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**Articles**

- Maximizing Expected Food Stamp Program Participation from Informational Outreach Programs
- Differences Among Commodities in Real Price Variability and Drift
- A Random Coefficient Meat Demand Model
- Stock Price Reaction to Regulation in the Meat Packing Industry
- Economic Feasibility of Farm Real Estate Equity Investments

**Book Reviews**

- Economic Issues in Global Climate Change: Agriculture, Forestry, and Natural Resources
- Political Economic Analysis of U.S. Dairy Policies and European Community Dairy Policy Comparisons
- Informational Approaches to Regulation
- Commodity Advertising: The Economics and Measurement of Generic Programs

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## In This Issue

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The papers in this issue graphically illustrate the wide range and diversity of research activities undertaken at the Economic Research Service. While ERS continues the painful task of downsizing, the research agenda is as relevant and timely as ever. The authors in this issue address topics on food stamp program participation, commodity price variability, farm real estate equity investments, meat demand, and the meat packing industry. There is something for everyone in this issue.

In our lead article, Bill Levedahl reports that approximately one-half of eligible nonparticipant or "outreach" households for the Food Stamp Program did not think they were eligible. Past studies implied that programs designed to inform households of their eligibility be directed at groups with the greatest number of outreach households. His paper illustrates that the economically efficient use of informational outreach expenditures may require concentrating outreach efforts on groups of households with fewer but more responsive uninformed nonparticipants. The results show that even though there are a greater number of outreach households headed by a single individual, economic efficiency suggests that households headed by a married couple be contacted more frequently since they are more responsive to informational outreach. This conclusion is in contrast to previous recommendations that households headed by a single individual should be contacted more often.

Richard Heifner and Randal Kinoshita argue that differences among commodities in price variability and longterm price trends are important for understanding the fundamental changes underway in agriculture. This knowledge is important input for private decisions about investments in farming and for public decisions about farm programs. The authors show that agricultural commodities exhibit important and persistent differences in price variability, which suggests that variability depends largely on inherent commodity characteristics, such as the elasticity of supply, production lags, yield variability, foreign production variability, storability, and elasticity of demand. They also find that government policies and programs and other institutions appear to have moderated price variability in some cases.

In our third article, Bill Hahn tackles the difficult issue of the stability of U.S. consumer demand for meat. He shows that econometric models imply that demand is fundamentally unstable while

indicating that a good way to build taste instability into econometric demand equations is to specify them as random coefficient models. He proceeds to estimate a random coefficient model of meat demand and finds significant evidence that taste instability has caused fluctuations in the elasticities of demand for beef, pork, chicken, and turkey. His results also show that the general trends in consumer tastes have tended to favor poultry demand over beef demand. Pork demand appears to be relatively stable. The estimates support the views of those who believe that shifts in consumer tastes have hurt the demand for beef relative to the demand for poultry.

Mark Johnson, Ron Mittelhammer, and Don Blayney examine the reaction of stock prices in the meat packing industry to changes in federal regulations and farm programs. Their research builds upon the results of previous studies in determining conditions under which different types of regulations will impact the wealth of shareholders. Three general conclusions are supported by this study: 1) regulatory actions, such as safety and inspection programs, that increase processing costs can actually increase shareholder wealth if increases in demand due to increases in quality are expected to outweigh the impact of increased costs, 2) regulations affecting costs of slaughter can significantly impact the industry, and, 3) market participants are adept at analyzing the net impacts of regulations.

In our last article, Charles Dodson studies farm real equity investments. Historically, farm businesses have raised capital from owner equity, debt financing, or leasing. Nonfarm businesses, on the other hand, can raise capital through various other financial instruments such as stock, limited partnerships, real estate investment trusts (REIT's), and leases. Production agriculture's unique structural characteristics have restricted the use of these capital sources. These restrictions have impacts on the growth, liquidity, inter-generational transfers, and risk-return tradeoffs of farm businesses. This paper examines the potential market for external equity investments in farm businesses. The potential for investment by nonfarm investors in U.S. farm equity is estimated by applying a micro-model of the nonfarm equity market to USDA's Farm Costs and Returns Survey. The analysis indicates a potential market from farm operators of approximately \$9 billion. REIT's are discussed as a possible institution to unite farmers and investors. Finally, Dodson finds the longterm

downward drift in real farm prices, while reflecting major gains to consumers, is grounds for continuing concern for persons and firms in agriculture

Our book reviewers give high marks to four new books that cover a diverse spectrum of issues ranging from commodity advertising and informational approaches to regulation to dairy policy and the economics of global climate change. These new topical books are written for a variety of audiences that include applied economists, industry analysts, regulators and policy decisionmakers

LeRoy Hansen calls attention to *Economic Issues in Global Climate Change: Agriculture, Forestry, and Natural Resources*, edited by John Reilly and Margot Anderson, as one of the few sources of economic analysis of this emerging issue. He recommends the book to research economists interested in modeling the impacts of global climate change rather than policymakers, given the rather technical presentation of most chapters. However, he notes that policymakers could gain insight from some of the less technical material.

Larry Salathe recommends *Political Economic Analysis of US Dairy Policies and European Community Dairy Policy Comparisons* by Mary Marchant as a good reference on models of the dairy industry and models that endogenize government behavior. He notes that the book also contains a good history of US and EC dairy

programs up through the mid 1980's but lacks much discussion on the radical changes that have taken place in US dairy programs since that period.

Jean Buzby praises the new book by Wesley Magat and Kip Viscusi titled *Informational Approaches to Regulation* for providing a synthesis of existing literature on informational regulation and making contributions to the design and evaluation of such regulations. She recommends the book to those working in the area and to those curious about consumers' reactions to risk.

Karen Ackerman says that *Commodity Advertising: The Economics and Measurement of Generic Programs* written by Olan Forker and Ronald Ward is the first comprehensive study of generic advertising and commodity promotion programs. She gives the book high marks for its clarity of presentation, readability, and coverage of issues. She notes that the book is geared toward domestic programs and issues and does not recommend it for those looking for specifics on the array of export and trade enhancement programs. The authors build upon their own vast research experience in this area to provide insight, guidance, and perspective to this important topic.

**James Blaylock  
David Smallwood**