communities. The West Virginia food processing industry purchased \$176 million worth of farm commodities from within the state in 1997. In the same year, the food retail industry purchased \$7 million worth of farm commodities directly from WV farm establishments, increasing a trend toward direct marketing by West Virginia farmers.

Food processing establishments manufacture farm commodities into food products for human consumption, thereby adding value to raw products. This industry in West Virginia contributed \$1 billion to the West Virginia economy in 1997. The food retail industry, which is made up of the restaurant and supermarket industries, transforms and markets food items for human consumption. The West Virginia food

retail industry contributed \$2.8 billion to the West Virginia economy for 1997. The West Virginia food system, which is a combination of the farm production, food processing, and food retail industries, generated \$3.5 billion in sales in 1997, accounting for 130,000 jobs or 15% of total state employment. The West Virginia food system represented 11% of gross state product.



Farm Production Impacts Rural Businesses, Incomes, Employment...

Farmers influence rural communities by purchasing inputs. In 1997, West Virginia farm establishments spent a total of \$380 million on supplies. The largest cost item was livestock feed, accounting for over two-thirds of total expenses.

Farmers also influence the tax base and labor force. In 1997 farmers paid a total of \$10 million in property taxes. Property taxes represent 3% of the total expenses for farm establishments. These taxes also contribute to rural development and educational funding. West Virginia farmers spend \$24 million in wages, and provide employment to 24,000 people.

The total dollar value of West Virginia farm production, input, and processing and marketing activities (commonly referred to as the "agribusiness" sector) is shown in Figure 1.

Farm Assets and Net Worth

To produce farm commodities and generate income, West Virginia farmers employed **assets** (such as land and buildings) totaling \$4.4 billion. Debt represents only a small proportion of this total (10%). Thus, farmers have a combined **net worth** of almost \$4 billion. Farm households derive income from a variety of sources. Farm income represents approximately 10% of total income; similar to a typical household, part of a farm household's income is derived from other sources such as wages or salaries and investment income. In fact, income diversification often is desirable from a household's standpoint, farm or non-farm; this takes on even more importance for a farm household because farm business income exhibits considerable variability.

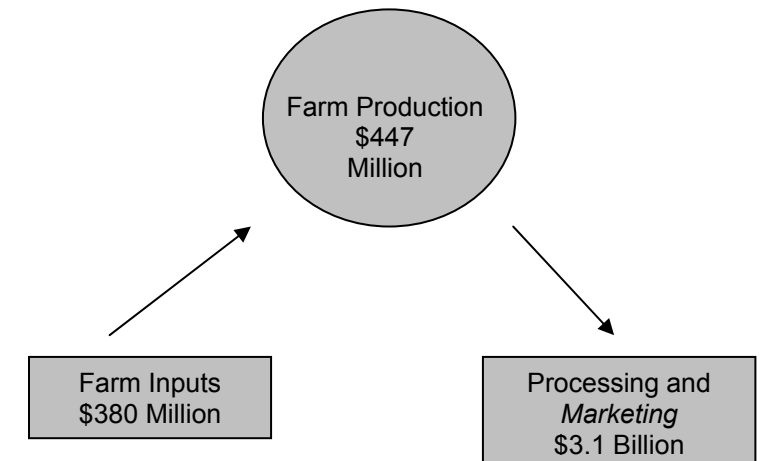


Figure 1. The West Virginia Agribusiness Sector, 1997

Land Use

Together, farms and forests cover most of the state's land area. There are 3.6 million acres of land in farms, accounting for 24% of WV's total land area. Some of this land is devoted to cropland but most to woodland and pasture, which, in turn, provides wildlife habitat and scenic value. Thus, farms are said to be *multifunctional*, providing a combination of commodity and non-commodity (including social, wildlife, and

recreation-related) benefits. As incomes rise, these non-commodity attributes tend to be valued more highly.

Farm Trends

The West Virginia farm production industry has experienced a period of **stability against the backdrop of a continually changing economy**. From 1978 to 1997 the number of farms in the Mountain State increased by 2%. In addition, from 1992 to 1997 (the two latest Agriculture Census years) total farm sales increased by 7%, and the market value of livestock increased by 10%. During the same period, average farm size decreased by 4%, farm expenses increased by 12%, and profits per farm increased by 15%.

Economic Development Impacts

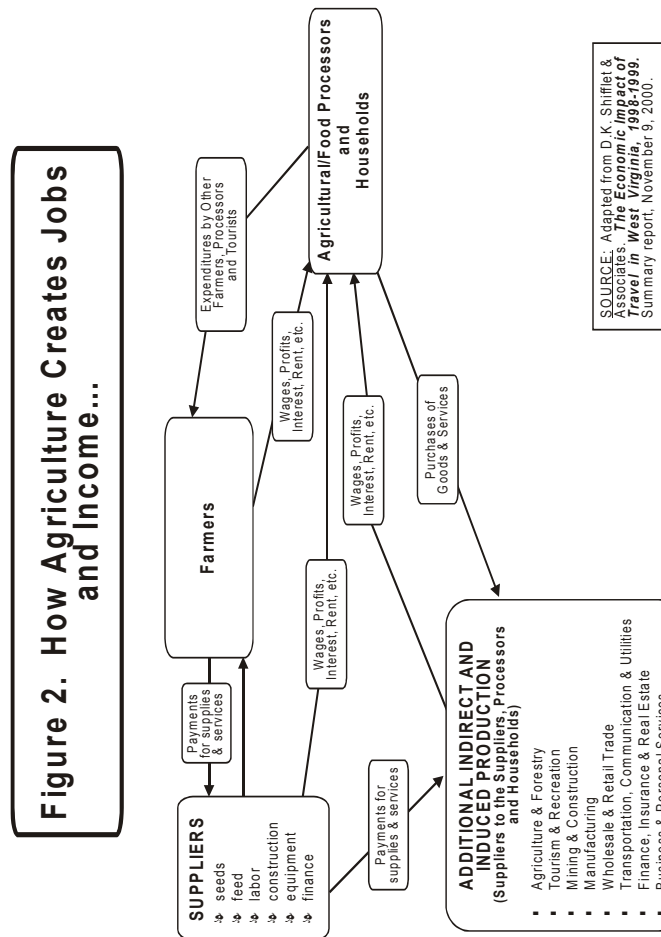
Each dollar spent by the West Virginia farm production industry creates a ripple effect in the state economy increasing output, income, and employment in other economic sectors. Using a statewide economic (IMPLAN or input-output) model, we estimate that a **\$1 increase in farm output results in a \$2 increase** in the Mountain State's economic output (economic output is defined as the total production of goods and services). A **\$1 dollar increase in personal income of farm establishments creates roughly a \$4 increase in total personal income** in the West Virginia economy (total personal income is defined as the sum of employee compensation, proprietary income, proprietary profits, and indirect business taxes within the economy). It would appear that the money spent by the farm production industry has a greater degree of influence on the economy than most industries. In addition, for every 100 jobs created in the farm production industry, **386 additional jobs** in the economy are generated. The farm production employment multiplier effect is greater than the trade, transportation, and food retail industries. An illustration of how growth in the agriculture sector can contribute to statewide economic development by virtue of its linkages to other sectors is shown in Figure 2.

The Future - Niche Markets

The future of WV agriculture will likely involve a stable base of traditional commodities, but rapid growth of directly marketed, niche commodities such as aquaculture, ginseng, pasture-raised beef and organic farming. Growth in these sectors is driven by an abundant natural resource base and entrepreneurial spirit, together with increasing consumer demand for fresh and local foods, and will further contribute to economic development of the Mountain State.

AGRICULTURE

in the West Virginia Economy



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