



**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.**

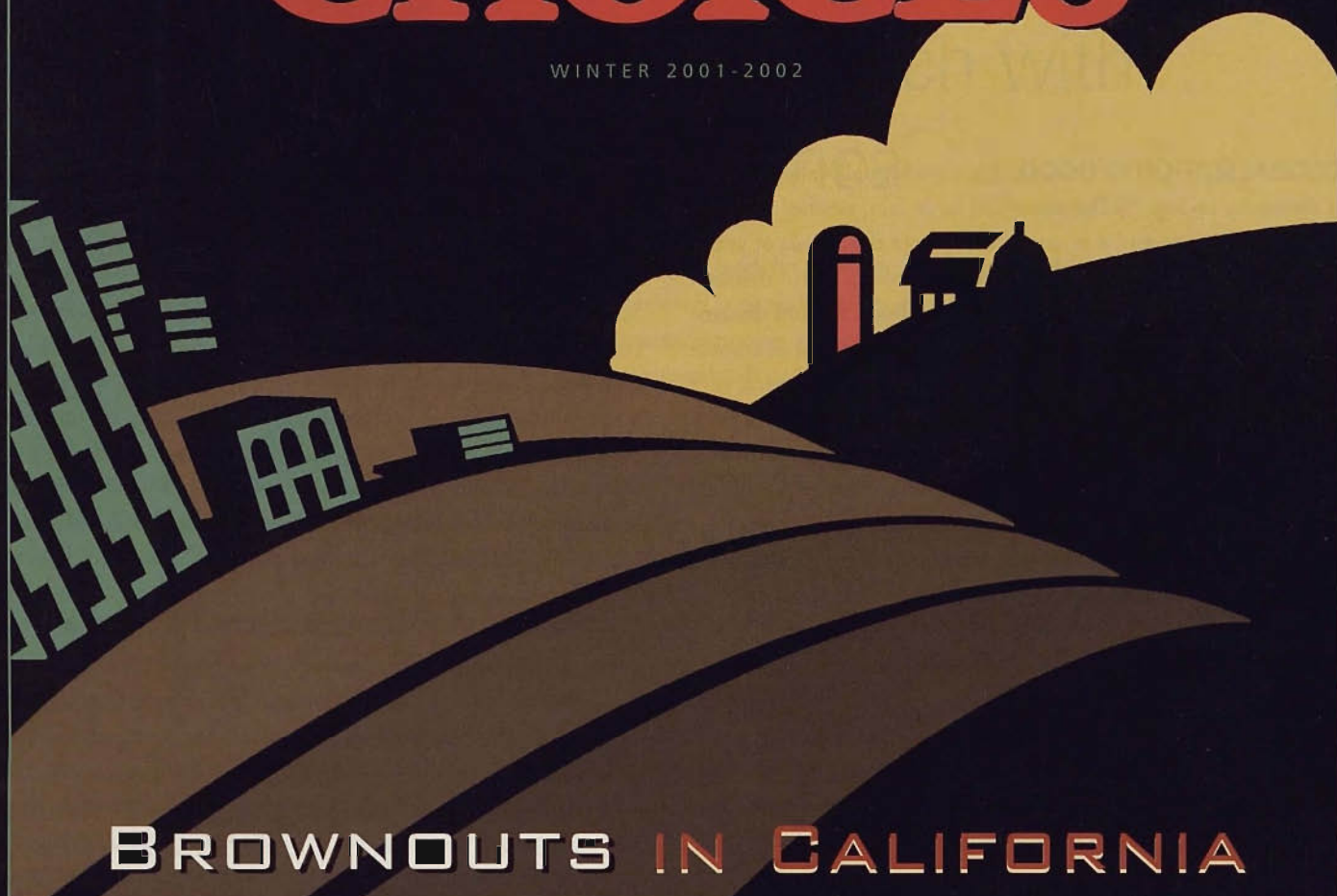
Give to AgEcon Search

AgEcon Search  
<http://ageconsearch.umn.edu>  
[aesearch@umn.edu](mailto: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.*

# CHOICES

WINTER 2001-2002



## BROWNOUTS IN CALIFORNIA

## BROWN FIELDS IN IDAHO

DID CALIFORNIA POWER DEREGULATION AND THE PACIFIC  
NORTHWEST'S HYDROPOWER INDUSTRY COMBINE TO  
CREATE THE "PERFECT STORM"? PAGE 6

*Food Securities:  
Wall Street  
Meets Main  
Street*

PG 11

*Collective  
Bargaining for  
Farmers: Time  
for Another  
Look?*

PG 15

*Can't Get  
Ahead for  
Falling Behind*

PG 35

## So They Say

*What agricultural and resource economists are finding about food, farm, and resource issues*

■ **GLOBALIZATION IS GOOD:** Amartya Sen talks about a popular theme by saying, "[Globalization] is, in fact, neither new nor necessarily Western; and it is not a curse. Over thousands of years, globalization has contributed to the progress of the world through travel, trade, migration, spread of cultural influences, and dissemination of knowledge and understanding (including that of science and technology). These global interrelations have often been very productive in the advancement of different countries. They have not necessarily taken the form of increased Western influence. Indeed, the active agents of globalization have often been located far from the West." Sen, A. "Global interchange is good; but the present set of global rules needlessly hurts the poor." *The American Prospect*, Special Supplement, Winter 2002, pp. 2-6.

■ **WHOSE PROPERTY RIGHTS?** Cole and Grossman get right to the point by saying, "Law & Economics has become a highly successful interdisciplinary field for several reasons, including the fact that public policy issues invariably arise at the intersection of law and economics. Those issues can only be fully understood by scholars willing to cross disciplinary boundaries. To facilitate interdisciplinary contact, the economists and legal scholars who comprise Law & Economics have endeavored to construct a common conceptual apparatus and vocabulary. The endeavor has not been completely successful, however. Economists have not been able to agree among themselves, let alone with legal scholars, on a common, consistent definition of property rights." Cole, Daniel H., and Peter Z. Grossman. "The Meaning of Property Rights: Law vs. Economics." *Land Economics*, in press.

■ **DISTANCE STUDENTS ONLINE:** Kazmer and Haythornwaite say, "Increasing involvement in an online environment is more complicated than a simple, unconscious transfer of attention from offline time. Students actively prioritiz[e] what and who needs to be dealt with first.... Children get high priority, but spouses, parents and friends have to wait. Personal entertainment [is] dropped and household chores are left until later. ... Work — paid work — fades to the background...." Kazmer, M.M. and C. Haythornwaite. "Judging Multiple Social Worlds: Distance Students Online and Offline." *American Behavioral Scientist*. 45(November, 2001):510-530.

■ **IMMIGRANTS VOTE WITH THEIR FEET:** Borjas says, "Migration costs prevent many native-born workers from moving

to those states that offer the best economic opportunities. Immigrant workers, in contrast, form a self-selected sample of persons who have chosen to incur those migration costs. As long as migration costs are mainly fixed costs, newly arrived immigrants in the United States will choose to live in those states that offer them the best economic opportunities. As a result, new immigrants should be clustered in those states that offer them the highest wages, and the location decisions of immigrant workers should be much more responsive to interstate wage differentials than those of natives." Borjas, G.J. "Does Immigration Grease the Wheels of the Labor Market?" *Brookings Papers on Economic Activity*, William C. Brainard and George L. Perry, ed., 1(2001), p. 69.

■ **AGRICULTURAL ECONOMICS IN AUSTRALIA:** After 35 pages of narrative on the recent history of Agricultural Economics in Australia, Godden closes by saying, "Writing history (like doing economics) reveals as much about the writer as it does about the subject. While some of the limitations of the preceding story stem from the lack of readily available information, others stem from the limitations, perspectives and prejudices of the writer. Some, perhaps many, readers will disagree with part — or perhaps much — of the account. Unlike neoclassical economics, where the conclusions are mere logical consequences of the assumptions chosen, there is no unique historical narrative or analysis, especially within the confines of a single journal article." Godden, D. "Elegy, ode or panegyric? Practicing agricultural economics in Australia." *The Australian J. of Agricultural and Resource Economics* 45(March 2001):5-38.

■ **TAXING THE LAND:** Netzer revives an old theme by saying, "[Henry] George attracted many followers with the proposition that land value taxation would alleviate poverty and the unequal access to economic resources. Economic theory and even superficial observation suggest that this must be so.... But how much is this so, in our world, where two-thirds of households are owners of the urban land under their houses and people of moderate means have substantial ownership ... of corporate assets, including land and other natural opportunities? To the extent that the proposition is true (that the poor own few assets), a shift from a relatively proportional national tax system to land value taxation ... would make the distribution of tax burdens by income class more progressive." Netzer, D. "What Do We Need to Know about Land Value Taxation?" *The American J. of Economics and Sociology*. 60(Supplement 2001):97-120.



## A Policy Opportunity: Getting in Touch with Rural America

As this issue of CHOICES goes to press, Congress, the Bush administration, and several powerful interest groups are debating the next Farm Bill. The policy debate centers on disagreements about who should benefit from the bill, and for what they should benefit. On one hand, the House has passed legislation that would pump \$170 billion in payments to commodity producers over 10 years, thus embracing the decades-old objective of mitigating risk for a handful of large operations. On the other hand, the administration and several senators from both parties have proposed versions of an overhaul that emphasize greater equity among producers, conservation incentives, and rural development.

More than ever before, this round of farm policy debate reflects major changes in the value America places on its rural citizens and communities. Take the example of Paul Romrell, whose family has been farming within sight of the Grand Teton mountains since 1901. His story is familiar in U.S. agriculture. He stays in farming by piecing together several sources of income — from his job as county coroner, and from raising potatoes, cattle, and grain (for which he receives program payments that make up about 10 percent of total farm revenue).

What makes this story important is that when potato prices recently took a nose-dive, Mr. Romrell held on to the farm by selling something the nation's urban residents value more than potatoes. He enrolled half his farm in USDA's Wetland Reserve Program. In return for a permanent con-

servation easement on the land, he received a lump sum payment and is partially reimbursed for maintenance expenses. He manages the restoration of wetlands and wildlife habitat himself.

Mr. Romrell is blunt about what the restoration payment has meant. "We could not have kept the farm without the wetlands program." Consequently, a farm that's been in the family for four generations remains an economically viable business, at least for a time. Equally important, the more marginal farmland that went into the program will not be sold to developers eager to get their hands on this scenic piece of Idaho real estate.

Enrollment in the wetlands program is currently capped at 1,075,000 acres, so the Romwell story is uncommon. Nevertheless, it symbolizes a profound change in how this nation is beginning to think about agricultural policy and the broader issues related to the survival of rural America.

Consider where policies of the past — not to mention world markets of today — have taken us. Just two percent of the nation's farms produce half of all food and fiber. Between 1996 and 1998, federal subsidies for farmers totaled \$22.9 billion, and just 144,000 participants received 61 percent of the money. Only two percent of rural residents are engaged in farming as their primary occupation. Ninety percent of farm family income comes from off-farm sources.

Past policies have succeeded in encouraging efficient production of an abundant food supply and low prices but not in ensuring farm household income or in strength-

ening rural America. The old way of thinking is out of touch with the reality of today's diverse rural America, where regions that depend most heavily on agriculture lag other rural areas in terms of population and job growth, where pockets of poverty have little economic activity at all, and where urban-adjacent and high-amenity rural places face challenges related to growth rather than decline.

Policy in touch with today's rural America would focus on issues related to efficiency and new competitive advantages, as well as equity and public goods. It would be place- rather than sector-based. It would support investment in human capital, entrepreneurship, risk taking, and advanced communications infrastructure. As European rural policy does, it would support local and regional initiatives and institutions. And it would give urban America something in return — not only affordable food and fiber but also heritage, recreation opportunities, environmental benefits, and healthy, well-educated young adults who may well move to cities in the future.

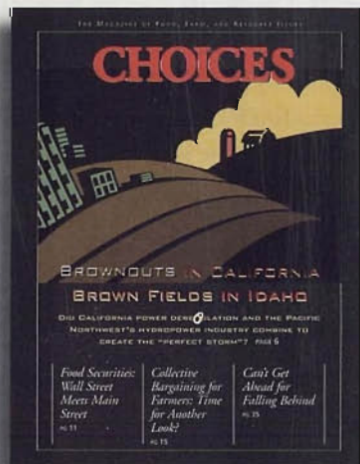
The Senate and Bush administration have proposed an important new direction in agricultural policy. Now let's see equivalent innovation and courage around rural policy.

*Priscilla Salant is Adjunct Professor in the Department of Agricultural Economics and Rural Sociology at the University of Idaho. Karl Stauber is President of the Northwest Area Foundation in St. Paul, Minnesota.*



# CHOICES

4th Quarter 2001



**ON THE COVER** Power Trip The reverberations from California's summer power crisis spilled over into agriculture in the Pacific Northwest.

## Features

**6 Brownouts in California, Brown Fields in Idaho** Was there a relationship between the deregulation of the California electricity market and agricultural water shortages in the Pacific Northwest? *by Joel Hamilton and R. Garth Taylor.*

**11 Food Securities: Where Wall Street Meets Main Street** With over \$700 billion of market capitalization in the food industry, capital markets are now as important to rural communities as commodity markets. *by Steven S. Vickner.*

**15 Collective Bargaining by Farmers: Time for a Fresh Look?** Faced with increasing market power elsewhere in the value chain, farmers might want to consider collective action on a number of issues. *by Richard A. Levins.*

**19 Churning Out the Links: Vertical Integration in the Beef and Pork Industries** Verticalization in the beef and hog industries has arisen in response to the failure of the spot market, and has helped enable branding in beef and pork products. *by Marvin Hayenga, Ted Schroeder, and John Lawrence.*

**26 The Trouble with Salmon** One problem is deciding just what the trouble is. Another is deciding which salmon are in trouble. *by Patricia Koss and Mike Katz.*

**31 StarLink: Where No Cry9C Corn Should Have Gone Before** The detection of Cry9C biotech corn in food products destined for human consumption sent shockwaves through the market. Yet segregation may be problematic for both economic and technical reasons. *by William Liu, Gregory K. Price, and Edward Allen.*

### Graphically Speaking:

The authors look at distribution strategies and inventory effects in the Florida fluid milk industry.



**35 Can't Get Ahead for Falling Behind** As foreign aid funds have become progressively squeezed, aid flows have shifted from development to emergency relief. Unfortunately, emergency relief does little to help the poor get out of poverty over the long haul. *by Christopher Barrett and Michael Carter.*

**39 Looking for the Nutritional Label: Does It Make a Difference?** Nutritional labeling and nutritional claims by packaged goods marketers have had some influence on buying habits among health-conscious consumer segments. *by Edward M. Nayga.*

**43 Coming to Grips with Globalization** Globalization is about more than just international trade. *by Phil Abbott, Mike Boehlje, and Otto Doering.*

## Departments

**2 So They Say**

**3 Guest Editorial** A Policy Opportunity: Getting in Touch with Rural America. *by Priscilla Salant and Karl Stauber.*

**24 Graphically Speaking** Supply Chain Management & Production Agriculture: A Florida Dairy Case. *by Sophia J. Glenn, Richard L. Kilmer, Thomas J. Stevens, III.*

**47 Feedback: Letters to CHOICES**

### PUBLISHER

The American Agricultural Economics Association  
415 S. Duff Ave., Suite C  
Ames, IA 50010-6600

### EDITOR

Paul W. Barkley  
Dept. of Agricultural Economics  
211E Hulbert Hall  
Washington State University  
PO Box 646210  
Pullman, WA 99164-6210

### PUBLISHING SERVICES

Clear Window MultiMedia  
A Meister Company  
37733 Euclid Avenue  
Willoughby, OH 44094  
(440) 942-2000

### ADVISORY BOARD

Andrew Barkley	Richard Levins
Daniel Bernardo	Noelwah Netusil
Michael Boehlje	David Orden
Gary Brestor	Gregory Poe
Joyce Cacho	Brian Revell
Betsy Cody	Tanya Roberts
John Davis	Priscilla Salant
Hal Harris	Katherine Smith
Ray Huffaker	Dawn Thilmany
Cathy Jabara	Wally Thurman
Craig Jagger	Judith Whipple
Wilfrid Legg	

**CHOICES** (ISSN 0886-5558) is published quarterly by the American Agricultural Economics Association for people who want to be informed about food, farm, and resource issues — and the policies that affect them. Views expressed herein are those of the authors, and not necessarily those of CHOICES or its publisher. Postage paid at Willoughby, OH, and additional mailing offices. All rights reserved. Quotation with credit is permitted. © 2002 Vol 16, No.4, American Agricultural Economic Association. Subscription rates for U.S.: individuals — \$20.00 per year (four editions). (Canada, Mexico, South America, United Kingdom and Europe \$30; other \$40.) Send subscription correspondence to CHOICES, AAEE Business Office, 415 South Duff Ave., Suite C, Ames, IA, 50010-6600. Telephone (515) 233-3234, FAX (515) 233-3101. Writers' guidelines are available at our Web site: [www.aaea.org/choices/](http://www.aaea.org/choices/). Send four hard copies and an electronic copy of each manuscript to the editor, Paul W. Barkley, Dept. of Agricultural Economics, 211E Hulbert Hall, Washington State University, PO Box 646210, Pullman, WA, 99164-6210.