

## Definitions

**Direct Base:** The sales, jobs, or value added within any given industry that is resulting from exports outside of the region.

**Indirect Base:** The sales, jobs, or value added in other support businesses resulting from exports from the base industry.

**Indirect effect:** Economic activity generated by industries purchasing inputs from other local businesses to support the sales of exports.

**Multiplier Effect:** Sales, jobs, or wages within the region due only to exports/sales outside the region.

**Exports:** Sales of goods and services to customers outside the region—to other states as well as international markets.

**Jobs:** Full and part-time employment, including business proprietors.

**Value added or gross state product (GSP):** The sum of (1) wages and salaries, (2) proprietor's income, (3) indirect business taxes, and (4) dividends, interest, and rents.

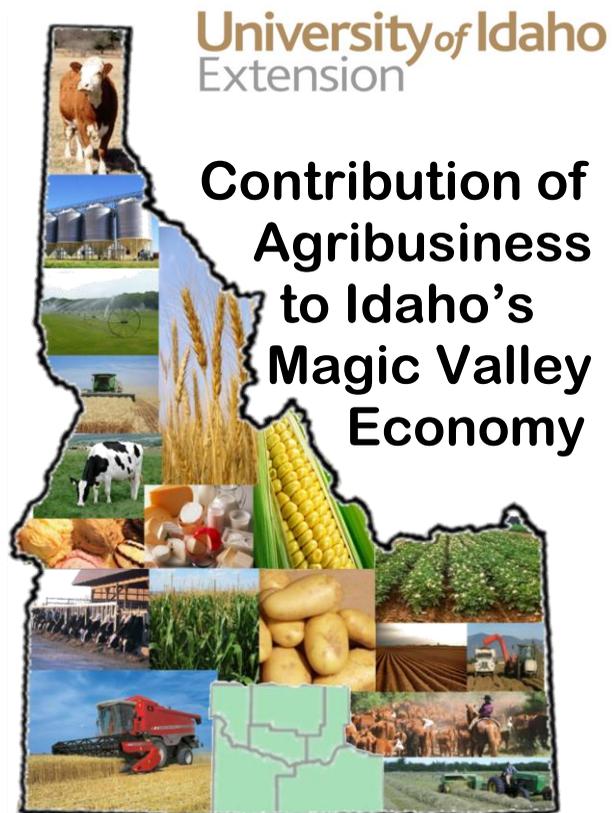
**Sales or output:** Output or more accurate, sales, because some businesses use goods of their own manufacture. For trade businesses, gross sales are defined as the mark-up, net of the cost of goods sold.



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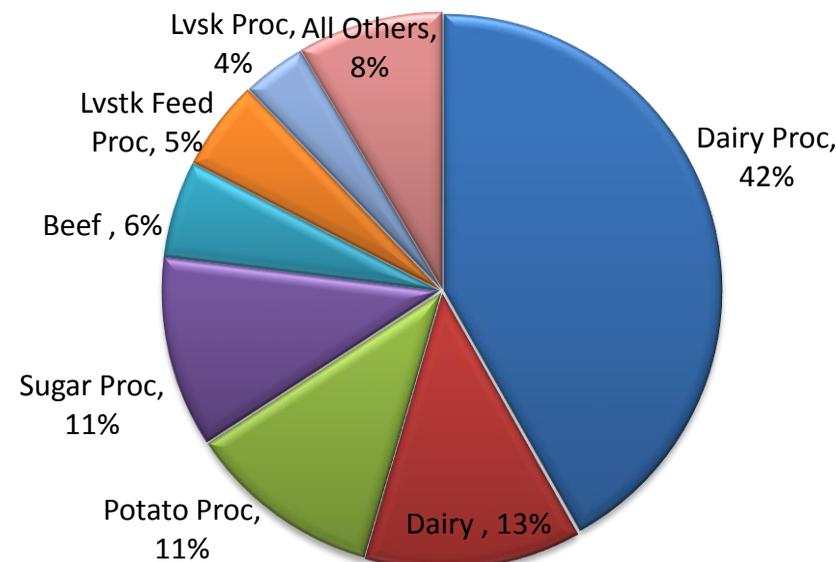
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- ❑ Two of every 3 dollars in sales from the Valley's businesses are directly or indirectly created by exports from agribusiness.
- ❑ The dairy processing industry alone accounts for over 1 of every 4 dollars of export sales and 1 in 5.5 Magic Valley jobs.
- ❑ Agribusiness brings in 68% of the exports or "new money" into the Magic Valley economy.
- ❑ 48% of all jobs in the Magic Valley are directly or indirectly created by exports from agribusiness.
- ❑ The Magic Valley contributes nearly half of Idaho's total farm gate receipts.

## Agribusiness in the Magic Valley Economy

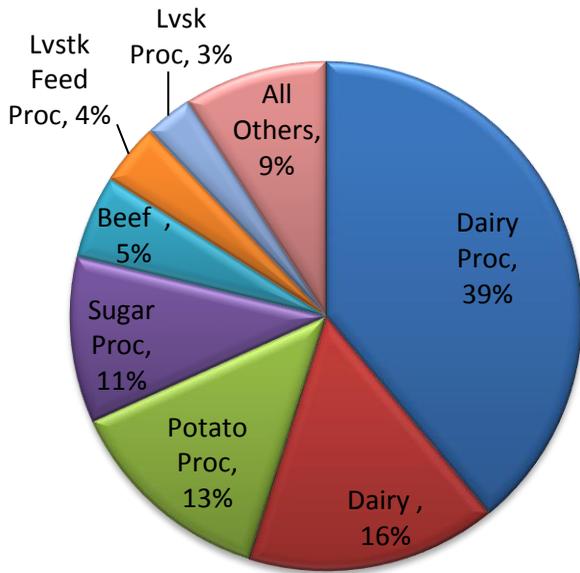
Agribusiness is a vertically integrated industrial complex engaged in the production and processing of food. The production and marketing channels of the agribusiness industry extend from farm suppliers to farmers and ranchers, then to food processors and to food retailers, and end with domestic consumers or international markets. The farm is the intermediate link in the Magic Valley agribusiness complex, with backward links to farm suppliers and service providers (fertilizer, seed, farm equipment, etc.) and forward links to food processors (French fries, cheese, etc.). Using the gross measure, Magic Valley agribusiness sold almost \$9 billion of goods and services, generated nearly \$2.5 billion in Gross State Product (see definitions), and created over 18,000 jobs. Agribusiness exports ripple throughout the Magic Valley economy, creating indirect economic activity in many other sectors. Using base analysis, which takes into account these ripple effects, agribusiness contributed close to \$12 billion (68%) of total sales, close to \$4 billion (59%) of the region's GSP, and nearly 46,000 (48%) of Magic Valley jobs.



**Figure 1:** Base sales within the Magic Valley's agribusiness industry.

### Highlights:

- Agribusiness constitutes 51% of the total gross sales of the region but 68% of the total base sales, making agribusiness an export base industry for the Magic Valley economy
- 42% of the agribusiness export base sales are from the Magic Valley's dairy processing business. Following dairy processing, dairy production contributes 13% with both potato and sugar processing at 11% of the total agribusiness sector.
- Dairy processing is the largest sector for total base sales totaling \$4.9 billion and has a sales multiplier of 2.40 (for every dollar of cheese exports there is \$2.40 of sales directly and indirectly generated in the Magic Valley economy which includes the dollar's worth of cheese).
- Dairy and sugar beet farming are support industries for the dairy and sugar processors. Sugar beet farming has gross sales of \$160 million but because virtually all beets are processed locally the base/export sales are just over \$5 million.



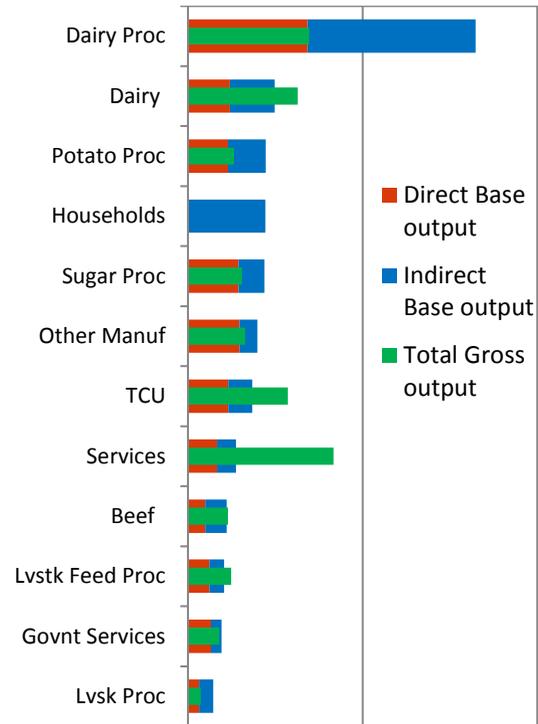
**Figure 2:** Base jobs within the Magic Valley's agribusiness industry.

**Highlights:**

- Over 18,000 (20%) of the total Magic Valley jobs are on the farm or ag processors but nearly 46,000 (48%) jobs are directly or indirectly the contribution of agribusiness as an export base.
- Over 1/3 of the base jobs created by agribusiness are attributed to dairy processing, followed by dairy production (16%) potato processing (13%), sugar processing (11%) and beef cattle production (5%).
- Ranking contribution by jobs results in different rankings than by sales. Farming and processing are highly mechanized and relatively efficient industries that require small labor input for high value output.

**The Magic Valley Economy**

The Magic Valley economy can be divided using a gross (accounting) measure (the green bar) or a base (export-driven) measure (red plus blue bars). Businesses in the Magic Valley economy can be divided into businesses that primarily sell to other local industries and to consumers (non-base industries) and industries that sell to customers outside the Valley and therefore bringing new dollars into the region (base industries). The output of any base industry is the sum of its exports (the direct contribution to output, red bar) plus sales of the non-base Idaho businesses that support the base industry (the indirect contribution, blue bar). The base measure is propelled by exports and could be more accurately labeled as the "contribution of exports." Base and non-base businesses are both essential to a thriving economy.



**Figure 3:** The gross sales and base sales (direct plus indirect) of the top 12 industries in the Magic Valley economy.

**Highlights:**

- The largest base industry is dairy processing, contributing just under \$5 billion (28%) in base sales to the Magic Valley economy. Dairy processing has \$2 billion of sales directly from the plant plus \$2.9 billion of sales indirectly generated in other businesses in the Valley.
- The 2nd largest base industry is dairy farming, contributing 9% of the base sales to the Magic Valley economy -- \$721 million of direct sales and \$765 million of indirect sales.
- Potato processing is the 3rd largest base industry, with base sales of \$1.3 billion.
- The 4th largest base industry is households, the transfer payments, dividends, social security payments etc. that households receive are "new money" but make an indirect contribution of 8% of the base sales to the Magic Valley economy.
- The services sector (stores and gas stations etc.) are largely non-base businesses that support the base or exporting businesses such as dairy processing. Thus, the gross sales of the services sector's \$2.5 billion exceed the services sector base sales of \$0.8 billion.

**Idaho and the Magic Valley Economy**

Irrigation has transformed the Magic Valley desert including Cassia, Lincoln, Minidoka, Gooding, Jerome, and Twin Falls counties into the epicenter of Idaho's agribusiness industry. Agriculture in the Magic Valley provides jobs for the Valley's residents and food for national and international markets. In 2013, total output (sales of goods and services) from the Magic Valley economy exceeded \$17 billion. Magic Valley's gross regional product (GRP) was \$6.8 billion, with a total of 95,103 jobs. Using the gross measure for 2013, Magic Valley agribusinesses sold more than \$8.9 billion of goods and services, contributed nearly \$2.5 billion to Idaho's gross state product, and created over 18,500 jobs.

**Highlights:**

- Ag processing (cheese, fish fillets, fries, sugar, etc.) constitutes over half of the agribusiness industry output.
- Nearly 1/2 of the 95,100 jobs in the Magic Valley are directly or indirectly created by agribusiness.
- Agribusiness generates directly or indirectly over 1/2 of the Magic Valley gross regional product.
- Magic Valley farm gate receipts comprise nearly half of the Idaho total farm gate receipts.
- Idaho ranks 4<sup>th</sup> in the nation in dairy cow numbers and the Magic Valley is home to 70% of those cows.
- The Magic Valley comprises 9% of Idaho's 82,643 square miles and 66% of that land is public land.
- The Magic Valley has 10% of Idaho's total population.
- Virtually all (97%) of the Magic Valley's 982,669 acres of harvested cropland is irrigated.
- The Magic Valley produces 61% of Idaho's sugar beets.
- The Magic Valley produces almost 3/4 of the food-sized trout consumed in the US, making Idaho #1 in the nation.