



Understanding and Developing an Agribusiness

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The goal of this module is to expose students to and teach them about the wide-ranging business possibilities available to them through agriculture. There are many opportunities in the agricultural industry, with important issues to consider when beginning an agribusiness. Developing students' understanding of why and how agribusinesses are developed and why some are more successful than others will provide valuable awareness and knowledge that can be applied when beginning their own agribusinesses.

Module Information

Grade level: 8

Time needed: Seven 45-minute sessions

Objective: Students will walk away with a better understanding of the agribusiness community in their area as well as how and why these types of businesses are developed. Basic economic concepts such as supply and demand will be learned along with how to develop an agribusiness plan. These tools, along with others, will allow students to be able to look at a particular agribusiness market and identify potential benefits and risks associated with it.

Instructional approach: These lesson plans include a combination of lectures, group discussions, and presentations. Each lesson will aid students in developing different segments of their agribusiness plans.

Virginia CTE Competencies

- Agricultural Business Fundamentals I (8022); duty area: Understanding Agricultural Business Structure and Procedures.
- Agricultural Business Operations II (8024); duty area: Understanding Agricultural Business Structures and Procedures.
- Agricultural Business Management III (8026); duty area: Planning the Agribusiness.

4-H Program Area

- Science

4-H Life Skill(s)

- Teamwork

Virginia Standards of Learning

Economics and Personal Finance: 2c. identifying the role of entrepreneurs; 2g. examining how investment in human capital, capital goods, and technology can improve productivity.

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Lesson 1: Understanding Agribusiness Ownership

This lesson will introduce students to the wide range of business opportunities that make up the agricultural industry. Students will learn about the different types of agricultural livestock and crop production, as well as the diverse and growing agricultural service industry. During this lesson students will select an agribusiness that they would like to establish and operate.

Objectives

By the end of this lesson, students will be able to:

1. Explain what agribusinesses are and the role they play in the U.S. economy.
2. Examine the evolution of agribusiness in the local community.
3. Determine an agribusiness that they would like to own and operate.
4. Identify a problem that can be solved with an agribusiness.

Key Terms

- Agribusiness
- Agribusiness plan

Lesson Plan

Details for implementation of this lesson, including a list of materials, lesson tasks, and tips for facilitators, are presented in table 1.

Table 1. Lesson plan 1: Understanding agribusiness ownership.

Materials:			
Handout 1.0 Overview of Agribusiness Plan Components			
Handout 1.1 Types of Agricultural Businesses (Blank)			
Handout 1.2 Types of Agricultural Businesses			
Task	Time	Actions	Resources
Discuss topics and issues	10 min	<p>Discuss with students the topics and issues that will be covered along with the expectations of the module. Inform students that they will create plans to develop their own agribusiness by putting together what is known as a “business plan.” Communicate to students that a business plan is simply a roadmap of how they are going to operate their business.</p> <p>Student interaction:</p> <ul style="list-style-type: none"> • Begin by asking students if they would like to be their own boss and operate their own business when they get older. Follow up with a few students on the types of businesses they would like to own and operate. Inform students that throughout this module they will develop plans to start their own agribusiness. • OR go around the class and ask the students to provide a potential agricultural career that they would like to be in one day. 	Handout 1.0 can be used to provide an overview of the components of their agribusiness plan

Table 1. Lesson plan 1: Understanding agribusiness ownership. (cont.)

Task	Time	Actions	Resources
Discuss with students the extent of the agricultural industry and what it includes	15 min	<p>The agricultural industry makes up a significant portion of the U.S. economy.</p> <p>Begin by asking the students the following three questions. Allow three to four students to guess the correct answers. Write down their answers on the board and have the class vote on which answer is closest to the correct answer.</p> <ol style="list-style-type: none"> 1. What percentage of Americans identify themselves as farmers? (Answer: <2%) 2. What percentage of U.S. jobs is related to the agricultural industry? (Answer: ~17%) 3. What percentage of income does the average U.S. family spend on food? (Answer: 10%) <p>Use the answers from the above three questions to lead into how the agricultural industry makes up a significant portion of the U.S. economy.</p> <p>Explain the different types of businesses associated with the agricultural industry and the differences between each. Ask students to name different types of businesses associated with the agricultural industry.</p> <p>Distribute Handout 1.1 to allow students to record their responses.</p> <p>After students have responded, provide students with Handout 1.2, which identifies agribusinesses ranging from livestock and crop production to agricultural services.</p>	<p>Handout 1.1</p> <p>Handout 1.2</p>
Examine how agriculture has evolved in the U.S. over the last century	10 min	<p>Specifically discuss how the agricultural industry has changed in the student's community. (Remember the three questions asked at the beginning of the lesson.)</p> <p>To increase student involvement, ask students if their family is involved in agriculture or if they know of someone in the industry. Their responses could potentially help you make the point that agriculture has significantly changed over the last century.</p>	
Identify agribusiness solutions to meet local demand	5 min	<p>Have students write down on a separate slip of paper or the top of Handout 1.1 an agribusiness they would like to own and operate. For students having difficulty choosing, refer them to Handout 1.2 for potential agribusiness ideas. Instruct students to think about a potential school or community demand that is currently not being met in the local community. Is there an agribusiness solution?</p>	Handout 1.2
Group activity based on agribusiness choice	5 min	<p>Separate students into groups of three to four based on their agribusiness choice. Instruct students to select as a group the type of agribusiness they would like to operate together. The instructor can also opt to choose the agribusiness for the students based on their agribusiness choices.</p>	

Tips for facilitators

To increase participation, have students each select an agribusiness they would like to start. The instructor will then group students according to their agribusiness choices.

Lesson 2: Understanding Basic Agribusiness and Economic Principles (Part 1)

This lesson will have students explore the factors that help determine whether a business is a success or failure, with the definition of success being a business operating at a profit and able to remain in business. Students will also learn the basic economic concepts of market supply and demand.

Objectives

By the end of this lesson, students will be able to:

1. Explore reasons why agribusinesses may either succeed or fail.
2. Explain the economic principle of market supply and demand.

Lesson Plan

Details for implementation of this lesson, including a list of materials, lesson tasks, and tips for facilitators, are presented in table 2.

Table 2. Lesson plan 2: Understanding basic agribusiness and economic principles (part 1).

Materials:

Handout 2.1 Reasons Businesses Succeed or Fail

Handout 2.2 Supply and Demand

Task	Time	Actions	Resources
Review points from previous lesson	10 min	<p>Have students sit in groups according to their agribusiness. Review with students the key takeaway points from the previous lesson. Instruct students to begin thinking about the components that will make up their business (e.g., equipment needs, potential employees, timeline, risks, market base (customers), costs, etc.).</p> <p>Ask each agribusiness group one to two questions regarding the different components that might make up their agribusiness.</p> <p>Have students begin thinking about how the information being learned can be applied to the agribusiness they chose to develop.</p>	
Discuss the extent of the agricultural industry and what it includes	15 min	<p>Explore reasons why an agribusiness may succeed or fail. Open with these questions:</p> <ol style="list-style-type: none"> 1. How many businesses fail within the first year? (Answer ~25%) 2. Within the first two years? (Answer ~50%) <p>Source: https://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf</p> <p>Following these opening questions, begin discussing reasons why an agribusiness could succeed, and then proceed to discuss reasons why it could fail. Record answers on the board throughout this discussion. Ask students the following questions:</p> <ol style="list-style-type: none"> 1. What makes a particular agribusiness successful? 2. What are some business and owner characteristics that increase the likelihood of having a successful agribusiness operation? 	Handout 2.1

Table 2. Lesson plan 2: Understanding basic agribusiness and economic principles (part 1). (cont.)

Task	Time	Actions	Resources
<p>Discuss the extent of the agricultural industry and what it includes (cont.)</p>	<p>15 min</p>	<p>3. What types of market conditions are needed for a market to be successful? 4. How do the students plan on ensuring that their agribusiness is successful?</p> <p>After thoroughly discussing reasons for success, begin to look at why some agribusinesses might fail. Ask students the following questions:</p> <ol style="list-style-type: none"> 1. Are there certain attributes of a business or market that would increase the likelihood that an agribusiness will fail? 2. What are some reasons why a business might fail? <p>Following this discussion, provide students with Handout 2.1, which lists potential reasons why an agribusiness might succeed or fail.</p> <p>Note: If the instructor would like to include the use of case studies to aid in the above discussion, websites such as https://paysimple.com/blog/in-memoriam-f-s-b-the-way-of-the-small-business/ can provide real-world examples.</p>	<p>Handout 2.1</p>
<p>Understand the economic concept of market supply and demand</p>	<p>20 min</p>	<p>Explain to students the economic concept of market supply and demand and how these two concepts help determine the price and quantity of the goods/ services we consume.</p> <p>To begin the discussion, ask students the following questions:</p> <ol style="list-style-type: none"> 1. Do those who operate businesses try to figure out what individuals are willing to pay for their good/service, or do they simply choose a random price? (Answer: More than likely, many would have some type of pricing strategy.) 2. Where would consumers choose to buy a good/service — where it is more or less expensive? (Answer: Individuals will typically buy the good/service where it is least expensive.) 3. What would happen to the number of customers as the price of a good decreases? (Answer: The number of customers would increase.) <p>Share with students the idea that for any business to be successful, it needs to supply the goods/services that consumers demand. This is known as the “Law of Supply and Demand.” Supply is the amount of a good produced, while demand refers to the amount that consumers are willing to purchase.</p> <p>Discuss that both supply and demand are representations between price and quantity. Use a sample scenario to help with this.</p> <p>Allow the students to account for the demand portion while the instructor accounts for supply. Provide students with Handout 2.2 to help with this.</p> <p>Sample scenario: Assume you use the market for ice cream cones. Inform students that they are allotted a certain amount of money each week for whatever items they would like to purchase, for example, \$5.00. Begin by saying that ice cream cones will be sold for some amount of money, for example, \$0.25, and that students can buy as many cones as they like that week with the money they have. Go around the room and ask each student the number they would purchase, tallying the total class “demand.” Then increase the price to \$0.50, and again ask each student the quantity they would demand.</p> <p>Continue to do this for five different prices. As the price increases, students should begin to buy less, which reaffirms the Law of Demand that as price increases demand will decrease.</p>	<p>Handout 2.2 Sample scenario</p>

Table 2. Lesson plan 2: Understanding basic agribusiness and economic principles (part 1). (cont.)

Task	Time	Actions	Resources
Understand the economic concept of market supply and demand (cont.)	20 min	<p>Once you have the class’s demand for five different prices, tell them that you are the provider of ice cream, and you will determine how much to provide at each price. Have students write down the price and accompanying quantity demanded in the “Amount demanded” column in Handout 2.2.</p> <p>Using the “Law of Supply,” explain that the higher the price, the more you are willing to produce. Use the same five prices as before and state how many ice cream cones you will provide. Have students write out the amounts in the “Amount supplied” column in Handout 2.2. Reinforce the concept of supply and demand and how the two are relationships between price and quantity.</p> <p>You can now draw the demand curve and supply curve for the ice cream cone market. Simply mark on the graph in Handout 2.2 the points depicting the amount demanded and amount supplied at each price. By connecting these five points, you are drawing the two curves. The intersection of these two curves will determine the market outcome for price and quantity.</p>	Handout 2.2 Sample scenario

Tips for facilitators

To aid in the discussion regarding reasons for business success versus failure, instructors could share brief case studies about some businesses that have failed and some that have succeeded. Have students think about the reasons contributing to each outcome.

Lesson 3: Understanding Basic Agribusiness and Economic Principles (Part 2)

This lesson will teach students about the different types of factors/inputs that go into operating a business. Students will be able to identify the different groups of factors/inputs and how they impact the overall cost structure of the business.

Objectives

By the end of this lesson, students will be able to:

1. Identify factors of production associated with various agribusinesses.
2. Describe what agribusiness costs are and the different types of costs (i.e., fixed costs versus variable costs).
3. Explain what a business’s break-even price is and how it is calculated.

Key Terms

- Factors of production
- Fixed costs
- Variable costs

Lesson Plan

Details for implementation of this lesson, including a list of materials, lesson tasks, and tips for facilitators, are presented in table 3.

Table 3. Lesson plan 3: Understanding basic agribusiness and economic principles (part 2).

Materials:			
Handout 3.1 Factors of Production			
Handout 3.2 Types of Costs			
Handout 3.3 Types of Costs Practice Worksheet			
Task	Time	Actions	Resources
Review points from previous lesson	10 min	Review with students the key topics of the previous two lessons and how they could relate to the agribusiness that was chosen by their group. For example, ask individual groups what types of issues/difficulties their particular agribusiness may face and how they would respond.	
Identify factors of production associated with various agribusinesses	15 min	<p>Begin by asking students what they think is meant by the term “factors of production.” Allow them to answer and then provide the definition (the inputs used in the production of a particular good or service).</p> <p>The four main components that make up a business’s factors of production are:</p> <ol style="list-style-type: none"> 1. Natural resources 2. Labor 3. Capital 4. Entrepreneurship <p>Following this discussion, provide students with Handout 3.1 and ask students to provide examples that might fit into each of the first three components.</p> <p>Explore with students how these components could impact (positively or negatively) their individual agribusiness operation.</p>	Handout 3.1
Explain the general concept of what costs are and how they relate to the factors of production previously discussed	20 min	<p>Define for students the two main types of cost for any business:</p> <ol style="list-style-type: none"> 1. Fixed costs 2. Variable costs <p>Fixed costs are business/production costs that do not change with the volume of production. Ask students if they can think of any type of costs that might fit this criterion.</p> <p>Variable costs are business/production costs that do change with the volume of production. Ask students if they can think of any type of costs that might fit this criterion.</p> <p>Provide students with Handout 3.2 for this exercise.</p> <p>Note: For help in better understanding these two types of costs, instructors are encouraged to view sites such as www.inc.com/encyclopedia/fixed-and-variable-expenses.html for assistance.</p> <p>To further communicate the concept of fixed and variable cost provide students with Handout 3.3. Instruct students to work in their agribusiness groups to determine which category the stated costs fall under. Allow groups 3-4 minutes to complete the handout before going over it as a class.</p>	Handout 3.2 Handout 3.3

Tips for facilitators

To keep the concepts in this lesson from becoming too abstract, instructors are encouraged to relate such concepts back to the agribusinesses that student have chosen to develop.

Lesson 4: Understanding Basic Agribusiness and Economic Principles (Part 3)

This lesson will teach students about what a firm’s break-even sales price is and how it is calculated. Building on the concepts from lessons 2 and 3 regarding pricing and costs, students will learn how to determine a business’s break-even price.

Objective

By the end of this lesson, students will be able to:

1. Explain what a business’s break-even price is and how it is calculated.

Key Terms

- Break-even sales price

Lesson Plan

Details for implementation of this lesson, including a list of materials, lesson tasks, and tips for facilitators, are presented in table 4.

Table 4. Lesson plan 4: Understanding basic agribusiness and economic principles (part 3).

Materials: Handout 4.1 Break-Even Sales Price

Task	Time	Actions	Resources
Review points from previous lesson	10 min	Review with students the previous two lesson’s key topics and how they may relate to the agribusiness that was chosen by their group. Focus primarily on the two types of cost, fixed and variable, as they will play a major role in this lesson’s teaching.	
Identify factors of production associated with various agribusinesses	35 min	<p>Present to students the idea of what a firm’s break-even sales price is. If not done so already, this is a good time to briefly discuss the concepts of profit and loss, and how profit is typically the primary purpose behind any business venture.</p> <p>Provide students with Handout 4.1 for this exercise. A firm’s break-even sales price when thinking in terms of profit and loss is very straightforward: It is the price at which the firm is just covering all of its costs and incurs neither profit nor loss. Simply, the break-even sales price states the minimum price at which a firm can sell its product or service without incurring a loss on its investment.</p> <p>Provide students with the basic break-even sales price formula:</p> $\text{Break-even sale price} = \frac{(\text{Total fixed cost})}{(\text{Volume of production})} + \text{Variable cost per unit}$ <p>Make students aware that this price should be calculated over different volumes of production as well as different cost amounts. For example, using what students learned in the previous lesson regarding fixed and variable costs, since fixed costs do not change regardless of the volume of production, the higher the volume of production, the lower will be the average fixed cost.</p> <p>Communicate to students the extreme importance of this simple calculation and how it can be used before production even begins to assess the viability of their agribusiness.</p>	Handout 4.1

Table 4. Lesson plan 4: Understanding basic agribusiness and economic principles (part 3). (cont.)

Task	Time	Actions	Resources
Identify factors of production associated with various agribusinesses (cont.)	35 min	A suggestion is to walk students through an agribusiness example. Begin by listing all potential costs and then determine which costs are fixed and which are variable. Note: View www.cals.uidaho.edu/edcomm/pdf/PNW/PNW665.pdf for an example of the break-even sales price of small-scale production of pastured organic poultry.	Handout 4.1

Tips for facilitators

To keep the concepts in this lesson from becoming too abstract, instructors are encouraged to relate such concepts back to the agribusinesses that students have chosen to develop.

Lesson 5: Developing an Agribusiness Plan (Part 1)

This lesson will have the individual student groups begin to develop their own agribusiness plan that they will present to the class. The entirety of this lesson will consist of students working and collaborating in their respective groups.

Objectives

By the end of this lesson, students will be able to:

1. Describe how an agribusiness plan is developed and the components of such plans.
2. Apply new knowledge to their own agribusiness plan.

Key Terms

- Agribusiness plan

Lesson Plan

Details for implementation of this lesson, including a list of materials, lesson tasks, and tips for facilitators, are presented in table 5.

Table 5. Lesson plan 5: Developing an agribusiness plan (part 1).

Materials: Handout 5.1 Agribusiness Plan Worksheet

Task	Time	Actions	Resources
Prepare business plan	45 min	This lesson will have the individual student groups begin to develop their own agribusiness plan that they will present to the class. Provide students with Handout 5.1, which will be used as their agribusiness plan. The entirety of this lesson will consist of students working and collaborating in their respective groups.	Handout 5.1

Tips for facilitators

Depending on student group size, instructors might wish to separate the agribusiness plan into sections that pairs of students can work on. Instruct students to use what they have written in the previous handouts to help guide them in constructing their agribusiness plan.

If time allows and access to online resources is available, students could be encouraged to research their agribusiness type to help determine the costs, pricing, and issues surrounding their chosen agribusiness.

Lesson 6: Developing an Agribusiness Plan (Part 2)

This lesson will have the individual student groups prepare a short presentation — approximately three to five minutes — to discuss their chosen agribusiness. Students will decorate trifold boards with information regarding their agribusiness and agribusiness plan to use as visual aids during their presentations.

Objectives

After completing this lesson, students will:

1. Prepare a short presentation discussing their chosen agribusiness and accompanying agribusiness plan.

Key Terms

- Agribusiness plan

Lesson Plan

Details for implementation of this lesson, including a list of materials, lesson tasks, and tips for facilitators, are presented in table 6.

Table 6. Lesson plan 6: Developing an agribusiness plan (part 2).

Materials:

Handout 5.1 Agribusiness Plan Worksheet

Pencil and paper

Trifold boards

Markers, scissors, and glue

Task	Time	Actions	Resources
Prepare business plan	45 min	This lesson will have the individual student groups prepare short presentations based on the information they developed in Handout 5.1. The entirety of this lesson will consist of students working and collaborating in their respective groups. Presentations should be 3-5 minutes in length.	Handout 5.1

Tips for facilitators

Depending on student groups, additional time could be needed to complete these tasks. If possible, an additional 45-minute session might be needed.

If time allows and access to online resources is available, students can be encouraged to research their agribusiness type to help determine the costs, pricing, and issues surrounding their chosen agribusiness.

To help students focus their discussion and trifold presentation, have them pretend that they will be presenting their agribusiness plan to a bank in order to take out a loan to start the business.

Lesson 7: Presenting Group Agribusiness Plans

This lesson will have each student group present its agribusiness plan and accompanying trifold board to the class.

Objectives

After completing this lesson, students will:

1. Develop and better their public speaking skills.

Key Terms

- Agribusiness plan

Lesson Plan

Details for implementation of this lesson, including a list of materials, lesson tasks, and tips for facilitators, are presented in table 7.

Table 7. Lesson plan 7: Presenting the group agribusiness plan.

Materials: Prepared trifold boards			
Task	Time	Actions	Resources
Present business plan	45 min	Groups will present their agribusiness plans to the class.	Prepared trifold boards

List of Handouts

All materials listed here are used within the module and are provided as supplemental materials that accompany this publication. These are editable PDFs.

Lesson 1

Handout 1.0 – Overview of Agribusiness Plan Components (ALCE-176-A)

Handout 1.1 – Types of Agricultural Businesses (Blank) (ALCE-176-B)

Handout 1.2 – Types of Agricultural Businesses (ALCE-176-C)

Lesson 2

Handout 2.1 – Reasons Businesses Succeed or Fail (ALCE-176-D)

Handout 2.2 – Supply and Demand (ALCE-176-E)

Lesson 3

Handout 3.1 – Factors of Production (ALCE-176-F)

Handout 3.2 – Types of Costs (ALCE-176-G)

Handout 3.3 – Types of Costs Practice Worksheet (ALCE-176-H)

Lesson 4

Handout 4.1 – Break-Even Sales Price (ALCE-176-I)

Lessons 5 and 6

Handout 5.1 – Agribusiness Plan Worksheet (ALCE-176-J)

Resources

Hephner, Lisa. n.d. "In Memoriam F.S.B. (The Way of the Small Business)." Pay Simple, accessed July 4, 2018. <https://paysimple.com/blog/in-memoriam-f-s-b-the-way-of-the-small-business/>

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Painter, K., E. Myhre, A. Bary, C. Cogger, and W. Jemmett. 2015. Break-even analysis of small-scale production of pastured organic poultry. Pacific Northwest Extension, accessed July 4, 2018. <http://www.cals.uidaho.edu/edcomm/pdf/PNW/PNW665.pdf>

SBA Office of Advocacy. September 2012. Frequently asked questions about small business. Accessed July 4, 2018. https://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf

Glossary

agribusiness – Agriculture conducted on commercial principles, especially using advanced technology.

agribusiness plan – A business plan that will assist you with preparing for unexpected ventures and help set the goals for your future business success.

break-even sales price – The practice of setting a price point at which a business will earn zero profits on a sale.

factors of production – An economic term that describes the inputs that are used in the production of goods or services in order to make an economic profit.

fixed cost – A cost that does not change with an increase or decrease in the amount of goods or services produced or sold.

supply and demand – The amount of a commodity, product, or service available and the desire of buyers for it, considered as factors regulating its price.

variable cost – A cost that varies with the level of output.

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Understanding and Developing an Agribusiness Handout 1.0 _____ Publication ALCE-176-A

Overview of Agribusiness Plan Components

A major component of this module is creating an agribusiness plan. You will learn the concepts you need to know through the lessons. Here is an overview of the types of questions you will need to be able to answer about your agribusiness plan at the end of the module.

Selecting an Agribusiness

When thinking about a potential agribusiness, it is important to keep in mind the problem you are trying to solve.

- What potential school or community demands are currently not being fully met?
- Is there an agribusiness solution to this lack of supply?

Agribusiness Components

When developing an agribusiness, it is important to think about all the components that will make up your agribusiness (for example: equipment needs, potential employees, timeline, risks, customers, costs, etc.).

- Who are you going to sell your product (or service) to? What type of consumer (or groups of consumers) should you target?
- What price do you think you could charge customers for your product (or service)?
- What are the costs involved in operating your agribusiness?
- How are you going to differentiate your agribusiness's product (or service) from others?
- What are the potential issues and difficulties that could arise when beginning your agribusiness, as well as once it is established?
- What do you need to do to ensure that your agribusiness has the highest chance of success?

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Understanding and Developing an Agribusiness Handout 1.2

Publication ALCE-176-C

Types of Agricultural Businesses

Livestock	Crops	Agricultural services
Beef cows	Apples	Tilling
Dairy cows	Berries	Seeding
Hogs	Grapes	Harvesting
Chickens	Melons	Ferrier
Sheep	Peaches	Pollination
Llamas	Strawberries	Seed collecting
Turkeys	Pears	Breeding
Horses	Nectarines	Veterinarian
Goats	Asparagus	Specialized labor
Alligators	Corn	Machinery repair
Ostriches	Cucumbers	Machinery manufacturing
Ducks	Soybeans	Animal trainer
Rabbits	Tomatoes	Fence building
Honey bees	Apples	Animal-related products
Beefalo	Peaches	Auctioneer
Worms	Pumpkins	Agricultural broker
Crickets	Peppers	Seed development
Fish	Potatoes	Well drilling
Alpacas	Trees (lumber)	Irrigation system installer
	Hay	Herbicide seller
	Maple syrup	Herbicide sprayer
	Nursery plants	Animal weed control
		Insecticide seller
		Insecticide sprayer
		Pesticide seller
		Pesticide sprayer
		Crop dusting
		Bookkeeper
		Accountant
		Lawyer
		Agricultural economist

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Understanding and Developing an Agribusiness Handout 2.1

Publication ALCE-176-D

Reasons Businesses Succeed or Fail

Reasons for Success

Reason 1. Business strategy

Reason 2. Business practices

Reason 3. Financial roadmap

Reason 4. Marketing

Reason 5. Sales

Reason 6. Training

Reason 7. Customer service

Reason 8. Technology

Reason 9. Discipline

Others reasons:

Reasons for Failure

Reason 1. Poor location

Reason 2. Poor marketing and pricing strategy

Reason 3. Inadequate cash flow

Reason 4. Poor business planning and unclear objectives

Reason 5. Lack of financing

Reason 6. Poor management and employee morale

Reason 7. Underestimating competitors

Reason 8. Lack of understanding of consumer demands

Reason 9. Failure to adopt new technology

Other reasons:

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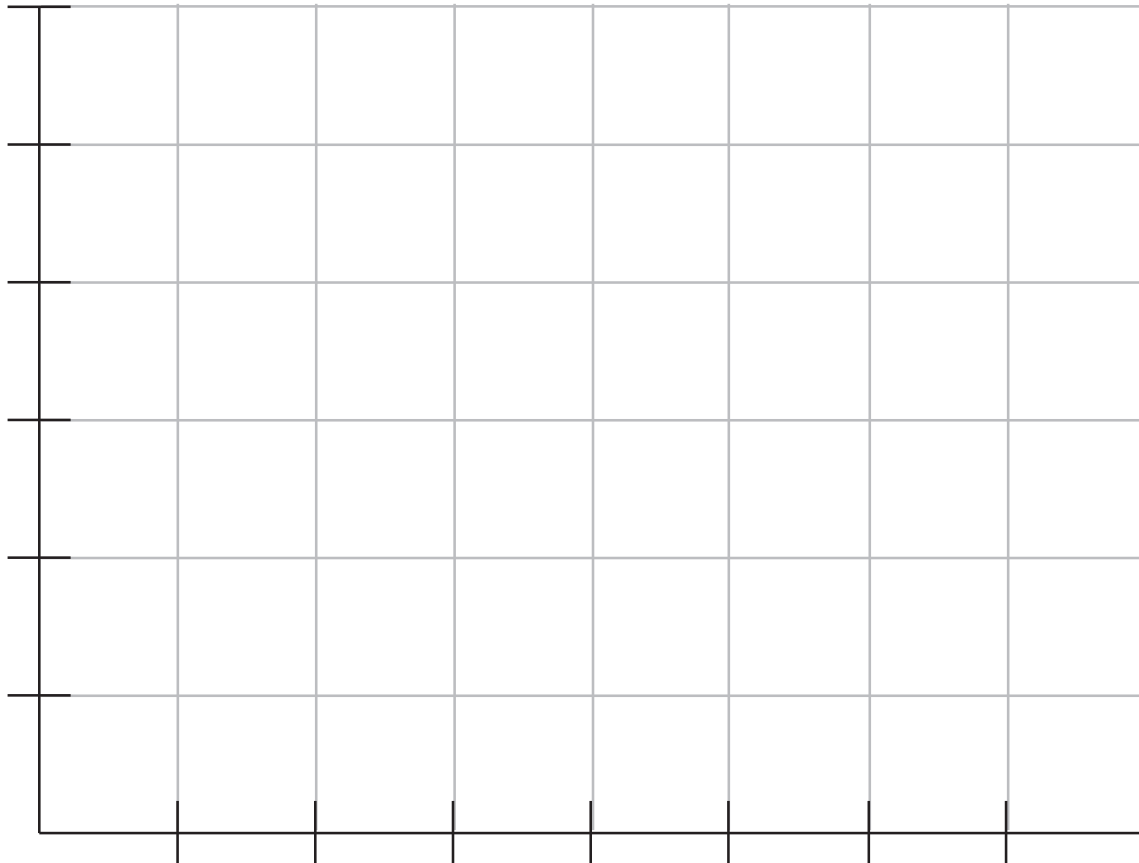
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Supply and Demand

Agricultural Product or Service: _____

Sales price (\$)	Amount demanded	Amount supplied

Price \$



Quantity

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Factors of Production

Labor	Capital	Natural resources

Entrepreneurship: Using all the factors of production together to produce goods and services.



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Types of Costs

Fixed costs	Variable costs

Fixed costs: Business/production costs that do not change with the volume of production.

Variable costs: Business/costs that do change with the volume of production.

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Publication ALCE-176-H

Types of Costs Practice Worksheet

Cost	Fixed	Variable
Advertising		
Building depreciation		
Corn seed		
Equipment repair		
Fuel		
Fertilizer		
Herbicides		
Insurance		
Interest expense		
Labor cost		
Livestock feed		
Machinery depreciation		
Production materials		
Property tax		
Shipping costs		
Utilities (electricity, water, etc.)		



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Understanding and Developing an Agribusiness Handout 4.1

Publication ALCE-176-I

Break-Even Sales Price

The break-even sales price is the minimum price at which a firm can sell its product or service without incurring a loss on its investment. This price should be calculated over different volumes of production as well as different cost amounts. The break-even sales price formula is below.

Total fixed cost: Add up all of your agribusiness's fixed costs.

$$\text{Break-even sale price} = \frac{(\text{Total fixed cost})}{(\text{Volume of production})} + \text{Variable cost per unit}$$

Variable cost per unit: Your agribusiness's total variable cost to produce a unit of production.

Volume of production: The total amount of a good/service that your agribusiness is producing.

The break-even sales price can be used before production even begins in order to assess the viability and profitability of your agribusiness.

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Agribusiness Plan Worksheet

Agribusiness name: _____

Problem (What problem is your agribusiness solving?)

Agribusiness objectives (How will your agribusiness solve the above problem?)

Agribusiness goals (What are the goals of your agribusiness?)

Products or services (What products or services will your agribusiness provide?)

Target market (Who will your customers be?)

Sales and marketing (How will you advertise, promote, and market your agribusiness to customers? Where will you sell your product or service?)

(cont. on page 2)

Agribusiness Plan Worksheet (cont.)

Competitors (What other types of businesses will your agribusiness compete with? How will you differentiate your agribusiness from theirs?)

Pricing (What price do you estimate your agribusiness will be able to charge for its products or services? Explain how you came up with this estimate.)

Business costs (What are the different costs associated with operating your agribusiness? Which costs are “fixed” and which are “variable”?)

Factors of production (Think about the four basic components: labor, capital, natural resources, and entrepreneurship. What are the different kinds of jobs your agribusiness will have to hire employees for? What types of equipment will your agribusiness need? Where will you locate your business and how much space will you need?)

Issues and problems your agribusiness could face (What potential issues and problems could arise while operating your agribusiness?)

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