

Glossary

A

accounts payable Money owed by a company to its creditors.

accounts receivable Money owed to a company by its debtors.

agribusiness The production, processing and distribution of food, feed and fiber.

Agricultural Marketing Act (1929) Defines cooperatives for the purpose of borrowing from a bank for cooperatives.

allocation The amount or portion of a resource assigned to a particular recipient/choice

alternate MACRS method This is the straight line method of depreciation. Property is depreciated the same amount every year of its useful life. This method evenly distributes cost recovery.

annual equivalent method Used when there are a number of installments to be made over the life of a loan. Gives the actual interest rate paid since it takes service charges into account.

annual marketing plan Prepared each year for products or services that are already being marketed. Needed annually to accommodate changes in competition, consumer preference and product improvements.

appropriative water rights Run contrary to riparian rights, a person appropriates or takes water away from the property to another location.

assets Value of all the property owned by the firm.

attractive nuisance doctrine A farmer may be liable to young children who are attracted to the farm by some hazardous condition that exists or was created by the farmer.

average fixed cost (AFC) The amount spent on fixed inputs per unit of output.

average physical product (APP) The quantity of output produced per unit of input at each level of input use.

average total cost (ATC) The total cost of all resources used per unit of output produced.

average value product (AVP) The value of output per unit of input for each level of variable input use.

average variable cost (AVC) The amount spent on variable inputs per unit of output.

B

backward integration When a business supplies its own production inputs.

balance sheets Statement of assets, liabilities and capital.

Banks for Cooperatives System that is owned and directed by the agriculturalists and co-ops it serves.

bargaining cooperatives Help farmers centralize and increase their market power by negotiating as a group rather than as individual growers.

behavioral approach Managing human resources in order to better the working environment both for the employer and employee viewpoints which, in turn, increases overall productivity.

break-even analysis Used when comparing competing enterprises. Determines the price which would have to be received for the income from the enterprise to cover all costs.

break-even hours Amount of hours to use asset until it covers the cost of purchase/lease.
$$\text{Total annual fixed cost} / [(\text{lease cost per hour}) - (\text{variable cost per hour})]$$

break-even point The price where ATC equals the product price.

budgeting The process of developing a financial plan for a business.

business expense Any expenses incurred in the ordinary course of business

C

capacity The ability of the business to repay the loan.

capital assets Have a useful life of more than one year and is not intended for sale in the regular course of the business operation. May not be deducted as an expense in the year of purchase.

capital gains income The difference between the amount paid for an asset and the amount it was sold for.

capital gains or losses The difference between the selling price and the adjusted basis of capital assets.

capital goods Goods used by a farm or business to produce other goods for sale.

capitalist Economy where private ownership of the means of production is allowed.

Capper-Volstead Act (1922) Clarified the right of farmers to process and market their products collectively without violating antitrust laws.

carryover Product held over from one year to the next.

cash flow projection Budget or plan of cash flows into and out of the business

cash flow statement A summary of the movement of cash into and out of the business.

cash flow summary Summary of actual or anticipated incomings and outgoings of cash.

cash lease Where the amount of rent is simply a cash amount which may be paid monthly, semi-annually, or annually.

Central Bank for Cooperatives (CBC) Provide financial services to the buyer of cooperatives.

centralized cooperative Coop where the members are individual farmers.

collateral The property or assets offered as a guarantee that a debt will be repaid.

command and control economy The government fixes wages, prices and resources.

commodity futures Financial instruments like stocks and bonds.

communist Economy where private ownership of the means of production is not allowed.

competitive enterprise The enterprises are competing for the same resources.

complementary enterprise One enterprise contributes to the production of another.

compounding Money in the bank earns interest; the longer it is left the more interest it earns because the interest added to the original sum earns interest.

computer spreadsheet An interactive computer application program for organization and analysis of data in tabular form.

consumer hedge The user of an agricultural product buys a futures contract and when the commodity is actually bought the consumer sells a futures contract to complete the futures transaction.

consumption credit Used to purchase consumable items for the family which do not contribute to the business income.

Cooperative Marketing Act (1926) Provides the legislative authority for the Agricultural Cooperative Service of USDA.

corporation An artificial 'legal being' endowed by law with the powers, rights, liabilities and duties of a natural person. A corporation's assets are controlled by the business entity itself, not be the owners (stockholders) directly.

cost method Items are valued at the cost of production or purchase.

crop share lease Lease where the landlord might require an assignment of proceeds from the harvested crop that is sold to a cooperative or other enterprise.

crush points Created when two objects move toward each other or one object moves toward a non-moving object.

cutting points Created when a single object moves rapidly or forcefully enough to cut a relatively soft object.

D

demand Various quantities of a good that buyers will purchase at different prices at a given time, everything else remaining unchanged.

demand curve A demand schedule plotted on a graph. The vertical axis of the graph measures price per unit and the horizontal axis measures quantity of the good demanded at a given time.

demand schedule The various quantities of the good buyers will purchase at different prices at a given time.

depreciated cost method The value of an asset is reduced as it is used up in a predetermined time period.

depreciation A method of prorating the cost of a working asset over its useful life. Defined as any decrease in value which occurs, regardless of repair and maintenance. A form of expense used to offset income, which thus reduces taxes by lowering income.

developed country Advanced in terms of infrastructure, industrialization, technology, income per capita and standards of living. Characteristics include: High income per capita, low birth rate, low child mortality rate, higher standard of living, lower percentage of a per capita income spent on food and a strong economy.

developing country A poor agricultural country that is seeking to become more advanced economically and socially. Characteristics include: low income per capita, high birth rate, high child mortality rate, poor housing conditions, poor health care systems and a high percentage of citizen's income spent on food.

diminishing marginal returns As additional units of input are added, MPP eventually decreases.

diminishing marginal utility As a buyer consumes additional units of a specific good, the amount of utility derived from each additional unit of that good decreases.

diminishing returns As the amount of a variable input increases (as other inputs remain constant), TPP first increases, then decreases and may become negative.

discount method Interest cost is deducted from the loan at the beginning of the term, making the rate of interest paid higher than it appears.

discounting A dollar received in the future is not worth as much as the same dollar today.

diversification The business practice of producing a variety of commodities to use resources more efficiently or to reduce risk. Also spreading risk among different enterprises.

E

earnings statement A summary of the revenues (or receipts) and expenses of the firm.

efficiency The units of output produced per unit input.

enterprise budget A financial plan for one production process.

equilibrium price The point where the demand curve intersects the supply curve; the quantity demanded by buyers equals the quantity supplied by sellers. The market will “clear.”

equity Portion of the firm's assets which would go to the owners of the firm if all the assets were sold and liabilities paid

exchange functions Buying and selling.

expenses Amount of money spent by the firm to conduct business.

F

facilitating functions Grading, financing, providing market information and risk bearing.

Farm Credit Association An independent federal agency that raises their loan funds through the Federal Farm Credit Banks.

Farm Credit Council (FCC) Represents the Farm Credit System before federal agencies, including USDA and the System's regulator, the Farm Credit Administration.

Farm Credit System A nationwide network of borrower-owned lending institutions and specialized service organizations. Provides loans, leases, and related services to farmers, ranchers, rural homeowners, aquatic producers, timber harvesters, agribusinesses, and agricultural and rural utility cooperatives.

farm production sector The hub of agribusiness which connects the input and product sectors.

Farm Service Agency A government lending agency within the USDA. They make loans for farm ownership, soil and water improvements and disaster relief as well as loans to agriculturalists who have limited resources.

farmer's markets Where producers sell goods directly to consumers.

Federal Crop Insurance Corporation (FCIC) A partnership among the U.S. federal government, the farmer and the private insurance industry that covers crop damage in certain events.

Federal Land Banks Provide long-term and real estate loans to agriculturalists and ranchers.

federated cooperative Coop where the members are local cooperatives which themselves have individual farmers as their members.

fee simple Owner has the right to possess the property, use it, sell it, give it away, will it to heirs, mortgage it, grant easements on it, enter into contracts regarding its use or disposition and lease some of the rights to others.

fence in jurisdictions It is the farmer's responsibility to "fence in" his livestock; not the responsibility of the other person to build a fence to keep livestock out.

fence out jurisdictions People in these areas have a responsibility to build a fence around their property that is strong enough to "fence out" cattle.

financial analysis A tool for evaluating both business plans (budgets) and business performance.

financial plan Identifies your financial goals, organizes and prioritizes them, and outlines the steps you need to take to achieve them.

financial records Track how money is invested and passes through a firm.

financial statements A summary of the net worth of the firm.

fixed costs Costs incurred for resources which do not change as output is increased or decreased and must be paid regardless of whether or not production is undertaken.

forecasts Looks ahead to estimate the problems and opportunities of the future.

forward contract When the price is fixed before delivery of the commodity.

forward integration When a business moves into production stages closer to the consumers.

free enterprise system The system of capitalism combined with a mostly free market economy. Property rights are controlled to a certain extent by government.

free market economy The government exerts no control over prices, wages and resources.

G

general partnership An association of two or more persons to carry on as co-owners of a business for profit.

H

hedging Practice of investing in one market to offset potential losses.

I

income summary A summary of the revenues (or receipts) and expenses of the firm.

income taxes The amount of tax paid is based on the amount of income earned by the individual or business over some period of time, generally one year.

independent enterprise The enterprise is neither positively nor negatively connected to another enterprise.

industrial engineering approach Scientifically analyzing work processes and striving for increased productivity.

inertia The tendency of a body in motion to remain in motion and a body at rest to remain at rest.

informational records Provide general information about a farm or business facility which is useful for business planning and analysis.

input sector Farm service and supply. Includes feed, seed, fertilizer, chemicals, petroleum, farm machinery and equipment, livestock feeder stock, financing, consulting services, water and other input service/supplies for production of goods and services in the agricultural industries.

interest The price paid for borrowing money.

intermediate-term assets Assets with a useful life of 1 to 10 years; they are generally depreciable. Examples are: machinery and equipment, breeding livestock, dairy livestock, and vehicles.

intermediate-term loans Set up on a one- to seven-year repayment schedule. Generally used to purchase breeding stock, machinery and equipment.

internship An opportunity to integrate career related experience into an undergraduate education by participating in planned, supervised work.

inventory Listing of items that are owned (generally organized in some way) and then valued.

J

joint tenancy with right of survivorship if one of the "joint tenants" dies, the property automatically goes to the other joint tenants.

L

lease A legal contract which spells out the rights and responsibilities of the landlord and the tenant.

length of run The specific period of time that fixed and variable costs are defined relative to.
Ex: short run or long run.

lessee The person who rents the property. Also called tenant.

lessor The person who owns the land. Also called landlord.

liabilities Amount of money the firm owes to others

liability insurance Covers personal injuries and property damage to third parties to whom the policyholder is legally liable.

life estates Provide that property be given at death to the surviving spouse during his/her lifetime and it would then go to the children upon their death.

limited partnership The association of two or more people as owners of a business in which some partners contribute money or ownership capital to the partnership without incurring the full legal liability of a general partner.

liquidate Close down and sell out.

liquidity A measure of the firm's ability to pay its short-term debt.

local markets Where producers in a region or area sell their products; examples are local grain elevators, stockyards, or wholesale produce markets.

long-term/fixed assets Assets not intended to be turned into cash or be consumed within 10 years. Examples include: land and buildings owned by the business.

long-term financing (8-40 years) Usually based on real estate or an improvement to real estate.

M

macroeconomics The study of the economic system as a whole: changes in the money supply, the flow of goods and services, employment, national income.

MACRS (Modified Accelerated Cost Recovery System) This is a method of determining depreciation which allows faster recovery of the cost of the item than the straight line method.

manufacturers Sell products they have made to other manufacturers or directly to wholesalers or retailers.

marginal cost (MC) The change in total cost when output is changed by one unit.

marginal factor cost (MFC) The amount added to total cost when one more unit of a variable input is used in production.

marginal physical product (MPP) The quantity added to total physical product when another unit of input is used.

marginal revenue (MR) Amount added to total revenue when one additional unit of output is produced and sold.

marginal value product (MVP) The amount added to total value product when another unit of the variable input is used.

market A place where buyers and sellers come together to determine the price of various commodities.

market price method Items are valued at the market price minus the cost of marketing.

marketing contract A mutual agreement specifying that the grower will deliver the entire commodity produced to the cooperative.

marketing cooperatives An organization formed of a group of producers who work together to encourage people to buy their product.

marketing plan Used to improve the cropping or livestock production system so that cash flow is evened out and the need for short-term borrowing is minimized.

Maslow's need hierarchy One of the most useful and widely used models for human needs, developed by Abraham Maslow, that is based on the idea that different kinds of needs have different levels of importance to individuals, depending on the individual's current level of satisfaction. Needs basic to human survival take priority over other needs, but only until survival has been assured. After that point, other needs form the basis for the individual's behavior.

microeconomics The study of a single decision-making entity, usually a single consumer or producer.

mixed economy Where prices are determined partly by markets and partly by government.

N

National Council of Farmer Cooperatives (NCFC) Formed in 1929, keeps members- regional and national farmer cooperatives- informed of current national and international developments.

necessary second parties Other persons who are needed to help with a machinery operation.

net cost Gross cost of an object, reduced by any benefits gained from owning the object

net farm income The net cash income adjusted for changes in inventories, accounts payable and accounts receivable. Represents the return to the owner's equity, labor and management.

net profit margin The returns to total capital per unit of production.

new product plan Prepared before a new product is produced and used to determine the feasibility of producing a new product.

O

objectives Specific tasks to be achieved and the steps necessary to achieve the tasks.

operating capital Money used to purchase inputs that are rapidly consumed in the productive process.

opportunity cost The true cost of any good or service is the value of the inevitable alternatives.

organizational approach Studying the ways in which power and authority may be distributed in order to increase productivity.

outcomes The behavior of individuals, businesses, industries, countries, etc. In general, consumers wish to maximize their utility while producers wish to maximize their profit.

ownership in fee Outright ownership of property.

P

partial budget A financial plan testing the effects of a change in business or production practices.

perfect hedge Position that eliminates all market risk

physical functions Storage, transportation and processing.

pinch points Formed when two objects move together and at least one of them moves in a circle

policies Explains and ensures the conformance of standing policies and decisions regarding operation, management and personnel.

price determination Price is determined by the interaction of supply and demand.

price taker The producer is forced to sell the crop when it is ready at whatever price is offered by the buyer.

prime rate The interest rate that major banks charge their most credit worthy customers.

producer hedge The producer sells a futures contract for future delivery of the commodity.

product sector Processing and marketing. Some examples are food processors, meat packers, bottlers, canners, packing houses, wineries, brewers, transportation companies (truck, railroad, air), brokers, wholesalers, retailers, advertisers and merchandisers, among others.

production contracts A contract with a buyer guaranteeing a place for a crop. Examples are futures contracts, options and forward contracts.

Production Credit Associations (PCAs) Provides short- and intermediate-term loans to agriculturalists.

production records Provide a history of business activities.

productive credit Used to increase production or income. Examples are: credit used to purchase land, livestock, equipment, seed, feed, fuel and labor.

profit and loss statements Statement that summarizes the revenues, costs and expenses incurred.

profitability Measured in terms of the amount of profit generated by different inputs to the business venture, known as the return to the input.

property taxes Tax paid based on the assessed value of real estate owned by the individual or business.

pull-in points Exist on rotating parts of many farm machines.

R

real estate capital Money used to purchase land, real estate, or add improvements to property.

recordkeeping Shows financial position and past performance.

replacement cost method The cost of replacing a structure with one of equal use is calculated.

resume A brief outline of education, experience and accomplishments.

retail markets Where goods are sold to consumers.

retailers Sell directly to the consumer. Includes: department stores, variety stores, discount stores and specialty shops.

retains Specified amounts of money per unit of commodity sold.

return on total capital Shows the percentage of return on investment in the business. Return to equity capital and management plus the return to borrowed capital divided by the average capital investment.

return to equity capital The amount of money being made by the owner's investment in the business.

return to equity capital and management The net income less an adjustment for owner labor.

revenues Money received by the firm for goods sold or services performed.

riparian water rights Water that is under property or that flows through property.

Robinson-Patman Act (1936) Exempts cooperatives' patronage refunds from its provisions against price discrimination.

Rollover Protection Structures (ROPS) Developed to make tractors less hazardous. Help protect the operator in case of rollover and help prevent rollovers.

S

sales reports Lists all sales for specific categories over a period of time.

sales tax Taxes collected on the sale of most items.

scarcity Resources are limited but desires are unlimited.

schedules Establishes time limits within which work will be completed.

service cooperatives Provide specialized services such as cotton ginning, grain drying, fertilizer and pesticide application and artificial breeding.

shear points Created when the edges of two objects are moved toward or next to one another closely enough to cut a relatively soft material.

short hedge The hedger takes a position in the futures market opposite the position held in the cash market.

short-term assets Assets that can be sold, converted to cash, or liquidated to pay for liabilities within one year. Examples include: cash, accounts and notes receivable, livestock held for sale, feed or crops held for sale, crops in the field, supplies in inventory.

short-term loans (operating) Made for one year or less.

shortage When the quantity demanded by buyers will be greater than the quantity supplied by sellers and the price is lower than the equilibrium price.

single proprietorship Owned by one individual who has exclusive control over decisions.

simple interest method Cost of the loan is proportional to the interest rate.

solvency A measure of the overall indebtedness of the firm. A business is solvent if total assets exceed total liabilities.

specialization The business practice of concentrating production in one or a small number of commodities.

speculating When the producer holds a commodity in storage in anticipation of a higher price

stock markets Where financial instruments such as stocks, bonds, futures contracts and options are bought and sold. No actual product is brought to or sold at these markets.

stored energy Energy that is confined but waiting to be released.

strategic planning Long-range, broad and complex goals and objectives; these goals are usually set by top management.

strict liability Person has liability regardless of whether the person did anything wrong.

sub-chapter S corporation A closely held corporation for which Subchapter S of the Internal Revenue Code makes it possible for the owners of the corporation to elect to be taxed as individuals rather than as a corporation.

sublease The lease the subtenant gets from the lessee.

subtenant The person who the lessee "re-lease" all or a portion of the property to.

supervisory planning Short-term and generally specific plans set by lower management.

supplementary enterprise An increase in the size of one enterprise has little or no effect on the other.

supply Various quantities of a good that sellers will place on the market at different prices at a particular time, everything else remaining unchanged.

supply cooperative Agricultural cooperative that buys supplies- feed, fertilizer, fuels- on behalf of their farmer-owners.

supply curve A supply schedule plotted on a graph. The vertical axis of the graph measures price per unit and the horizontal axis measures quantity of the good supplied at a given time.

supply schedule The various quantities of the good sellers will provide opposite the various alternative prices of the good.

surplus When the quantity supplied by sellers will be greater than the quantity demanded by buyers and the price is higher than the equilibrium price.

sustainable agricultural lease Encourages the property to be returned at the end of the lease in as good or better condition than it was when the lease began, even if this entails somewhat less rent for the landlord or more favorable terms for the tenant.

T

tactical planning Objectives set by middle management to implement goals and objectives of top management; it tends to be short-term and general in nature.

taxes Sums of money collected by various levels of government to pay for public services.

tenant in common If a person wants to hold property jointly, but wants to designate what can be done with his portion.

total physical product (TPP) The total quantity of output resulting from each level of input use.

total value product (TVP) The total value of output produced at each level of variable input use.

U

unit livestock method Livestock are grouped according to age and kind; value for each group is calculated by averaging price for the last three to five years.

unnecessary second parties Persons who are not needed or should not be around a machinery operation.

unsecure loan Borrowing short-term money without any security or collateral.

V

variable costs Costs which change with the level of production. If no production is undertaken, there are no variable costs.

vertical integration Taking on upstream and downstream marketing functions.

W

wholesale markets Where goods are bought and sold by businesses, usually in large quantities.

wholesalers Sell to retailers, other wholesalers or industrial firms.

working capital Money used to purchase productive inputs that are used for more than one year.

workman's compensation insurance Covers any injury to an employee that arises out of employment.

wrap points Any exposed machine component that rotates is a potential wrap point.