



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

**FINANCING AGRICULTURE IN A CHANGING
ENVIRONMENT: MACRO, MARKET, POLICY
AND MANAGEMENT ISSUES**

**Proceedings of
Regional Research Committee NC-161**

**Denver, Colorado
October 6-7
1987**

**Department of Agricultural and Applied Economics
University of Minnesota
St. Paul, MN 55108
March 1988**

Preface

Papers contained in this publication were presented at the annual meeting of Regional Research Project NC-161, "Financing Agriculture in a Changing Environment: Macro, Market, Policy and Management Issues," at Denver in October 1987. The papers represent topics which are part of the on-going research activities of participating universities and agencies and contribute to the research committee's project objectives. The focus of the meeting was on selected current policy and management issues in agricultural finance including; introduction of a secondary market for farm real estate loans; restructuring activities within the Farm Credit System, innovations in agricultural financing institutions, and policy/management issues surrounding tax reform, asset market adjustments, the macroeconomic environment for agriculture, and the conceptual role of information in agricultural finance.

The seminar portion of the program was developed by a subcommittee composed of Cole Gustafson (Chairman), James Plaxico, and Loren Tauer. The program consisted of outside speakers, subcommittee papers, and individual papers. Due to time limitations at the meeting, not all of the submitted papers were selected.

The Committee extends its appreciation to the Farm Credit Corporation of America for hosting the meeting at its Denver facility, the Farm Foundation for funding the travel of an outside speaker, and the program planning committee. I also want to thank Linda Littrell for her assistance in preparing mailings, compiling this proceedings publication, and handling committee correspondence.

The Committee expresses its loss at the death of Dean Hughes, Associate Professor and Director of the Thornton Agricultural Finance Institute at Texas Tech University in Lubbock, Texas. Dean was a personal friend and colleague of members of NC-161 and contributed strongly to the Committee and the profession. His contributions will be greatly missed.

Glenn Pederson
1987 Chairman
NC-161 Research Committee

TABLE OF CONTENTS

| | page |
|---|------|
| Preface: Policy and Management Issues in Agricultural Finance Glenn Pederson | i |
| POLICY AND MANAGEMENT ISSUES IN FINANCING AGRICULTURE | |
| "Policy in Management Issues Surrounding Secondary Market for Agricultural Real Estate Loans" Michael E. Fitch | 1 |
| "Establishment of a Secondary Mortgage Market for Farm Real Estate" J.B. Trew | 7 |
| "Analysis of Loan Restructuring for the Farm Credit System". Michael Boehlje, Bruce Bullock, Charles Dodson, David Lins, Glenn Pederson, and David Reinders | 14 |
| FINANCING INSTITUTIONS AND INNOVATIONS IN AGRICULTURE | |
| "An Assessment of Restructuring Alternatives for Banks for Cooperatives" John A. Hopkin | 27 |
| "An Overview of Credit Assessment Models" David J. Leatham | 41 |
| "Promising Future Research Related to Credit Scoring" Cole R. Gustafson | 59 |
| "Equity Capital in Financing Agriculture". J. Lowenberg-DeBoer, Allen M. Featherstone, Robert A. Collins, and David J. Leatham | 77 |
| "Specialized Credit Institutions and New Institutions: Discussion" Warren F. Lee | 102 |
| MACROECONOMIC AND POLICY ISSUES IN AGRICULTURAL FINANCE | |
| "Land Price Forecasts with a Capital Asset Valuation Model" Robert W. Dubman, Gregory Hanson, and Utpal Vasavada | 109 |
| "1986 Tax Reform and Dairy Farm Business" Eddy LaDue, George Casler and Jeffrey Conrad | 118 |
| "Effects of the Macroeconomic Environment on Agricultural Prices in the Early 1980's" Charles B. Moss, Timothy G. Baker, and B. Wade Brorsen | 133 |

"Asymmetric Information and Agricultural Finance:
Positive and Policy Issues". 166
 Robert Innes

List of Participants, 1987 NC-161 Annual Meeting 178

1987 NC-161 Annual Meeting Attendees

| <u>Name</u> | <u>Institution/Agency</u> |
|---------------------|------------------------------------|
| Donald Anderson | North Dakota State University |
| Timothy G. Baker | Purdue University |
| Peter J. Barry | University of Illinois |
| Michael D. Boehlje | University of Minnesota |
| John R. Brake | Cornell University |
| Raj Chhikara | Iowa State University |
| Ken Erickson | USDA ERS/ARED |
| Allen Featherstone | Kansas State University |
| Paul Gessaman | University of Nebraska |
| Cole Gustafson | North Dakota State University |
| Greg Hanson | Economic Research Service |
| Kim S. Harris | Southern Illinois University |
| Ed Harshbarger | Farm Credit Administration |
| John Hopkin | Texas A & M University |
| Robert Innes | University of California |
| Robert Jensen | Farm Credit Corp of America |
| Eddy L. LaDue | Cornell University |
| David Leatham | Texas A & M University |
| Warren Lee | Ohio State University |
| J. Lowenberg-DeBoer | Purdue University |
| Ronald Meekhof | USDA/OSEC |
| Emanuel Melichar | Bd of Governors/Federal Res System |
| James Nielson | Coop State Research Service |
| Kenneth Obrecht | Farm Credit Banks of St. Louis |
| Glenn Pederson | University of Minnesota |
| Bill Pettigrew | Farm Credit Banks Funding Corp |
| James Plaxico | Oklahoma State University |
| Donald Reid | University of Georgia |
| Bernard Tew | University of Kentucky |
| Andrew Vanvig | University of Wyoming |