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Minnesota Applied Economist

No. 704 Fall 2001

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

Department Head's Notes

Welcome to the *Minnesota Applied Economist*! Many people tell me they would like a convenient way to identify departmental seminars and publications that are of interest to them. We hope this newsletter becomes an effective way for you to do both, as well as to learn about some of the major changes occurring in the department.

The purpose of this newsletter is to help alumni and friends follow the work of the department. We plan to include a few news items of broad interest in each issue, followed by information on forthcoming seminars and workshops, and an annotated list of new publications from the preceding four months. We will indicate how you can participate in the events on campus and obtain any printed material you want. Much of our research and outreach is conducted through a set of centers that are closely aligned with the department. We will highlight the activities of one of our centers in each issue.

We plan to produce three issues of the *Minnesota Applied Economist* per year—Fall, Winter, and Spring. This is the first issue, and we are mailing it to all alumni and others on our various mailing lists for whom we have a current address. If you would like to receive future issues electronically, please indicate that preference in an email message to Melissa Sullivan at msullivan@apec.umn.edu. You will receive the issues more quickly—and the department will reduce its printing and mailing costs.

We welcome your feedback on our new newsletter, the *Minnesota Applied Economist*. Please send your suggestions to Ms. Melissa Sullivan, either at the above email address, or by mailing a letter to her at Department of Applied Economics, 1994 Buford Avenue #231, St. Paul, MN 55108.

Thank you for looking us over. We look forward to hearing from you.
Vernon Eidman

Changing Distribution Methods & The Minnesota Agricultural Economist

For several years, we have been making the forerunner of this publication, the *Minnesota Agricultural Economist (MAE)*, available on the Web and many users have been downloading the articles they want to read. In this newsletter, *Minnesota Applied Economist*, we will continue to produce the same type of articles formerly published in *MAE* and make them available on the Web.

For example, readers who look forward to the annual discussion of changes in land values and other topics will find references to these articles in the *Minnesota Applied Economist*—as well as information about how to obtain a copy of these articles either electronically or on paper. By changing to the new *Minnesota Applied Economist* format, the department can inform you about a much wider range of seminars and publications than we have been able to in the past, and do so at a lower cost.

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Knutson Receives Outstanding Achievement Award

The University of Minnesota conferred the Outstanding Achievement Award upon Arvid C. Knudtson on June 20, 2001. This award was granted in recognition of his innovative work in financial planning and management of agricultural cooperatives and the contributions he has made to the success of numerous businesses locally, regionally, and nationally. The citation on his award reads in part, "Admired leader and mentor, who has maintained the highest standards of integrity, fairness, and service throughout his professional career, and who is respected for his wise counsel, generosity, and humanity."

Arvid C. Knudtson received his B.S. from the College of Agricultural, Food, and Environmental Sciences in 1950. He continued in graduate school at the University of Minnesota in the (then) Department of Agricultural Economics and completed his M.S. and Ph.D. degrees in 1953 and 1957, respectively.

(Knutson is an) admired leader and mentor, who has maintained the highest standards of integrity, fairness, and service throughout his professional career.

Meyers Receives Outstanding Alumnus Award

Each year the Department of Applied Economics recognizes an alumnus or alumna who has attained unusual distinction in his or her field or profession and who has demonstrated outstanding achievement and leadership at the community, state, national, or international level. On July 18, 2001, the departmental faculty conferred the award for 2000-01 on William H. Meyers who received his Ph.D. in 1977 from the University of Minnesota while a student in the Department of Applied Economics.

Today, Dr. Meyers is professor of economics at Iowa State University and currently works at the Foreign Agricultural Service in Rome where he is director of the Agricultural and Economic Development Analysis Division. His Alumnus Award seminar was titled "What's the Buzz, What's a Happenin: Reflections on the World Food Summit—Five Years Later." His paper may be viewed at <http://agecon.lib.umn.edu/mn/p01-14.pdf>

Professor Kinsey Assumes AAEA Presidency

Elected by the membership of the American Agricultural Economics Association last year, Professor Jean Kinsey assumed the role of president of the 3,500-member organization at the close of the Annual Meeting on August 8. Her responsibilities for the coming year include serving as the principal officer of the association and presiding at meetings of the membership and the executive board. She also has primary responsibility for preparing the program for the 2002 Annual Meeting to be held in Long Beach, California, July 28–31.

Professor Kinsey has been on the faculty in the department since 1976. She is co-director of the Retail Food Industry Center, a University-wide center funded by the Sloan Foundation. Her research and teaching concerns trends in food consumption, demographic changes in the household, information economics, the value of time, and consumer confidence and buying behavior. Her presidential address, "The New Economy: Consumers, Farms, Pharms, and Science" is available at <http://trfic.umn.edu/publications/kinsey.pdf>.

Upcoming Departmental Seminars

Unless otherwise noted, all seminars will be on Friday afternoons from 2:00 to 3:30 p.m. in 119 Classroom Office Building, St. Paul Campus. For further information, see the departmental website: <http://www.apec.umn.edu/seminars.html>

November 9 - Joyce Cacho, Rabobank International, "Marketing in the International Context: The Case of Smithfield"

November 16 - Asitha Sandanayake, Ph.D. candidate in Applied Economics, "Estimating Environmental Damages from Irrigation Drainage to a Wetland Habitat in Sri Lanka"

November 30 - Margot Rudstrom, Assistant Professor in Applied Economics, "Pasture Based vs. Feedlot Systems for Growing Dairy Heifers: Comparisons of Costs and Animal Performance"

December 7 - Tim Park, University of Georgia, "Markup Pricing the Food Retailing Industry: An Integrated Model of Industry Behavior"

December 14 - Arlen Leholm, Michigan State University, "Enhancing Research, Extension and Citizen Linkages for Program Impacts Through Self-Directed Teams"

NEW ONLINE COURSES IN COMMUNITY ECONOMIC DEVELOPMENT

Do you really understand your local economy? Is your community looking for feasible development options? If you paid a lot of bucks for that economic impact report, how do you know it is valid? Did you know that 40–80 percent of new job growth comes from existing companies? How do you work effectively with local companies for mutual benefit? Where do you find the tools you need? How do you bring the resources to you?

The answers to these and other community economic development questions are now available online through Economic Development Online (EDO). EDO is designed to expand the economic development confidence of professionals and volunteers. EDO courses provide the understanding and skills needed to help your community grow.

This new educational resource was developed by Dr. George Morse, professor of applied economics and extension econo-

mist, in cooperation with the University of Minnesota Extension Service and colleagues from other universities. Six courses lasting 6–10 weeks are currently available from EDO. Several more courses are currently being developed.



For information about the courses (including how to register), visit www.edo.umn.edu or contact either

- Michael Darger, director of the BR&E Strategies Program, at mdarger@apex.umn.edu or 612-625-6246 or;
- Anita Dincesen, EDO project manager, at asd@umn.edu or 612-624-3797.

COAFES TOUR OF CHINA

In May of this year, Professors Donald Liu, Claudia Parliament, and Rodney Smith joined twelve adventurous students from the College of Agricultural, Food, and Environmental Sciences (COAFES) on a whirlwind, two-week tour of eastern and mid-western China. Applied Economics Ph.D. student Mr. Xiangming Fang served as the group's cultural ambassador as they visited the cities of Beijing, Baoding, Bei Pei, Chongqing, Hangzhou, Yiwu, and Shanghai.

The agricultural highlights of the journey included visits to agricultural universities with tours of their agricultural experiment stations, a visit to the Hormel plant in Beijing, visits to commercial and small farms, and a first-hand look at silkworm cultivation.



The group at Hormel Beijing.

The group had several opportunities to enjoy beautiful scenery and cultural events during their journey. They visited the Forbidden City and Great Wall and took part in an elaborate tea ceremony, viewed the Beijing Opera, toured museums, and visited a famous silk market. All in the short span of two weeks!



At the ancient Great Wall.

At the end of the journey the group was travel-weary and ready to return home. Yet, a spark of the adventurer seemed to glitter in the eyes of everyone. Today they are ready for the next opportunity to roam the world, meet new people, and explore new cultures. This was a great group and the trip was one that will likely never be forgotten!

FARM MACHINERY MANAGEMENT INFORMATION AVAILABLE ONLINE

Farm machinery is a major investment on most Minnesota farms. Around 20–25 percent of gross revenue on Minnesota crop farms goes to cover machinery and labor costs, so controlling them is important. The University of Minnesota has been providing extension materials on machinery management at least as far back as 1915 when a one-page circular, “Machinery on the Farm” was published based on costs on the “U” farm in St. Paul.

Today, the department has two main extension publications on this topic, “Minnesota Farm Machinery Economic Cost Estimates” and “Minnesota Farm Custom Rate Survey,” both by Dr. William Lazarus, associate professor of applied economics and extension economist. These publications are available for downloading at apec.umn.edu/faculty/wlazarus/machinery.html.

A spreadsheet template is also available for downloading from the Web site for use in analyzing specific situations or just to view the formulas used to calculate the numbers. “When users can download the template, study the formulas, and use them to compare alternatives on their own computers, the concepts are much easier to grasp,” says Professor Lazarus. State extension services across the country are increasingly sharing resources in order to survive on shrinking budgets, while still addressing an ever-widening array of issues.

The machinery cost publications have become a national resource and are being distributed in other states as well as Minnesota. These machinery cost publications also contain a database of information on machinery performance and costs that can be expected under typical conditions, based on a set of economic-engineering formulas and assumptions about factors such as annual usage, useful life, and operating conditions. The custom rate survey report is widely used by landowners and farm operators who only occasionally engage in custom work and want to arrive at a rate that is fair to all.

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.

GLOBAL PERSPECTIVES

A Global Analysis of Agricultural Reform in WTO Member Countries by Xinshen Diao, Agapi Somwaru, Terry Roe. This chapter describes a comprehensive empirical analysis used by the authors to measure the expected effects on U.S. agriculture if all WTO-member countries allowed unrestricted market access, removed domestic supports that distort world markets, and eliminated export subsidies. The results show that, overall, U.S. agriculture would benefit. The study also shows that 1) the EU, Japan, and Korea contribute the most to distortions in world agricultural prices because the types of domestic support found in these countries are the major contributor to distortions; and 2) developing countries, as a group, would benefit if all countries reformed their policies. In, *Agricultural Policy Reform in the WTO: The Road Ahead* edited by Mary Burfisher. Washington, DC; U.S. Department of Agriculture, Economic Research Service, 2001, pp. 25–40. (Agricultural Economic Report 802). [<http://www.ers.usda.gov/publications/aer802/>]

Applying Ecological Principles to Land-Use Decision-Making in Agricultural Watersheds by Mary Santelmann, Stephen Polasky, et al. Using ecological principles should be an important element in making informed land-use decisions. The authors suggest that analyzing alternative land-use options should 1) incorporate understanding about how land-use decisions impact ecosystem processes, 2) explore factors that affect how land-use decisions impact human values, and 3) describe the uncertainty associated with potential effects of land use on ecological processes or human values. In, *Applying Ecological Principles to Land Management* edited by Virginia H. Dale and Richard A. Haeuber. New York, NY; Springer, 2001 pp. 226–252.

Democracy, Rent Seeking, Public Spending, and Growth by Hamid Mohtadi and Terry Roe. This study shows that democracy is good for economic growth and development. In the early stages of a democracy, before all of society is fully active and before democratic institutions are fully developed, political favors can slow development. But, as society becomes more active and institutions for collective action become more representative of all citizens, the waste of resources due to policy designed to favor the few declines, and economic growth expands. The authors found some

evidence suggesting that, if the democratic process becomes “institution bound,” growth declines because the “best” policies are not implemented. Economic Development Center paper. [<http://agecon.lib.umn.edu/mn/edb01-02.pdf>]

Economic Growth and Global Economic Analysis: Use of the New Growth Theory by Terry Roe. In a non-technical way, this paper explains 1) why some countries are rich and some poor, 2) why the world progressed for thousands of years with very little growth in real income per capita, 3) why the industrial revolution sparked a rapid growth period for many countries, and 4) how we can see the second wave of globalization being even stronger than that following the industrial revolution. The paper focuses on the production of new knowledge, the importance of institutions in transferring savings to the venture-capital sectors, the importance of growth and access to a country’s stock of technical knowledge, and the importance of patent rights to inventors. In addition, the paper demonstrates the importance of institutions and information technologies to economic growth and well-being. Countries lacking these structures are likely to fall even further behind, thus contributing to a worsening of the world’s income distribution. Invited paper prepared for the 4th Annual Conference on Global Economic Analysis, Purdue University, West Lafayette, Indiana, 2001.

Ending Global Hunger in the 21st Century: Projections of the Number of Food-Insecure People by Ben Senauer and Mona Sur. This article examines what would be required to substantially reduce and ultimately end, chronic hunger. The authors make projections of the number of food-insecure people, under several scenarios, for the year 2025. With economic growth that favors the poor, ending mass hunger is an achievable goal. In, *Review of Agricultural Economics*, v.23, no.1, Spring/Summer 2001, pp. 68–81.

How the Size of the Industrial Sector is Affected by Agricultural Productivity: An Investigation and Extension of Arthur Lewis’ Argument in a Ramsey Context by Terry Roe. In the early stages of development, most countries are agrarian in nature. Yet, in recent years, agriculture has tended to be ignored as foreign aid donors and policy makers have focused on the non-farm sector of economies as a source of growth. This paper draws upon research begun in the 1950s that suggested it was hard to develop the non-farm sector of an economy without also assuring growth in agricultural productivity. The paper formalizes this argument in terms of an economic growth model, and shows that the argument is not only valid, but why it is valid and discusses the policy implications this entails. Paper prepared for The World Economy and Agriculture in the New Millennium, Washington, DC, June 26, 2001, pp. 31.

Primary Sector Dependence, Oligopolistic Behavior, and Economic Growth in a Two Sector Ramsey Economy by Beatriz Gaitan and Terry Roe. This paper shows that concentrated food processing, transportation, and other industries down-stream from agriculture, extract rents from resources specific to agriculture such as land, buildings, and management. Moreover, when this type of down-stream structure is in place, trade-reform tends to benefit these industries, while little of the benefits reach farmers. If, as in many developing and transitional economies, agriculture, fisheries, and forestry make up a large part of the total economy, then the harm caused by this structure is even worse. An important policy message is to find ways to vertically coordinate this system to alleviate non-competitive pressures. In addition, trade reform policies should not ignore the need to address monopoly-like power, otherwise the reform is unlikely to be effective. Paper presented at the International Agricultural Trade Research Consortium Conference, Washington, DC, May 2001, pp. 29.

Private Property Rights and Overgrazing: An Empirical Assessment of Pastoralists in Nyabushozi County, Western Uganda by Dick Sserunkuuma and Kent Olson. In the historically pastoral societies of Africa, rangeland tenure reforms (toward private ownership) often have been justified on the argument that pastoralists overstock, overgraze, and damage the common rangeland resources; however, these policies have not always been successful in reducing overstocking and overgrazing. Based on a survey of privately owned farms in southwestern Uganda, the authors found overgrazing is less likely when pastoralists had alternative income sources, a higher house value, higher use of banking services, and alternative food sources (other than cattle). In addition, they found overgrazing was more likely when pastoralists had large families, access to alternative grazing land, and used of a breed-improvement program. Thus, policies that increase the use of alternative food sources, the development of alternative income sources, and use of banking services are likely to decrease overgrazing. In, *Economic Development and Cultural Change*, v.48, no.4, July 2001, pp. 769–792.

Technology, Growth and Development: An Induced Innovation Perspective by Vernon W. Ruttan. This book covers three broad areas 1) technical change and economic growth, 2) technical change in five strategic industries, and 3) science and technology policy. Ruttan uses induced innovation theory to interpret the rate and direction of technical change with an emphasis on biological technology. There are chapters on sustainable agriculture, biotechnology, and the environment. Oxford; Oxford University Press, 2001.

ISSUES IN THE U.S.

American Agricultural Economics Association. Annual Meeting, Chicago, IL, August 5–8, 2001. Several members of the Department of Applied Economics presented papers and posters at this year's meeting. To access these papers, visit <http://agecon.lib.umn.edu/cgi-bin/pubview.pl> and select "American Agricultural Economics Association—2001."

Beyond Profitability: Using Economic Indicators to Measure Farm Sustainability by **S. Freyenberger, Richard Levins, D. Norman, and D. Rumsey.** More and more, U.S. farm policy is turning toward rewarding farmers for protecting the environment. But before we can reward the environmental performance of farms, we must be able to measure it. Farm-by-farm scientific measurement, however, is so costly that outcome-based programs are often thought to be impractical. This study uses actual records for over 1,000 farms to show how simple economic indicators on energy and machinery use, creation of local jobs, and feed balance can serve as practical—if imperfect—performance indicators. In, *American Journal of Alternative Agriculture*, v.16, no.1, 2001, pp. 31–34.

E-Commerce in Agriculture: Development, Strategy, and Market Implications by **W. Parker Wheatley, Brian Buhr, and Dennis DiPietre.** This paper provides an understanding of the economic and policy implications of the Internet and information technologies for agriculture. The paper presents the pre-Internet and post-Internet history and development of electronic agricultural markets and information technologies. A discussion follows on how the Internet and related information technologies improve the possibilities for product differentiation and identity preservation. The paper also considers how Internet-related improvements in production and marketing coordination will affect agricultural firm and industry organization. Finally, the paper reviews the regulatory concerns introduced by the development of Internet agricultural markets and commerce. Staff paper.

[<http://agecon.lib.umn.edu/mn/p01-06.pdf>]

Family Farm Legislation: Who Are We Protecting? by **Richard Levins.** For decades, the U.S. has had a policy goal of protecting the family farm. But what is a family farm? Issues of size, income potential, management, and ownership make the question more difficult in modern agriculture. Effective policy must first establish a new, concise definition of family farming. In the following publications: 1) *The Land*, August 17, 2001, p.7A; 2) *Minnesota Agriculture*, v.45, no.5, May 22, 2001, p.8; and 3) *Sustainable Agriculture*, v.9, no.6, June 2001.

Food Costs from Two Views by **Jean Kinsey.** Food costs, as viewed by the consumer, are a function of the price of food relative to their income. In the U.S. the percent of personal disposable income spent on food fell precipitously from 20 percent in 1960 to 11 percent in 2000. This is the lowest in the world. However, altering the price of individual foods has little effect on American diets. From the viewpoint of the producers and marketers of food, the final cost reflects the cost of the raw commodity (farm value equals about 20 percent on average) plus the cost of processing, marketing, and transporting food. The largest component of this cost is labor at 39 percent. In, *Cereal Foods World*, v.46, no.6, June 2001, pp.250–252.

Income Safety Net Better Than Commodity Programs? and Safety Net Programs Hard to Implement by **William Lazarus.** Targeting payments to farm households based on income or a living standard has been proposed as an alternative to current federal farm programs. Lower-income farmers would benefit, while farmers producing selected commodities would receive less than under current programs. An income-based approach would have to be designed carefully to minimize perverse incentives and capital market distortions. In the following two publications respectively: 1) *The Land*, August 17, 2001, p.8A; and 2) *AgWeek*, v.17, no.4, September 3, 2001, p.40.

Investment, Information Collection, and Endangered Species Conservation on Private Land by **Stephen Polasky.** A majority of species listed under the Endangered Species Act (ESA) depend on private land for a majority of their habitat. The ESA creates severe disincentives for private landowners to cooperate with government agencies charged with conserving endangered species. This chapter analyzes incentives problems created under the current structure of the law and suggests possible reforms. In, *Endangered Species in the United States: Biological Needs, Political Realities, Economic Choices* edited by Jason F. Shogren and John Tschirhart. New York, NY; Cambridge University Press, 2001, pp. 312–325.

Is It Time for a Fresh Look at Collective Bargaining by Farmers? by **Richard Levins.** For the past 75 years, farmers have looked to government programs as the salvation for farm income. But now both buyers of farm products and sellers of farm inputs are often very large corporations. The market power of these corporations may well require that farmers act together to build more market power in the farming sector. In the following two publications: 1) *Illinois Agrinews*, June 29, 2001, p.A7; and 2) *Minnesota Agriculture*, v.45, no.6, July 17, 2001, p.8.

Marketing Corn: A Survey of Seasonal Price and Price-Variation Characteristics by Stanley C. Stevens. The focus of this study is to review the seasonal structures of the corn market for the period 1988 through 1999, and to suggest in broad terms the main management implications for those that seek to improve their marketing performance. Staff paper. [<http://agecon.lib.umn.edu/mn/p01-08.pdf>]

Marketing Soybeans: A Survey of Seasonal Price and Price-Variation Characteristics by Stanley C. Stevens. The focus of this study is to review the seasonal structures of the soybean market for the period 1988 through 1999, and to suggest in broad terms the main management implications for those that seek to improve their marketing performance. Staff paper. [<http://agecon.lib.umn.edu/mn/p01-09.pdf>]

Measuring Factor Productivity Changes Under Regulated Open-Access Resource Use by James Wilen and Frances Homans. This paper looks at how to measure technological progress in a regulated fishery. Instead of measuring harvest efficiency directly, the authors measure it indirectly by looking at how regulators' choices change over time in response to changes in the productivity of the fishing industry. The conceptual model is applied to data from the North Pacific halibut fishery over the period 1935–1978. In, *Agricultural Science Policy: Changing Global Agendas* edited by Julian M. Alston, Philip G. Pardey, and Michael J. Taylor. Baltimore, MD; Johns Hopkins University Press for International Food Policy Research Institute, 2001, pp. 101–121.

New Farm Bill Should Have Energy and Industrial Provisions by Jerry Fruin. This article discusses the potential role of biomass in meeting future energy needs. Biomass includes crops grown for energy (such as hybrid polar and switchgrass), byproducts of agriculture and forestry (such as wheat straw, corn stalks, and sawdust), and processed products (such as ethanol and biodiesel). The new farm bill should include provisions fostering an increased role for biomass as the U.S. diversifies its energy sources and reduces its dependence on fossil fuels. In the following two publications: 1) *The Land*, v.25, no.10, May 11, 2001, p.6; and 2) *Sustainable Agriculture*, v.9, no.5, May 2001, pp.2–3.

Why Economics Matters for Endangered Species Protection and the ESA by Jason Shogren, Stephen Polasky, et al. The authors offer the following three reasons why economics matters for endangered species protection: 1) human behavior, in general, and economic activity, in particular, largely determine the risks to a species; 2) economic incentives play an important role in shaping human behavior and, consequently, the risk or recovery of species; and 3) in a world with scarce resources, the opportunity cost of conservation activities must be taken into account. In, *Protecting Endangered Species in the United States: Biological Needs, Politi-*

cal Realities, Economic Choices edited by Jason F. Shogren and John Tschirhart. New York, NY; Cambridge University Press, 2001, pp. 365–373.

REGIONAL TOPICS

Agricultural Land Conversion in the Twin Cities, Part II. The National Resources Inventory by Thomas D. Wegner, Susan Ploetz, and Steven J. Taff. The thirteen-county Twin Cities Metropolitan Statistical Area was divided into a “core” and a “fringe” of seven and six counties, respectively. The National Resources Inventory (NRI) estimates that 170,000 acres of the Core were converted from agriculture to other uses between 1982 and 1987, while only about 46,000 acres of the Fringe were so converted. The conversion rate was much greater in the Core than on the Fringe according to the NRI—but not according to the Census of Agriculture. Staff paper. [<http://agecon.lib.umn.edu/mn/p01-07.pdf>]

Biodiesel: A Policy Choice for Minnesota by Doug Tiffany. This staff paper analyzes the mandate to include biodiesel in the fuel supply of Minnesota that was vigorously debated, but not passed, by the 2001 Legislature. Biodiesel is fuel derived from vegetable and animal fats and has been shown to reduce toxic emissions, while restoring the lubricity that will be lost following implementation of EPA standards reducing sulfur levels by 2006. The production economics and impacts of biodiesel production and use in the state are summarized as well as federal incentives favoring development of this alternative fuel. Staff paper.

[<http://agecon.lib.umn.edu/mn/p01-04.pdf>]

BR&E Programs Lead to Success by Michael Darger. Minnesota counties successfully use Business Retention & Expansion (BR&E) visitation programs to reach out to dairy farmers. Technical assistance and financing of expansions are key to shorter-term successes. BR&E teams, however, also cooperate on longer term goals. In, *Dairy Initiatives*, v.10, no.1, Spring 2001, p.8, 2001.

[<http://www.ansci.umn.edu/dairy/dinews/10-1-bre.htm>]

Current Issues in Minnesota Tax Reform by Laura Kalambokidis. In January this year, Minnesota's governor submitted a far-reaching tax proposal as part of his “Big Plan” for the state. Significant debate about this proposal and about other tax changes occurred during the regular legislative session, and a major tax bill was signed into law during this summer's special legislative session. In this context of lively tax policy debate, this presentation provides information and tools to help Minnesota taxpayers understand and evaluate changes in state tax policy. Presented at the Plank Institute, Blake School, August 9, 2001.

Dairy Farming in Stearns County: Summary and Analysis of the 2000 Dairy Farm Survey by Margaretha Rudstrom.

Dairy farmers in Stearns county completed a detailed survey in 2000. Information relating to farming practices, community attachment and involvement, and farmers' perceptions about the future of dairy farming in Stearns county are summarized. Staff paper. [<http://agecon.lib.umn.edu/mn/p01-05.pdf>]

Eagan Business Retention and Expansion Strategies Program. A Research Report by James Kielkopf, Michael Darger, and George Morse.

The Twin Cities suburb Eagan, population 63,557, used a business-retention program and an expansion program to demonstrate the community's concern for its businesses, reduce barriers to business success, and to aid in setting city economic development priorities. The availability of labor was identified as the number one issue by the 52 firms surveyed. The very largest employers (there are several firms with thousands of employees in Eagan) were most concerned about the availability of labor, affordable housing, and alternative transportation. University of Minnesota Extension Service paper.

Economic and Environmental Implications of Alternative Landscape Designs in the Walnut Creek Watershed of Iowa by Collette Coiner, JunJie Wu, and Stephen Polasky.

This paper evaluates the economic and environmental impacts of alternative land-use and land-management regimes in an agricultural watershed. The authors evaluate whether various economic and environmental objectives can be achieved simultaneously, or will involve tradeoffs. Objectives include agricultural profitability, biodiversity conservation, erosion control, and water-quality measures. In, *Ecological Economics*, v.38, 2001, pp. 119–139.

Gasoline is Too High Because It Was Too Low. Remarks and Graphs by Jerry Fruin.

This paper discusses the recent events and longer term factors that led to the recent spike in energy prices. It discusses the potential role of biofuels including ethanol and biodiesel in meeting the nation's future energy needs and in reducing regional and national price volatility of gasoline and diesel fuel. Paper presented to the Minnesota State Capitol Roundtable Discussion on High Gasoline Prices, June 4, 2001, pp. 26.

Isanti Business Retention and Expansion Strategies Program. A Research Report by Laura Kalambokidis, Earl Netwal, and Michael Darger.

Business retention and expansion/visitation programs are often more successful at the county, rather than town, level. Nonetheless, the town of Isanti, population 2,000, decided to do a visitation program—despite the fact that neighboring towns did not join the program. Community leaders visited 38 business in Isanti township and discovered plenty of ways to help their existing businesses survive and grow. University of Minnesota Extension Service paper.

Paying Attention to the Businesses in Your Backyard: Case Studies of Three Rural Community Business Retention and Expansion Visitation Programs by Michael Darger.

This is a study of longer-term results from Minnesota Business Retention & Expansion (BR&E) visitation programs conducted from 1991 to 1999. The businesses targeted by each community were very different—general business, tourism, and crop agriculture—yet the programs were conducted similarly using the model developed by George Morse, et al. The study illustrates the capacity-building that community leaders can achieve by using BR&E visitation techniques to guide their economic-development efforts. Presented at the Joint International Summit on Community and Rural Development, July 22, 2001, pp. 17.

Rice and Steele Counties Agriculture Business Retention and Enhancement Program. A Research Report by Daniel Haar, Dick Levins, and Michael Darger.

Business retention and enhancement is a community-based process that is used to help farmers and “city folks” work together to enhance local economic development. A survey of 68 Rice and Steele county farmers indicated that farmers were trying to hold onto traditional farming practices in a rapidly urbanizing area. The study found that interest in direct marketing and organic production is growing. As a result of the study, local groups are organizing task forces to advance those projects that were identified as high priorities. University of Minnesota Extension Service paper.

Southeastern Minnesota Farm Business Management Association 2000. Annual Report by Kent D. Olson, Loren L. Westman, and Dale W. Nordquist.

Average net farm income (after adjusting for inventories) was \$77,672 in 2000 for the 58 farms included in this annual report of the Southeastern Minnesota Farm Business Management Association. The total of all government payments averaged \$50,496. The report provides additional information on profitability, liquidity, and solvency. It also provides whole-farm information and detailed data about crop and livestock enterprises. Staff paper. [<http://agecon.lib.umn.edu/mn/p01-03.pdf>]

Southwestern Minnesota Farm Business Management Association 2000. Annual Report by Kent D. Olson, James L. Christensen, Erlin J. Weness, Robert D. Anderson, Perry A. Fales, and Dale W. Nordquist.

Average net farm income (after adjusting for inventories) was \$81,750 in 2000 for the 212 farms included in this annual report of the Southwestern Minnesota Farm Business Management Association. The total of all government payments averaged \$50,567. The report provides additional information on profitability, liquidity, and solvency. It also provides whole-farm information and detailed data about crop and livestock enterprises. Staff paper. [<http://agecon.lib.umn.edu/mn/p01-02.pdf>]

Center Feature: MN Council on Economic Education

Bringing excitement to economics in the K–12 classroom is the mission of the Minnesota Council on Economic Education. The Minnesota Council has programs to help teachers become more effective teachers of economics and students to better understand the economic forces that shape today’s world. In addition, the Minnesota Council oversees the work of a statewide network of Centers for Economic Education located at University of Minnesota-Duluth, University of St. Thomas, Minnesota State University-Mankato, Minnesota State University-Moorhead, and St. Cloud State University. The Council’s director is Dr. Claudia Parliament, a professor in the Department of Applied Economics, who spends 50 percent of her time overseeing the Council and the remainder of her time teaching and advising undergraduate economics students at the University of Minnesota.

Teacher Programs

One of the Council’s strategies for improving economic literacy focuses on the professional development of K–12 teachers. Each year, the Council provides workshops and courses where teachers learn basic economic principles, better teaching techniques, how to involve students in classroom activities related to economics, and how to evaluate students’ progress. Helping teachers become better teachers of economics is important because over half of Minnesota’s school districts now require that students have some understanding of economics to graduate. This fact—coupled with the reality that teachers are required to take only one economics course to qualify for licensure—points to the critical need for the Council’s teacher-education programs. Teachers have high praise for the Council’s professional development workshops. Says Scott Kranz, chair of the social studies department at Spring Lake Park High School, “Because of the work of the Minnesota Council, I can honestly say that my students enjoy taking economics, which I never thought possible.”

Each year the Council honors outstanding teachers of economics. 3M sponsors the Innovative Economic Educator Award for teachers who create innovative classroom programs for K–12 students. The award also recognizes teachers who have a record of sustained commitment to economic-education programs.

Student Programs

The Council also offers programs to students. One program is the annual Economics Challenge, a statewide “quiz bowl” on economics that typically attracts 400 high-school

students in teams with 3–5 members. After regional competitions, winning teams progress to the statewide contest where the “Minnesota Economics Student of the Year” is named. The team that wins in Minnesota advances to the national finals.



Edina High team members confer during the “lightening round” at state Economics Challenge competition, May 2001.

Another Council program is the Commodity Challenge, which last year attracted over 2,600 high-school students. The Commodity Challenge helps students understand how current events alter the supply and demand of various commodities and how these factors affect market price. After conducting research and making paper trades, students write an essay on the commodity of their choice and explain their trading strategies.

Today, the Minnesota Council is widely recognized as a strong, innovative, and effective organization ensuring that Minnesota youth have the economic understanding to successfully participate in our economy. For more information about the Council, visit their Web site at <http://mcee.umn.edu>.

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REMEMBERING THE PAST: DEPARTMENT NEWS FROM 1951

On a day in late August 1951, a car containing the Willard W. Cochrane family arrived in front of Haecker Hall. The family included Willard, his wife, Mary, three sons, and a dog. Mary went to work getting the family settled and Willard joined the faculty as professor of agricultural economics.

When Willard joined the Department, he was filling a position that became available when Warren Waite died in November 1950; Willard was expected to take over all teaching and advising responsibilities carried out by his predecessor. During Fall Quarter 1951, Willard taught consumption economics to home-economics students. He also taught a course in statistics to advanced-undergraduate and graduate students in agricultural economics. In the terminology of the day, this mixing of graduate and undergraduate students in the same course made his course "dual-level." (There is a rumor, unconfirmed, that Professor Emeritus Reynold P. Dahl was a student in Willard's statistics course.) During the Winter and Spring Quarters, Willard taught a dual-level course called "Agricultural Prices" and coordinated the "Agricultural Prices Seminar" for graduate students.

Willard's work on agricultural prices led to several publications including his book, *Farm Prices, Myth and Reality*. He also worked on policy issues in the potato industry with two graduate students, Roger Gray and Vernon Sorenson. Their work received a great deal of recognition in subsequent years.

At the time of his appointment, in addition to a Ph.D. from Harvard, Willard had six years of post-Ph.D. experience with three organizations; the Bureau of Agricultural Economics at the USDA, the Food and Agricultural Organization of the United Nations, and the Pennsylvania State University.