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# Minnesota *Applied* Economist

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A Newsletter for Alumni and Friends of the Department of Applied Economics University of Minnesota

## *Department Head's Notes*

Many conversations with alumni and friends of the department these days include the question, "How did the department fare in the budget cuts?" The *short* answer is that we are taking cuts—like everyone else at the University. The *long* answer to the question is, of course, more complicated but we plan to make up the shortfall by making some cuts and attracting more outside funding. So, here are the details about the cuts the University is making and the plans *we* are making to weather the current budget crisis.

### **University-Wide Cuts**

The University of Minnesota allocation from the state legislature for the next biennium (2003–05) is almost \$1.1 billion, \$196.3 million less than the allocation for the current biennium (2001–03). This is a cut of approximately 15%. The University administration responded by increasing tuition, imposing a one-year salary freeze on faculty and staff, requiring faculty and staff to pay a larger part of their health-care costs, and allocating selective reductions to many University units—including offices in central administration, colleges, and centers.

In addition to these selective cuts, University units will also pay a higher tax to central administration next year. The University imposed an Internal Revenue Sharing (IRS) tax on all units three years ago to help pay for infrastructure costs. The tax applies to all state-appropriated funds and income funds the department receives. The IRS tax rate, which has increased each year since the tax was initiated, is being raised again for 2003–04.

The share of the University-wide cuts that came to the College of Agricultural, Food, and Environmental Sciences (COAFES) was distributed as selective cuts across the depart-

ments and the college's research and outreach centers (today's name for branch research stations) located across the state. These cuts averaged about 6% for departments and about 9% for research and outreach centers. In addition to taking funding cuts, all of these units must pay the higher IRS tax.

The recurring-funds budget for the Department of Applied Economics was cut 4.5% for the 2003–04 fiscal year. As a result, the department's total cut in recurring funds—including the increase in IRS taxes—was more than 6%. So the answer to the opening question is that we are facing significant cuts, but have fared relatively well in a time of very large reductions in appropriations.

### **Departmental Plans—Making Cuts and Attracting More Outside Funding**

The department is responding to cuts in University-wide funding by reducing the number of outside in-

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structors we hire, eliminating reimbursement of faculty travel costs to professional meetings, and shifting the funding of more graduate students and staff from recurring funds to grants and contracts. We have reduced the need for instructors by repackaging some of our courses and reducing the frequency of course offerings. We feel these changes will continue to provide course offerings with excellent content, but some courses at both the undergraduate and graduate levels will be taught less frequently than in the past. Faculty members will need to fund their travel to professional meetings from grants, contracts, and personal funds. And faculty members are also being asked to obtain more outside grant and contract support to fund departmental staff and graduate students.

The department has placed emphasis on maintaining the quality of our programs during this difficult period. Productivity of the faculty and staff has remained high. The number of credit hours taught, publications produced, and extension activities remain high and have been well received by those we serve. In addition, we have recruited a strong group of new graduate and undergraduate students who will be entering the program in the Fall.

### **Looking Ahead**

The long-run effect of these changes on the departmental programs is unclear but here are a few thoughts. Increasing tuition by double-digit amounts (14.7% for undergraduate and 12.1% for graduate students in 2003–04) over the next year is expected to make recruiting the best and the brightest students more challenging. In addition, higher tuition rates will increase our need for undergraduate scholarships and graduate fellowship funds if we are to continue to attract outstanding students to our program. The budget cuts will reduce the number of faculty positions the college can support, suggesting the department will be smaller in future years. And, the proportion of our departmental program funded through grants and contracts will continue to increase. It is our intent to remain a highly ranked department as we make these and related changes.

Vernon Eidman

## *Professor Kent Olson Recognized for Outstanding Teaching*



We are proud to announce that Professor Kent Olson recently received the Distinguished Teaching Award (tenured category) for the 2002-2003 academic year from the College of Agricultural, Food and Environmental Sciences. For the past decade, Kent has taught the department's "Principles of Farm Management" and "Agribusiness Management" courses to students who are interested in becoming more effective managers.

Students like Professor Olson's classes because he uses a wide range of techniques – including active learning and group activities – to help them learn the management concepts. Students also like Kent's classes because he uses Web technology and the Internet to expose them to a wider set of materials on management concepts and issues. The class Web site for the farm management class, for example, includes virtual tours of Minnesota farms with videos of the farmers talking about their farms and management situations, and includes examples and worksheets where students develop effective solutions to farm management problems. He has also been developing a new text, "Farm Management: Principles and Strategy" which will be available later this year.

Kent adds this award to two other awards he has received for his contributions to undergraduate teaching. He received the John Tate Award for Excellence in Undergraduate Advising from the University of Minnesota in 1998, and the Outstanding Faculty Award from the Agricultural Education Club at the University of Minnesota in 2002.

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## *Kent Horsager Receives the Department of Applied Economics' Outstanding Alumni Award for 2002-2003*

The departmental Awards Committee selected Kent Horsager, president and CEO of the Minneapolis Grain Exchange (MGEX), as the recipient of the department's Outstanding Alumni Award for 2002–03. Departmental members, alumni, friends, and family members gathered in the departmental conference room on May 5 to honor Kent and to hear his seminar, “The Future of Futures Markets—What Lies Ahead?”



*Kent receives his award from Vernon Eidman.*

Kent received his B.S. in agricultural economics from the department in 1984 where his advisor was the late Professor Willis Peterson. After graduation Kent spent one year as an economics lecturer at the University of Mainz, Gernersheim, Germany. He spent the next two years as an oilseed and product merchant with the International Oilseed Processing Group of Cargill Incorporated, before forming the Horsager Trading Company—a trading and brokerage firm that focuses on trading futures, options, and spreads. Kent served as president of Horsager Trading for 13 years and spent nine of those years on the MGEX Board of Directors—three of them as chairman. In June 2000, Kent was named president and CEO of MGEX.

MGEX is probably best known for its hard red spring wheat contract, which has traded there continuously since 1883. Over the years since then, MGEX has introduced a number of other contracts, some of which are no longer traded. However, many observers feel MGEX has been particularly innovative under Horsager's leadership, taking advantage of new technology and expanding its product line. For example, MGEX recently introduced a new electronic trading platform where user can react quickly to emerging market opportunities and trade three new contracts—a national corn index, a winter wheat index, and national soybean index futures and options. More information about these markets is available on the MGEX Web site at [www.mgex.com](http://www.mgex.com).

The department has been recognizing one of its graduates each year since 1985–86. The previous 17 recipients include departmental graduates with distinguished careers in academia, business, government service, international development, farming, and finance. We are pleased to add Kent Horsager to our list of outstanding graduates!



*Kent with his proud parents, wife and children.*

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## Visit the AgEcon Search Web Site for the Latest Research Findings

The *AgEcon Search* Web site (<http://agecon.lib.umn.edu>) is a convenient place to quickly scan the latest findings in the field of agricultural economics because it contains over 10,000 documents drawn from almost 70 universities, professional associations, and government agencies worldwide. The Web site, which is free to all users, is supported by the University of Minnesota Libraries, the University of Minnesota Department of Applied Economics, and the American Agricultural Economics Association (AAEA). Two librarians from the University of Minnesota manage the Web site; Louise Letnes from the Waite Library and Julie Kelly from the Magrath Library (formerly the St. Paul Campus Library).

The *AgEcon Search* project began in 1995 with a simple—but then revolutionary—idea that more people would have access to the latest research if papers that are normally published in the “working-paper series” of individual institutions, were collected into a single, easily accessible Web site. With funding from the Farm Foundation and the United States Department of Agriculture/Economic Research Service (USDA/ERS) and the help of several agricultural economics departments in North America, the *AgEcon Search* Web site was born.

Today, the Web site has expanded to include working papers from other countries, as well as conference proceedings and papers published in a number of peer-reviewed agricultural economics journals. Currently, *AgEcon Search* includes working papers from agricultural economics departments in North America, Australia, Germany, Britain, Italy, Mozambique, Belgium, Israel, and the Netherlands, and a major initiative is currently underway to broaden its international base. In addition, *AgEcon Search* includes selected papers presented from 1997 onwards at the annual AAEA meeting, and will soon include papers contributed to the upcoming 2003 meeting of the International Association of Agricultural Economists (IAAE). And last, *AgEcon Search*

includes—or is about to include—papers published in the following peer-reviewed journals.

- *Journal of Food Distribution Research*
- *Agricultural and Resource Economics Review* (formerly the *Northeastern Journal of Agricultural and Resource Economics*)
- *Journal of Agricultural and Applied Economics* (formerly the *Southern Journal of Agricultural Economics*)
- *Journal of Agricultural and Resource Economics* (formerly the *Western Journal of Agricultural Economics*)

With this critical mass of timely documents, *AgEcon Search* has become the resource of choice for many researchers, educators, and policy makers and the Web site has downloaded requests for nearly half-a-million research papers in the past two years. To quote a user from Brazil, “It was a great pleasure to find your Site and to know that some one is really interest[ed] in collecting all the ag econ papers available. That program is a great contribution to us that are far away from the main research centers...”

Check out *AgEcon Search* to find the latest research in agricultural and applied economics!

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we can improve this newsletter?

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[msulliva@apec.umn.edu](mailto:msulliva@apec.umn.edu)

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## Successful Grain-Marketing for Women



Ed Usset

Last winter, Ed Usset and Robert Craven from the Center for Farm Financial Management (CFFM) presented a workshop entitled “The Road to Marketing Success” to a total of 130 women in Iowa, Nebraska, South Dakota, and Minnesota. The six-hour workshop was designed *exclusively* for women and was funded by the United States Department of Agriculture/Risk Management Agency and the Minnesota Soybean Research & Promotion Council.



Robert Craven

The women who attended the workshop learned the skills to master the challenges of successful grain marketing in today’s tough climate, when grain prices are at or are near loan rate. The workshop stressed the importance of pre-harvest marketing and crop insurance for keeping farms profitable and covered the following topics:

- five common mistakes in grain marketing
- the key elements of a pre-harvest marketing plan
- the role of crop insurance in pre-harvest marketing
- using futures and options as pricing tools

In addition, each participant was challenged to write her own marketing plan during the workshop and then test it using a computer program that simulated cash, futures, and options prices for an eight-month period in a typical grain market.

At the end of the workshop, all participants completed a questionnaire asking what they liked—or disliked—about the workshop. The evaluations show

that over 95 percent of the women who attended the workshop agree—or strongly agree—that, “The marketing plans examined today helped me develop my own plan.” In addition, 90 percent of the participants indicated a *strong* desire to finish developing the marketing plan they started during the workshop. Finally, each participant was asked to tell us—in her own words—what she most enjoyed about the workshop. Here are some of the comments.

· “I learned a lot of useful information, and really enjoyed the day. I would suggest this seminar for anyone. Very understandable!!”

· “Doing this with all women was very beneficial. I had fun. I learned more today, than any other class/lecture I’ve attended.”

· “The no-nonsense approach to marketing was great to hear. Thanks a million.”

· “The simulation game really makes you put into practice what you’ve learned. Hits home!!”

· “The game put the theory into practice. I only learn by doing!”

· “This is a plan I want to use—Thanks!! Now if I can only get my marketing partner (my husband) to attend!!”

***“... I learned more today than any other class/lecture I’ve attended.”***

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## RECENT PUBLICATIONS

For information on locating a copy of a publication not available on the Internet, contact the underlined author at the department by calling 612-625-1222.

### ANNUAL DEPARTMENTAL PUBLICATIONS LIST

The 2002 Department Publications List is now available in paper and on the Web. If you would like a paper copy of this list, send an e-mail to Louise Letnes at [lletnes@appec.umn.edu](mailto:lletnes@appec.umn.edu). The list is also available on the department home page in both PDF and HTML formats at <http://www.appec.umn.edu/publist>.

### GLOBAL PERSPECTIVES

**Banking and Organic Farming Can Click Here as in Europe by Richard Levins.** Lenders in the United States have a great opportunity for increased business with organic and sustainable farmers. To take full advantage of it, they will need education and open minds. IN: *American Banker*, v.168, no.55; March 21, 2003; p.6.

**Biotechnology and Genetic Resource Policies by Philip G. Pardey and Bonwoo Koo.** This piece includes six briefs published by the International Food Policy Research Institute. The titles of the briefs are: "Policy, National Regulation, and International Standards for GM Foods"; "Biotechnology, Trade, and Hunger"; "Intellectual Property and Developing Countries: Freedom to Operate in Agricultural Biotechnology"; "Accessing Other People's Technology"; "Infringement of Intellectual Property Rights: Developing Countries, Agricultural Biotechnology, and the TRIPs Agreement"; and "Conserving Genetic Resources for Agriculture: Counting the Cost." International Food Policy Research Institute; Washington, DC; 2003.

**Conserving Genetic Resources for Agriculture: Counting the Cost by Bonwoo Koo, Philip G. Pardey, and Brian D. Wright.** The 11 genebanks maintained by a set of international agricultural research centers (collectively called the CGIAR or Consultative Group on International Agricultural Research) conserve over 666,000 accessions (plant or seed samples) of crops like cassava, millet, sorghum and cowpea grown mainly by poor people, staple food crops grown worldwide (such as rice, wheat and maize), and tree species used in agroforestry systems. This collection constitutes a sizeable share, perhaps 30% or more, of the unique entries in genebank collections worldwide. Funding for these long-term conservation services is presently on precarious, year-by-year footing. Conservation costs vary markedly among species. The authors' best estimate is that a trust fund of \$149 million would suffice to maintain this material for use by distant future generations. This estimate is sensitive to differences in conservation protocols, the interest rate and institutional factors. IN: *Biotechnology and Genetic Resource Policies*, edited by Philip G. Pardey and Bonwoo Koo. Washington, DC: International Food Policy Research Institute, 2003. (Brief 6). Research also appears as **The Price of Conserving Agricultural Biodiversity by Bonwoo Koo, Philip Pardey, and Brian Wright.** IN: *Nature Biotechnology*, v.21, February 2003, pp.126–128.

**The Economics of Generating and Maintaining Plant Variety Rights in China by Bonwoo Koo, Philip Pardey, et al.** In this paper we empirically examine the pattern of plant variety protection (PVP) applications in China since PVP laws were first introduced in 1997. We place those PVP rights in the context of China's present and likely future seed markets to identify the economic incentives and institutional aspects that influence decisions to develop and apply for varietal rights. International Food Policy Research Institute, Environment and Production Technology Division; Discussion Paper 100, 2003.

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**Emerging Trends in the New Food Economy: Consumers, Firms, and Science by Jean Kinsey.**

Seven trends that emerge in the new global economy will be identified followed by a discussion of 1) how they evolved and 2), what they imply for public policy and for various types of firms and consumers. Some have called it the “brave new world” of food production and consumption. Some dislike what they see, others fear it, and many embrace it. The new food economy involves many non-food firms that provide ancillary services and products. They go way beyond the familiar farm-input suppliers and include consulting firms for software and data analysis, electronic system designers, engineers of food and packaging, and biological and physical scientists who redesign the food itself. Together, they make the food system work for consumers and for those firms that are receptive to new technology and new ways of doing business. International Agricultural Trade Research Consortium, Working Paper 03-4.

<http://agecon.lib.umn.edu/iatrc/wp03-04.pdf>

**Financing Organic Agriculture Around the World and in Illinois by Richard Levins.** Rabobank in the Netherlands has become the dominant lender throughout Europe in “green” agricultural ventures. Their aggressive leadership can be a model for U. S. lenders faced with rapid expansion in organic agriculture. IN: *Illinois Banker*, February 2003.

**The Growing Middle Class in Developing Countries and the Market for High-Value Food Products by Benjamin Senauer and Linde Goetz.** The central hypothesis of this paper is that the largest global growth opportunity for high-value food products is the emerging middle class in many developing countries. Using data for Lima, Peru, 20 percent of households are classified as middle or upper class based on the prevalence of ownership of major durable goods such as refrigerators and automobiles. Monthly expenditures by the middle class on more expensive food—such as fresh fruit, red meat, and, in particular, high value-added products such as food away from home—are substantially higher and, in some cases, markedly so. The Food Industry Center Working Paper 03-2, 2003.

<http://agecon.lib.umn.edu/mn/tr03-02.pdf>

**Intellectual Property and Developing Countries: Freedom to Operate in Agricultural Biotechnology by Philip G. Pardey, et al.**

A biotechnology revolution is proceeding in tandem with international proliferation of intellectual property regimes and rights. Does the intellectual property impede agricultural research conducted in, or of consequence for, developing countries? This question has important spatial dimensions that link the location of production, the pattern of international trade, and the jurisdiction of intellectual property. The authors main conclusion is that the current concerns about the freedom to operate in agricultural research oriented towards food crops for the developing world are exaggerated. IN: *Biotechnology and Genetic Resource Policies*, edited by Philip G. Pardey and Bonwoo Koo. Washington, DC: International Food Policy Research Institute, 2003 (Brief 3). Research also appears as **South-North Trade, Intellectual Property Jurisdictions, and Freedom to Operate in Agricultural Research on Staple Crops by Philip G. Pardey, et al.** IN: *Economic Development and Cultural Change*, v.51, no.2, January 2003, pp.309–335.

**Market Failure and Role of Markets and Privatization in Alleviating Water Scarcity by Cesare Dosi and K. William Easter.**

This article provides an overview of various policy options available for 1) improving water management in the United States and the European Union, and 2) addressing water shortages. We begin by stressing the importance of improving countries’ social capital—that is, by establishing institutional arrangements and management rules for allocating water between competitive uses. We then concentrate on economic approaches to improving water management including the establishment of water markets and the privatization of water utilities. IN: *International Journal of Public Administration*, v.26, no.3, 2003, pp.265–290.

**Strategic Preemption in a Common Property Resource: A Continuous Time Approach by Charles F. Mason and Stephen Polasky.**

The threat of future entry affects the exploitation of common property resources in important ways. An incumbent has a strategic incentive to manipulate the resource stock

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to deter entry or to harvest more stock prior to entry rather than share the resource with the entrant. It is possible that the threat of potential entry can lead to the extinction of the resource even though actual competition would result in a steady state with a positive stock level. IN: *Environmental and Resource Economics*, v.23, 2002, pp.255–278.

**Traceability, Trade, and COOL: Lessons from the EU Meat and Poultry Industry by Brian Buhr.**

The traditional food supply chain is arranged as a complex array of producers, handlers, processors, manufacturers, distributors, and retailers. As the food supply chain grew in complexity over time, little emphasis was placed on reserving information regarding the origin of raw materials and their transformation—often by multiple handlers—into consumer-ready products. This paper provides case illustrations of the implementation of information systems for support of traceability in Europe. International Agricultural Trade Research Consortium, Working Paper 03-5, 2003.

<http://agecon.lib.umn.edu/iatrc/wp03-05.pdf>

## **ISSUES IN THE U.S.**

**The 2001 Supermarket Panel Energy Management Study by Robert P. King, Jonathan Seltzer, and William Poppert.** Energy costs are a major concern for supermarket operators, since they typically represent the third-largest operating expense after the cost-of-goods sold and labor. Supermarkets may also be some of the largest customers of electricity in an area and have a high “base load” (stable) demand. In September 2001, a supplemental energy management survey was sent to stores participating in the 2001 Supermarket Panel to gain insights into how grocery retailers are addressing the energy challenge. There are significant differences in energy management and energy costs across stores grouped by ownership group size, store format, and region. The Food Industry Center, Working Paper 03-3.

<http://agecon.lib.umn.edu/mn/tr03-03.pdf>

**Assessing the Economic Value of Research by Vernon W. Ruttan.** For almost half a century, World War II and the Cold War provided the political and fiscal context for public investment in science and technology. In 1945, Vannevar Bush—in his report entitled “Science: The Endless Frontier”—advanced an investment rationale for federal support of scientific research; however, in spite of pressure from Congress and the Office of the President, the scientific community has resisted the development and application of operational economic criteria for the allocation of research resources. Staff paper P03-1. <http://agecon.lib.umn.edu/mn/p03-01.pdf>

**Accessing Other People’s Technology by Carol Nottenburg, Philip G. Pardey, and Brian D. Wright.** As patents and other forms of intellectual property become more pervasive in the next generation of biotechnologies, designing policies and practices to ensure sufficient freedom to operate (i.e., the ability to practice or use an innovation) will be crucial for non-profit research agencies, especially those intent on developing technologies destined for commercial release. Are non-profits exempt from intellectual property claims? What constitutes infringement of a patent? How does a non-profit establish its freedom to operate? The authors address these issues in this paper and evaluate various options for accessing other people’s technologies. IN: *Biotechnology and Genetic Resource Policies*, edited by Philip G. Pardey and Bonwoo Koo. Washington, DC: International Food Policy Research Institute, 2003. (Brief 4)

**Book Review by Terry Roe of *Agricultural Policy for the 21<sup>st</sup> Century*, edited by Luther Tweeten and Stanley R. Thompson. Ames, IA: Iowa State Press, 2002.** This book includes chapters from some of the outstanding agricultural policy economists in this country. It reviews the changes in agricultural policy that have taken place since the early 1930s, focuses on the major changes under the Freedom To Farm Act, and attempts to predict the major changes that we can expect in the future. The book concludes with the view that if farmers are to continue to receive government support, this support should be in a form that minimally distorts agricultural and world

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markets. IN: *Agribusiness, an International Journal*, v.19, no.1, winter 2003, pp.133–135.

**Bunk or Bank on It?** by Brian Buhr. This paper considers the issues related to survey response by hog producers. Producers should recognize that failure to respond likely biases the results of the USDA's "Hogs and Pigs" report and reduces the value of the information for decision making. IN: *National Hog Farmer*, v.48, no.1; January 14, 2003; p.24.

**Consumers' Retail Source of Food: A Cluster Analysis** by Andrea Carlson, Jean Kinsey, and Carmel Nadav. This research quantifies the different shopping behaviors exhibited by groups of people in the United States and discusses some of the demographic differences among the clusters. The results are of interest to consumers, nutrition counselors, food retailers, and policymakers who deal with retail food, low income diets, or food safety. IN: *Family Economics and Nutrition Review*, v.14, no.2, 2002, pp.11–20.

<http://www.usda.gov/cnpp/FENR/FENRv14n2/fenrv14n2p11.pdf>

**Democracy, Rent Seeking, Public Spending, and Growth** by Hamid Mohtadi and Terry L. Roe. Does democratization imply faster growth, less corruption, and less inefficiency? Past studies yield ambiguous results on the effects of democracy on economic performance and growth. We develop a simple two-sector endogenous growth model—producing a “U” effect—that shows that both very young and mature democracies grow faster than countries in the mid-stages of democratization. IN: *Journal of Public Economics*, v.87, 2003, pp.445–466.

**Do We Now Collect Any Revenue from Taxing Capital Income?** by Roger Gordon, Laura Kalambokdis, and Joel Slemrod. The U.S. income tax has long been recognized as a hybrid of an income and consumption tax, with elements that do not fit naturally into either pure system. The precise nature of this hybrid has important policy implications for, among other things, understanding the impact of moving closer to a pure consumption tax regime. In this paper, we examine the nature of the

U.S. income tax by calculating the revenue and distributional implications for, among other things, understanding the impact of moving closer to a pure consumption tax regime. National Bureau of Economic Research, Working Paper 9477, 2003.

<http://www.nber.org/papers/w9477>

**E-Commerce: A New Business Model for the Food Supply/Demand Chain** by Jean Kinsey and Brian Buhr. This paper is about the development of e-commerce in the food industry, the economic concepts and goals that it meets, and the changes it brings to the industry. E-commerce both fosters and demands vertical coordination. It favors consolidation of firms. It changes the business culture from one of adversarial relationships to one of cooperation and trust. It changes the historical supply chain into a supply/demand loop, while it lowers the cost of food. Policy issues arise around monopoly power, privacy, a diminution of variety, and the demise of small, undercapitalized firms. The Food Industry Center, Working Paper 03-01.

<http://agecon.lib.umn.edu/mn/tr03-01.pdf>

**FairRent, Release 4.0 (computer software)** by Dale W. Nordquist, Lyubov G. Zech, and Robert H. Craven. University of Minnesota Center for Farm Financial Management. <http://www.cffm.umn.edu>

**FINPACK 2001, release 2.13 (Spanish)** by Robert Craven, Dale Nordquist, Kevin Klair, Rann Loppnow, Wynn Richardson, David Nordquist, and Chris Mikesell. Center for Farm Financial Management, computer software.

<http://www.cffm.umn.edu>

**FINPACK 2003, release 3.04** by Robert Craven, Dale Nordquist, Kevin Klair, Rann Loppnow, Wynn Richardson, David Nordquist and Chris Mikesell. Center for Farm Financial Management, computer software. <http://www.cffm.umn.edu>

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**Frontiers in Agricultural Research: Food, Health, Environment, and Communities by the National Research Council, Board on Agriculture and National Resources, Division on Earth and Life Studies, Committee on Opportunities in Agriculture. Terry Roe, contributor.** This effort evolved over a period of about two years. It brought together some of the major leaders from academia and agribusiness to evaluate the USDA's Research, Education, and Economics mission area. The report cites globalization, trade liberalization, changes in consumer preferences, the public concern for food safety, the environment, and the viability of rural communities as being of vital interest to rural America and—more broadly—to the nation. In addition, the report urges ever more vigilance to pursue this mission, recognizing that the resources to carry it out are unlikely to grow in real terms. Reinforcing links between federal agencies and the Land Grant universities is one of the recommendations to accomplish these goals. National Academy Press; Washington, DC; 2003.

**Independent Peer Review of the Florida Keys Carrying Capacity Study Draft Final Report and Carrying Capacity Impact Assessment Model by Stephen Polasky, et al.** South Florida Water Management District, U.S. Environmental Protection Agency, Nature Conservancy, Sanctuary Friends of the Florida Keys, National Oceanic and Atmospheric Administration, 2002, 80p.  
<http://www.nap.edu/books/030908346X.html>

**Insuring the Stewardship of Bt Corn: “A Carrot” Versus “A Stick” by Terrance M. Hurley, et al.** In this paper, subsidies and fines are compared to voluntary and mandatory refuge insurance (insurance for pest damage on Bt corn refuge) as mechanisms for securing grower compliance with EPA refuge mandates. IN: *Journal of Agricultural and Resource Economics*, v.27, no.2, December 2002, pp.390–405.

**The Natural and Organic Pork Market: A Sustainable Niche for Small-Scale Producers? A Review and Analysis of the Evidence by W. Parker Wheatley.** This study reviews the literature on con-

sumer preferences and willingness to pay for pork produced through alternative methods such as natural and organic production. The study finds evidence suggesting that many consumers are willing to pay relatively high premiums for natural and organic pork. The overall perspective provided by this paper is that natural and organic production may be viable alternatives to more capital-intensive production for many small-scale producers. IN: *American Journal of Alternative Agriculture*, v.18, no.1, 2003.

**“A New Look at a Giant in Agriculture,” a book Review by Richard Levins of *Invisible Giant: Cargill and Its Transnational Strategies*, by Brewster Kneen. 2<sup>nd</sup> edition. London, England: Pluto Press, 2002.** In Kneen's updated book on the world's largest grain dealer, he advises caution on the part of farmers dealing with Cargill. IN: *Minnesota Agriculture*, v.46, no.12; December 17, 2002; p.3. And IN: *CAFO News*; January 27, 2003.

**A New Summary Measure of the Effective Tax Rate on Investment by Roger Gordon, Laura Kalambokidis, and Joel Slemrod.** In this paper, we derive explicitly how revenue figures can be used to construct an estimate of the true effective tax rate on capital income, and how this measure and existing measures are affected by several factors—including resale of assets, risk, pure profits, debt finance and arbitrage, and choice of organizational form. National Bureau of Economic Research, Working Paper 9535, 2003. <http://papers.nber.org/papers/w9535.pdf>

**Post-War Productivity Patterns in U.S. Agriculture: Influences of Aggregation Procedures in a State-Level Analysis by Albert K. A. Acquaye, Julian L. Alston, and Philip G. Pardey.** Annual data for 48 states are used to account for changes in the composition of input and output aggregates over space and time and, thereby, to obtain new evidence on changes in inputs, outputs, and productivity in U.S. agriculture. The measures change significantly when we use state-specific rather than national prices, and when we allow for changes in the composition of the aggregates—especially labor and capital inputs. IN: *American Journal of Agricultural Economics*, v.85, no.1, February 2003, pp.59–80.

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**The Whimsical Science by Richard Levins.** Three interviews—fictitious in varying degrees—are used to explore some fundamental questions of economic methodology. The role of mathematics in economic reasoning, the question of truth in assumptions, and whether rigorous arguments will necessarily lead to important results are examined. The use of models in science is usually justified on grounds of prediction or explanation. The general theme of this paper is that many mathematical models in economics fail on both criteria. IN: *Tales of Narcissus: The Looking Glass of Economic Science*, edited by Craig Freedman and Rick Szostak. New York, NY: Nova Science Publishers, 2003, pp.175–187.

**Why Dairy Cooperatives Must Cooperate by Richard Levins.** Dairy cooperatives should be more concerned with downward pressure on prices from retailers. Farmers must work together to force higher farm-level milk prices and cooperatives should support them in those efforts. IN: *Hoard's Dairyman*, v.148, no.8; April 25, 2003; p.303.

## **REGIONAL TOPICS**

**The Impact of Tax Free Zones on Economic Development by Laura Kalambokidis.** Many states have designated certain geographic regions as “tax-free” zones, where businesses (and sometimes workers) are exempt from some or all state and local taxes. The tax exemptions are intended to encourage new economic activity in the zone by reducing the costs of doing business there. This article explains, however, why zone communities might fail to realize the intended benefits of zone designation. Minnesota Public Finance, Note 2003-01.

<http://www.apec.umn.edu/faculty/lkalambo/MNPFN2003-01.pdf>

**Southeastern Minnesota Farm Business Management Association 2002 Annual Report by Dale W. Nordquist, Lorin L. Westman, and Kent D. Olson.** The average net farm income was \$64,666 for the 54 farms included in the southeastern farm report. This was an increase of 6% from 2001. Government payments of all types averaged \$19,375, a 50% reduction from the previous year. Both the rate of return on assets

and the rate of return to equity were 5%, unchanged from 2001 levels. The average debt-to-asset ratio increased slightly from 34% to 36%. Staff paper P03-2. <http://agecon.lib.umn.edu/mn/p03-02.pdf>

**Southwestern Minnesota Farm Business Management Association 2002 Annual Report by Dale W. Nordquist, Robert D. Anderson, James L. Christensen, James N. Kurtz, Garen J. Paulson, and Kent D. Olson.** The average net farm income was \$70,007 for the 188 farms included in the southeastern farm report. This was a sharp increase of 91% from 2001. Government payments of all types averaged \$15,927, a 67% reduction from the previous year. Both the rate of return on assets and the rate of return to equity increased in comparison to 2001. The average debt-to-asset ratio decreased slightly from 47% to 45%. Staff paper P03-3.

<http://agecon.lib.umn.edu/mn/p03-03.pdf>

**Technology Transfer from the University of Minnesota: Estimating the Economic Impact by Vernon W. Ruttan.** In this paper I first address the synergy among research, education, and technology transfer. I then discuss the economic rationale for public-sector support for research, the problem of estimating the economic returns from research, and the problem of institutionalizing capacity for technology transfer. In a final section, I suggest how the University might develop a more serious effort to analyze and quantify its impact on the economic growth of the state. IN: *The Public Research University: Serving the Public Good in New Times*, edited by Darrell R. Lewis and James Hearn. New York, NY: University Press of America, 2003, pp.103–116.

**Toward a Minnesota Model of the Fiscal Impacts of Residential Development by Laura Kalambokidis and David Leishman.** In this paper, we describe some of the possible roles for the Extension Service in helping Minnesota communities predict the fiscal impacts of residential development. We list some principles of fiscal impact modeling, describe an existing fiscal impact tool, and explain a number of issues that arose when that tool was used to estimate the impact of residential development in two Minnesota counties. Staff Paper P03-4. <http://agecon.lib.umn.edu/mn/p03-04.pdf>

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Department of Applied Economics  
1994 Buford Avenue  
231 Classroom Office Building  
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## Minnesota Applied Economist

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Send comments, suggestions or address changes to Melissa Sullivan, Department of Applied Economics, University of Minnesota, 1994 Buford Ave., St. Paul, MN 55108-6040. (612) 625-1222, [msullivan@apec.umn.edu](mailto:msullivan@apec.umn.edu)

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## Upcoming Dates of Interest

**July 27-30 - American Agricultural Economics Association Annual Meeting**, "Spatial Inequality: Continuity and Change in Territorial Stratification" in Montreal, Quebec, Canada. <http://www.aaea.org/meetings/aaea/2003/>

**August 26 & 27 - Orientation** for incoming graduate students, with picnic on the 27th.

**August 24 - Maroon and Gold Day** at the Minnesota State Fair, which runs August 21-September 1. Look for the College of Agricultural, Food and Environmental Sciences booth in the University building. <http://www.mnstatefair.org/>

**September 2 - Classes begin** for Fall Semester 2003.