

5. Usage rates – i.e. annual usage of ethanol (not annual production of ethanol – i.e. when production of a product (supply) is larger than usage (demand), inventories increase and prices fall – and vice versa).
6. Describe usage by specific markets (e.g. ethanol usage in the Denver market).
7. Trends in usage or consumption – i.e. per capita beef consumption over the last ten years.

Prices

Provide data on the current price levels in the industry and price levels over previous years. This includes prices for final products, intermediate products in the supply chain and raw materials.

Provide data on the profit margins for the various segments of the industry segments.

Competitiveness

1. **Industry concentration** – This is a measure of the number of firms in an industry and the size of the predominant firms in the industry. It provides an indication of who you are up against.
 - Identify the most important players in the industry.
 - What percent of the market is controlled by the largest companies (i.e. four largest firms)?
 - What is the market share of each major firm?
 - What is the number of firms over a certain size (e.g. number of egg producers over one million birds)?
 - Is there a dominant industry leader? Who is it?
2. **Competition from other products** – The more similar a competitive product is to your product, the more competitive it will be (i.e. beef competes with pork, natural gas competes with ethanol). Branding is an effort to differentiate your product from competitive products in the eyes of the consumer.
3. **Barriers to entry/ease of entry** – Is the industry easy to enter or difficult to enter? If entry is easy, competitors enter the market during periods of high profitability and expand production capacity. This drives down prices and profit margins. Barriers to entry make it more difficult for competitors to enter so profit margins remain favorable. Barriers to entry include:
 - Limited access to markets – If the market is dominated by well established branded products, a new entrant will need to spend the time, money and effort to establish a successful branded product.
 - Large-scale production – If large scale production requires substantial financial investment, the financial requirements will be to limit entry.
 - Limited access to technology or production processes – Patented technology and other intellectual property will limit entry.
4. **Concentration within the supply chain** – When many firms buy from or sell to a few firms, the segment with the highest concentration (fewest firms) usually has an advantage. What is the relative concentration of input suppliers, producers, processors, etc.?
5. **Industry Rivalry** – Describe the intensity of the rivalry among industry participants.

Industry Drivers

Outline the factors that are currently driving the industry and expected to drive it in the future. Examples of potential agricultural industry drivers are described below.

1. **Consumer tastes and preferences** – Consumers preferences for food.
2. **Population and age distribution** – A growing population will drive demand upward. An aging population will affect the types of food demanded.

3. **Dietary recommendations** – Emerging dietary recommendations (low carbohydrate, low fat) will change consumers buying habits for food products.
 4. **Package labeling requirements** – For example the mandated labeling for trans-fats on food products has the potential to change consumer preferences.
 5. **Food safety issues** – For example the organic food market has its basis in the issue of food safety.
 6. **Functional foods** – Scientists are discovering certain health aspects of different types of foods. For example, isoflavones in soybeans may prevent cancer.
 7. **Legislation designed to stimulate demand**– For example the mandated use of renewable fuels drives that industry. Tax incentives will affect the price.
 8. **New regulations** – Is there new or pending legislation on regulations at the state or national level that will impact the industry.
 9. **Environmental concerns** – For example, global warming will have a significant impact on the energy industry.
 10. **International trade tariffs and barriers** – For example, does the industry have access to foreign markets?
 11. **Emerging technologies** – For example, new technologies in the production of renewable fuels will impact the ethanol industry.
 12. **Other factors that affect the development of the industry.**
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