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# ECONOMIC IMPACT OF THE FRUIT INDUSTRY

TOWN OF MARLBOROUGH, ULSTER COUNTY, NEW YORK



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## Economic Impact of the Fruit Industry

Ralph Lawrence

It is the purpose of this study to show more completely the economic impact of the fruit industry on the Marlborough area. The need for a more complete appraisal of the impact of agriculture has been felt for many years, and four studies have been made for this purpose in New York State, though none in a fruit area.<sup>1/</sup> This study was made in a fruit area and was undertaken in response to a request from the Town Board of Marlborough, Ulster County, New York.

Data have previously been gathered on acreage, tree numbers, cost of production, product value, and numerous other fruit farm items. But economic activity on farms is only part of the total economic activity generated by orchards. The cliché, "Agriculture is more than farming," needs to be documented.

- We speak of agriculture but think of farming.
- The Census of Agriculture is really only a census of farming.
- We speak of the agricultural labor force, but the data show only farm workers.
- We talk about agricultural income, but the data show only the amount of money received by farmers.

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<sup>1/</sup> Conklin, H. E. and Linton, R. E., Agricultural Resources of the Appalachian Region of New York State, Phase II, An Appraisal of First Level Agribusiness, Prepared for New York State Office of Planning Coordination by Department of Agricultural Economics, Cornell University, 1969.

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Eighty percent of the average farmer's gross income is spent for current inputs, and the products he sells are processed and marketed off the farm. Farming is a link in a chain of economic events that creates several jobs off the farm for every worker on the farm. Farmers purchase their inputs locally, and their products almost always pass through local hands on the way to the consumer.<sup>1/</sup>

This study is limited to nonfarm businesses that sold items to, or purchased products from, farmers. It includes all businesses of this type in the town of Marlborough, even though some of the farmers they did business with are located outside the town. Many farmers in the town also had some business transactions with agribusinessmen outside the town, but these are not included here. The Town Board of Marlborough wanted an inventory of agribusiness in the town, and it would have complicated the study greatly to have attempted in addition an inventory of all the agribusiness activity, and only the agribusiness activity, associated with farming in Marlborough.

This study includes only first-level agribusinesses -- only agribusinesses that had direct transactions with farmers. It does not include the business activities that these agribusinesses in turn generated. To have included all activities indirectly associated with farming would have required more time and resources than were available to the study.

#### METHODOLOGY

A committee of local farmers, town board members, and local businessmen provided a list of all the businesses within the Town of Marlborough which to their knowledge did any business with farmers. Each of the businesses named were then personally contacted to complete the following questionnaire.

1. What were your total 1969 dollar sales to or purchases from farmers? (for their business purposes, not home use) \$ \_\_\_\_\_
2. How many workers (including yourself if applicable) were associated with sales to or purchases from farmers? \_\_\_\_\_
3. What is your capital investment associated with sales to or purchases from farmers? \$ \_\_\_\_\_
4. What percentage of your total business was done with farmers? \_\_\_\_\_ %

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<sup>1/</sup> Preserving Agricultural Land in New York State, New York State Commission on the Preservation of Agricultural Land, 1968.

The first question included all business sales or purchases of good, services and produce directly to or from a farmer.

The number of workers associated with sales to or purchases from farmers was computed by multiplying the total number employed by the percent of total business done directly with farmers. For example, if a business had 20 employees and 50% of its business was with farmers, it was estimated that 10 workers should be credited to agribusiness.

Capital investment in question 3 included the total value of land, buildings, office equipment, trucks and average inventory owned by the business. The amount to be credited to agribusiness was figured as with the number of workers.

The figures on taxes paid by an agribusiness also were determined by multiplying the percent of business done with farmers by the total amount of taxes paid.

#### SURVEY RESULTS

Sixty-two agribusinesses were interviewed in this study. A few small businesses may have been missed, but it is believed that these sixty-two enterprises conduct nearly all of the first-level agribusiness activities in the town. Totals for these sixty-two businesses are as follows:

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Gross dollar sales or purchases to and from growers	\$9,499,536
Agribusiness workers	\$ 210
Current capital investment	\$2,984,162 <sup>1/</sup>
New capital investment in last 5 years	\$2,036,000 <sup>2/</sup>
Town taxes paid	\$ 17,213
County taxes paid	\$ 16,275
School taxes paid	\$ 31,306

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<sup>1/</sup> Several of the businesses lease their buildings and the value of leased buildings was not included. Many of the values reported were "book" values and appear low due to rapid depreciation rates.

<sup>2/</sup> New capital investment figures were obtained only from enterprises which did over 70% of their total business directly with farmers. This included only 7 firms. The time available for this study did not permit complete coverage on this item. New capital investment here does not include purchases made to replace investments on hand at the beginning of the 5-year period.

## DISCUSSION

The gross dollar sales and purchases reported in the table above (\$9,499,536) exceed current estimates of the farm value of the fruit harvested annually in the town of Marlborough by over three times. This indicates that the town has provided an attractive location for agribusinesses that have extensive activities outside the town.

Farmers sell their fruit to agribusinesses and, as mentioned previously, pay out some 80% of their gross receipts to agribusiness firms for input items. The estimated dollar value of the fruit produced within the town of Marlborough per year is \$3 million. From these figures it can be estimated that Marlborough farmers do \$5.4 million of business with agribusiness firms, (there is very little farm production within the town other than fruit) and this is significantly less than the \$9.5 million reported on the previous page.

Marlborough is a very concentrated fruit district. It is responsible for 1/3 of the total production in Ulster County. Because of this, large agribusinesses are attracted to the township. These large firms do some of their business outside of the township, but they locate in Marlborough because it is a highly concentrated fruit area. Thus, the town gets more than its proportional share of agribusiness and fruit farmers benefit from unusually good markets and services.

The data gathered show that agribusiness pays 6.2% of the town taxes. An idea of agriculture's tax contribution can be obtained by adding this 6.2% to the amount of town taxes paid by the farmers themselves. 28% of the town taxes are paid by operating commercial farmers. This figure does not include the farmers' residences. Including these residences, the figure is 44%. Combining the 6.2% of the town's tax bill paid by agribusiness and the 28% paid by operating farmers gives 34.2% -- the best appraisal of the amount of town taxes being paid directly by the local fruit industry. It should be kept in mind that this figure is low since only 1st level, or direct, business generated by farming has been counted.

The figures presented on the previous page represent the past and present. Planning boards, farmers, and agribusinesses are concerned with the future. Two facts obtained during this study are indicative of confidence in the future.

One very good indication is the amount of capital recently invested in the industry. This report did not deal with the farm itself, and so did not measure the amount of money being invested in new orchards, new equipment, or new farm cold storages. The dollar volume of new capital invested by 7 businesses in the past 5 years was \$2,036,000, as shown in the table above.

These businessmen also stated that they are planning to invest \$435,000 more in the coming year. Many of the other agribusiness firms in the town are also planning new investments, though time was not available to record these plans in detail for this study.

Another indication of future possibilities is the classification of the Marlborough area as "highly viable" in a study done for the New York State Office of Planning Coordination. Only 15% of the land area in the state was in this class. Highly viable means that "farmers will have increased opportunities for making farm incomes which are competitive with alternatives".<sup>1/</sup> If the fruit industry's needs are recognized and allowed for, farming will continue to make major contributions to the economy of the town.

#### ADDITIONAL CONTRIBUTIONS OF THE FRUIT INDUSTRY

It has been pointed out that this study measured only part of the business activity associated with farming. Farmers make an important part of their personal expenditures locally too. Payments by farmers for hired labor (approximately 300 full-time and 750 seasonal workers) also are not included here. These workers spend a high proportion of their wages locally. Expenditures by agribusinessmen, and their employees, for both personal and business purposes, of course are omitted.

While the amount of agribusiness activity in the Town of Marlborough is high relative to the farming in the town, because agribusinessmen buy a considerable amount of fruit outside the area, these fruit handlers would not be located here without the present concentration of fruit production in the town.

Fruit production also has value beyond its economic contribution. Orchards that are well cared for add beauty to the countryside. Marlborough's orchards are part of what people have in mind when they speak of the beauty of the Hudson Valley.

#### SUMMARY

Agriculture is often overlooked as an industry. Farms are not nucleated into great plants but are scattered widely over the countryside. And agribusinesses usually are in an urban or semi-urban setting and often have no obvious relation to farming.

This study presents an inventory of first-level agribusiness activities in the Town of Marlborough, Ulster County, New York. It is not a complete inventory of all activities associated with farming but does record the fact that agribusinessmen have large investments, are making new investments, pay a significant amount of local taxes, hire many workers, and have a large volume of business transactions with farmers.

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<sup>1/</sup> Conklin, H. E., The Nature and Distribution of Farming in New York State, Office of Planning Coordination, 1969.