

# UNIT 3 - ECONOMIC ACTIVITY: THE PRIMARY SECTOR

## 1. ECONOMIC ACTIVITY

Economic activity is the set of tasks performed by people to obtain goods that meet their needs. These goods can be tangible, such as food, manufactured goods, or cars, or intangible, meaning services such as education or healthcare.

### 1.2. COMPONENTS OF ECONOMIC ACTIVITY

Economic activity includes three components:

- **Production:** The set of goods provided by economic activity.
- **Distribution:** The process of transferring production to the consumer and selling it in the market or at meeting points between producers and consumers.
- **Consumption:** The use of goods provided by production.

## 1.3. ECONOMIC SECTORS

Economic activity encompasses a large number of activities, often grouped into three economic sectors. These sectors consist of activities sharing certain characteristics:

- **Primary sector:** Activities dedicated to extracting natural resources for production, distribution, or consumption, such as agriculture, livestock, forestry, and fishing.
- **Secondary sector:** Activities focused on transforming natural resources provided by the primary sector, including industries and construction.
- **Tertiary sector:** Activities that provide services, such as transportation, tourism, trade, education, and healthcare.

## 1.4. ECONOMIC AGENTS AND THEIR RELATIONSHIPS

Economic agents are the entities responsible for carrying out economic activities. These agents include businesses, households, and the state, which interact in an economic circuit where they exchange labor, goods, and services for payments.

- **Businesses:** Basic units of production for economic goods. Their role is to produce, distribute, and sell goods to consumers, aiming for financial profit. Businesses vary by:
  - **Size:** Small (up to 50 workers), medium-sized (up to 250 workers), or large (more than 250 workers).
  - **Capital ownership:** Public (state-managed), private (owned by individuals), or mixed (public and private capital).
  - **Social organization:** Such as corporations (divided into shares), limited companies (capital provided by a limited number of people), or cooperatives (collectively managed by member investors).
- In the economic circuit, businesses sell goods to households and the state, receiving income to pay workers and taxes.
- **Households:** Basic units of consumption. They purchase goods to meet their needs, "sell" their labor to private companies or public institutions (the state), and pay taxes.

- **The State:** From an economic perspective, it is both a producer and consumer unit. Its functions include providing essential goods and public services and consuming goods and services from private companies, all aimed at social welfare. The state provides infrastructure, subsidies, pensions, and healthcare to businesses and households, while collecting taxes and hiring workers.

## 1.5. FACTORS OF PRODUCTION: RESOURCES, CAPITAL, AND TECHNOLOGY

To operate, businesses use four key resources, known as factors of production:

- **Natural resources:** Elements provided by nature with economic utility, such as water, soil, vegetation, animals, minerals, and energy sources. Overexploitation and international conflicts often arise from their scarcity (e.g., oil disputes).
- **Capital:** Non-natural elements necessary for production, including physical capital (machinery), financial capital (money and credit), and human capital (skills and experience).
- **Technology:** Knowledge, methods, and procedures used in production, which can be manual or mechanized.
- **Labor:** Physical or intellectual effort made by people to produce goods and services. Labor is essential for businesses to produce and for families to earn wages.

## 2. THE PRIMARY SECTOR

The primary sector comprises economic activities dedicated to obtaining resources directly from nature: agriculture, livestock, fishing, and forestry.

### 2.1. AGRICULTURAL ACTIVITIES

- **Agricultural area vs. rural area:**
  - The agricultural area includes only land used for farming activities.
  - The rural area encompasses all non-urban spaces.
- **Agricultural activities:**
  - **Farming:** Cultivation of land for plant products.
  - **Livestock farming:** Raising animals.
  - **Forestry:** Use of forests for food (fruits) or industrial materials (wood, paper).
- **Agricultural workforce:**
  - In 2019, 27% of the global population was employed in agriculture.
  - In low-income countries, over 50% of the population works in agriculture.
  - In high-income countries, agriculture employs less than 10%.

Agricultural activities depend heavily on natural factors like climate, terrain, soil quality, and vegetation.

### 2.2. TYPES OF AGRICULTURE

- **Traditional agriculture:** Subsistence-focused, prevalent in developing countries, using small-scale, manual methods with low productivity.
- **Productive agriculture:** Market-oriented, highly mechanized, using advanced techniques, prevalent in developed regions like the EU and North America.

### **2.3. TYPES OF LIVESTOCK FARMING**

- **Traditional livestock farming:** For subsistence, often combined with agriculture.
- **Productive livestock farming:** Market-oriented, including extensive (open grazing) and intensive (technologically advanced).

### **2.4. FORESTRY**

Forestry involves managing forests for products like timber, paper, and natural fibers, while also playing a critical environmental role by reducing CO<sub>2</sub> levels.

### **2.5. FISHING**

Fishing involves obtaining food resources from oceans, rivers, and lakes, categorized by distance from the coast or technological level. Aquaculture is also significant in areas like Galicia, Spain, for farming aquatic species.