

Contribution of Agriculture to Wisconsin

On-Farm Activity's Contribution to Wisconsin Labor Income 2012

Agriculture has historically been considered a backbone of the Wisconsin economy. Over time, however, other components, such as the service producing sectors including tourism-recreation and business services to name a few, have grown more important. This raises the question, how much does agriculture contribute to the modern Wisconsin economy. Using data from 2012, the most current year available, we seek to provide insights into that fundamental question.

Using an input-output model of the Wisconsin economy and several sub-regions to capture the multiplier effects we find that on-farm activity, such as dairy, crop, fruit and vegetable and beef production among others, contributes about \$5.7 billion to labor income which is 3.3% of total labor income within Wisconsin.

If we explore the contribution of on-farm activity to different parts of Wisconsin we see a unique and somewhat expected pattern. For example, in South

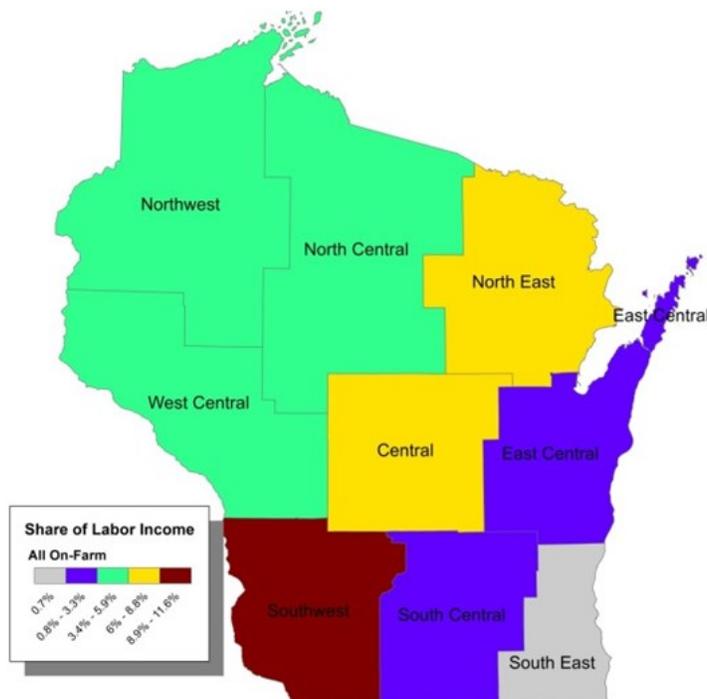
All On-Farm (2012) (MM\$)

	Labor Income	(%)
Wisconsin	\$5,714.6	3.3%
North West	\$324.3	5.9%
North Central	\$471.7	5.9%
North East	\$255.5	8.6%
West Central	\$611.4	5.0%
Central	\$671.7	8.8%
East Central	\$937.8	2.9%
South West	\$579.4	11.6%
South Central	\$1,006.9	3.3%
South East	\$460.2	0.7%

Labor income is defined as returns to labor and includes wages, salaries and proprietor income. For most farms, the return to the farmer's labor is in the form of proprietor income. A handful of farmers structure their businesses and draw a salary and any retained profits.

Central Wisconsin on-farm activity contributed over \$1 billion to labor income or 3.3% of total labor income. But in South Western Wisconsin on farm activity contributed nearly 11.6% of total labor income, or \$579 million. Even in the larger urban area of South Eastern Wisconsin, on farm activity contributed \$460 million to labor income. In both the North East as well as Central portions of Wisconsin on-farm related activity contributed 8.6% and 8.8% of total labor income respectively. Unfortunately, the last study of the contribution of agriculture to Wisconsin (Deller and Williams 2009) did not consider labor income and as a result we are unable to examine changes over time.

Share of Labor Income from All On-Farm



Methods of Analysis

In this study we use an input-output model of the economy at the state level and the nine sub-regions of Wisconsin defined by National Agricultural Statistic Service (NASS). Input-output models can be viewed as a “spreadsheet” of the economy where buyers or demand move across the columns of the spreadsheet and sellers or supply move down the rows. An individual cell of the spreadsheet captures the dollar flow from sellers (supply) and buyers (demand). A key to the model is that the economy is in “equilibrium” or demand equals supply. In this framework we can trace how changes in one sector ripples throughout the entire economy. These ripples are widely known as the “multiplier effect”. For this study these multipliers are custom to the region we are examining and reflect the economy in 2012.