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Step Up, Be Flexible, and Have Fun: Relevance and Roles of Agricultural Economists

Cary W. “Bill” Herndon, Jr.

Please allow me to express my sincere appreciation to the Southern Agricultural Economic Association for the honor bestowed by recognizing me as a 2013 Lifetime Achievement Award winner. I would like to thank my colleagues for taking their valuable time to build and submit the nomination materials. Special thanks go to my colleagues and friends who wrote supporting letters with such complementary comments. This honor is truly a humbling event in my career and I very much appreciate the Lifetime Awards Committee and everyone involved for this acknowledgment. Of course, no one realizes this honor without the assistance of many persons, including my loving family and supportive friends. Most important among those to whom I must express my heartfelt gratitude are my wife, Gwen, my children, and parents-in-law; they have been instrumental in encouraging me while providing their constant love and understanding. Without their loyal and steadfast devotion, my personal life and professional career would have been greatly diminished and certainly less enjoyable. I would be remiss if I failed to express my deep appreciation to several individuals who were instrumental in providing guidance and counsel during my career. First, Dr. Carl Shafer at Texas A&M University who, as my Master’s degree advisor, took the time to

understand who I was as well as my farming/rural background and recognized my academic abilities and potential. Dr. Shafer was the first person to motivate and coax me to pursue a career as an agricultural economist. Second, Dr. Leo Blakley at Oklahoma State University was my major advisor during my PhD program and provided an exemplary role model to follow not only as an agricultural economist, but also as a colleague and mentor. I have described Dr. Blakley as a person who if there were more people like him, then our world would be a much better place to live. Next, Dr. John Lee, my department head at Mississippi State University during a critical stage in my career, taught me the values of striving to understand a problem or issue from a variety of perspectives. Most of all, John taught me to be tolerant of views that were divergent from mine. In addition, I have been extremely fortunate to have been afforded opportunities to be associated with colleagues from a wide range of disciplines who became friends, which allowed me to have a great deal of fun during my career. Finally, please permit me to say that the SAEA has and continues to be the professional organization that represents the professional objectives, principles, and values that are important to me.

Step Up, Be Flexible, and Have Fun

Now, please tolerate my desire to share several insights that have furnished me with the courage, if not the audacity, to step up and accept

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challenges and opportunities to enjoy a diverse and rewarding career. . . which I hope is not over yet. Over the past 29 years, several openings were given to me to accept a variety of positions and responsibilities, which were somewhat divergent from my comfort zone as a faculty member in agricultural economics. First among these occurred several days after arriving at Mississippi State University as a brand new assistant professor where I was hired into a teaching/research tenure-track position with a cotton marketing and policy emphasis. There was a reassignment of research areas among several faculty and my revised duties were now international trade and policy. Rather than objecting to have the carpet pulled out from under my feet, I recognized this change of duties as an opportunity to embrace an exciting and innovative research area in agricultural economics. I could continue to perform cotton marketing because almost half of the U.S. cotton crop was exported during the mid-1980s. In addition, I knew my training as an economist would afford me the ability to successfully address this research topic. Thus, my willingness to be flexible opened the doors to a myriad of opportunities later in my career.

I would have never believed that this somewhat minor change in research focus to international trade would eventually lead to undertaking the challenges of serving as the interim director of the Office of International Programs (OIP). In this position, a number of international agricultural development and technology transfer projects were managed, totaling more than \$5 million. Therefore, as director of OIP, not only did I learn how to manage multiple research projects, but these duties compelled me to interact with a completely different set of colleagues both at Mississippi State and across the United States and the globe. These international development collaborators thought much differently and held vastly divergent views than economists. Of course, this allowed me to gain new and unique perspectives on both familiar and atypical topics. Perhaps the most valuable and enjoyable aspect of working in OIP was traveling to more than 20 countries and acquiring many new colleagues and lifelong friends. Two perceptions obtained during

these experiences were: 1) people around the world possess similar values regarding the importance of family and the desire for their children to live in a better world than exists today; and 2) no matter where you are in the world, there are people that my southern upbringing would describe as "rednecks." Naturally being a redneck myself, it was fun to meet and become friends with people who could improvise and re-engineer like my grandfather and father did on our farm in southeast Texas. It has been truly amazing to observe people around the world and witness how they adapt to situations, problems, and their environment. Many times these reactions have invoked me to use an adage acquired from one of my mentors at Oklahoma State: "Why must people persist in confirming our preconceived notions?" In my mind, this saying has evolved into something more akin to a proverb.

The leadership role in OIP opened up several other management opportunities, which gave me chances to go well outside my comfort zone as a faculty member with teaching, research, and extension appointments. One of these was serving as the department head of the North Mississippi Research and Extension Center where I managed four branch agricultural experiment stations and 22-county Extension offices. These responsibilities allowed me to learn the role and value of the land grant mission to a cross-section of clientele groups and stakeholders. Most of all, these duties taught me to realize that a majority of the people that a land grant university calls supporters and friends have never stepped foot on the central college campus. More importantly, it is not necessary for these clients to come to campus because their questions are being answered and/or their needs are being addressed through county Extension agents/staff or through contacts with scientists at branch experiment stations. These off-campus assets are of great value to perpetuating the land grant mission and serving our stakeholders through research and educational programming ranging from crop and livestock production to family resource management to youth development to environmental sustainability. These research and Extension center experiences gave me yet

another chance to gain a set of diverse colleagues and friends. Most of all, this role gave me an understanding of the importance of research and extension/outreach activities for many communities and individuals.

Yet another opportunity was afforded when I was offered my current position as the associate vice president of the Division of Agriculture, Forestry, and Veterinary Medicine. At Mississippi State, the division represents all agricultural and forestry units including three colleges with 15 comprehensive departments, four research and Extension centers, two research stations with 18 branch stations and diagnostics laboratories along with 14 forests, and the Extension Service with 82 county offices. Four of these units are separately funded through different line items by the state legislature, which provides insights to the state's legislative process. As I am discovering everyday, these duties are vastly different from my previous experiences but my economics training has given me the capability to learn new responsibilities and acquire distinctive viewpoints.

In an effort to convince each of you to accept new challenges when an opportunity reveals itself, please allow me to take the liberty of offering some advice that has served me very well over the past three decades. When a chance arrives at your doorstep to undertake a new direction in your career, you should ask yourself two questions: 1) Are you risking more than you can afford to lose? 2) Will you regret not accepting the opportunity later in your career? Of course, you need the support of your family, colleagues, and friends as you contemplate the new challenge and they are needed to help you address the first question. If the answer to question 1 is "no," then I am confident your economics education and analytical methodologies will give you the tool set to enjoy success in whatever management and leadership role you accept. In my mind, you would not want to look back on your career with a long list of "wish I had done this or that." Thus, if the answer to question 2 is yes, then you should or **MUST** be motivated to step up, be flexible, and have fun in accepting new challenges.

As a final comment, I have been extremely fortunate and blessed to have colleagues who

have become my friends who like to have fun while doing their jobs. These colleagues have not only included fellow agricultural economists, but have encompassed undergraduate and graduate students, staff members, and administrators too. Often after taking on an administrative role, coworkers would approach me as if I had gone over to the "dark side." So, I would strive to convince them that I was still the same person who liked to have fun. As one of my friends pointed out recently, we have learned not to take ourselves too seriously and to relax, enjoy, and savor our professional interactions and accomplishments, including our personal relationships. These friendships have resulted in being able to look forward to going to work and learn from my colleagues. I can only wish you will be able to experience similar pleasure with the students, staff, faculty, and administrators you work with during your career. So, please do not forget to have fun.

Relevance and Roles of Agricultural Economists

In an effort to address the second part of the title of this article, please allow me to draw from my SAEA presidential address given 5 years ago, which I contend remains relevant today (Herndon, 2008). As you may recall, the central theme of my address was to coin a term described as "ethanolization," which described the upheaval and chaos witnessed across the agricultural sector attributed to the policy-induced corn-based ethanol industry. It appears my attempt to coin a new, catchy phrase, which surely would have immediately stormed across our professional and the agricultural sector, has failed miserably. Maybe the blame lies in the fact that ethanolization simply does not roll off your tongue and is difficult to pronounce. Despite my disappointment, ethanolization has affected a sea change across U.S. and world agriculture creating a "perfect storm," which has and continues to cause dramatic direct and indirect impacts to every crop and livestock producer and agribusiness. The underlying theme of this discourse was to assert agricultural economists have vital and critically important roles in striving to comprehend the

impacts of the ethanolization of agriculture. I have borrowed several quotes from my presidential address and will strongly argue these statements remain pertinent and applicable in 2013. “Our profession should or must be involved in analyzing the wide-ranging impacts on supply, demand, prices, costs, market structures, and performance. Just as important, we also need to be identifying the questions that should be addressed when describing the impacts of the ethanolization phenomenon. Whether our expertise as agricultural economists is in the areas of production/farm management, agricultural policy analyses, natural resource and environmental economics, rural development, international trade, agricultural marketing, or other subjects, we all must become engaged in this investigation. More importantly, no matter whether our appointment is teaching, research, and/or extension, we should be actively working together to grasp the breadth and complexity of this ethanol boom. As scientists, we need to and must remain objective and offer common sense answers and solutions via empirical analyses. . .”

Ethanolization Is a Shift. . .Not a Shock

I maintain my belief that the ethanolization of the U.S. agricultural sector represents a fundamental shift in the structure and behavior of farms, agribusinesses, and policymakers at the local, state, and federal levels. Despite the elimination of blender's tax credits, which had been in place since 1978, the cornerstone of ethanolization is a federal policy called the Renewable Fuel Standard (RFS). This standard is a complex assortment of guidelines and requirements pertaining to the use of ethanol and other alternative energy sources. The RFS, formally called the Energy Independence and Security Act of 2007, will dramatically increase the amount of renewable fuels used in the United States to 36 billion gallons per year by 2022. Of course, corn-based ethanol is the primary renewable fuel produced in the United States that can be used to meet the mandates of the RFS. As long as the RFS remains in force and resists attempts to have it repealed, the ethanol boom will maintain its overpowering

impacts on the U.S. and global agricultural sectors.

Despite losing some of its positive image among consumers, the corn-based ethanol industry continues to receive significant political support, particularly in the Corn Belt states. Obviously, the people and firms most influenced have been row crop grain farmers and their supporting agribusinesses producing and selling seed, fertilizers, chemicals, row crop tractors, and equipment as they reap most of the economic benefits from these policies. I will not provide a review of the compelling evidence surrounding the ethanol boom, but will simply state that ethanolization is real and its political supporters appear to be strong enough to maintain the directives of the RFS into the near future. The ethanolization of U.S. agriculture has and will continue to alter the basic doctrines and beliefs guiding the manner which row crop growers, livestock producers, and agribusinesses conduct their activities and make decisions.

Ethanolization Is Creating New Terminology

Notwithstanding the failure of “ethanolization” in becoming a well-recognized and often-used term, the RFS has already acquired several unique and novel terms. The first of these is “RINs” or Renewable Identification Numbers, which describes how the Environmental Protection Agency enforces the mandates for blending biofuels. RINs have become a marketable commodity and are now traded within the transportation fuel industry to satisfy RFS blending requirements. RINs can be banked, brought/sold, and traded like any commodity. Therefore, agricultural economists need to understand RINs and ascertain their influence on the corn-based ethanol industry because of the economic relationships and linkages between the U.S. agricultural sector and the RFS. Several of our colleagues contend they understand RINs, but a great deal of further investigation is required because the technology and regulations of fuel-refining and blending are vastly different from the agricultural sector.

Another term derived from the distinctive economic and regulatory environment

surrounding the RFS is called “the blend wall.” The blend wall describes a bizarre phenomenon evolving from the fact that the RFS will be requiring transportation fuel companies to blend in amounts of ethanol resulting in a greater than 10% ethanol content of fuel (or E-15 to E-85). Because automobile manufacturers refuse to honor engine warranties on many models when using higher than 10% ethanol blends, fuel companies are very reluctant to increase the blend above the standard E-10. The American Automobile Association stated in a November 2012 news release that only 12 of the 240 million automobiles in the United States have manufacturers warranties approving the use of E-15 or higher blends (USA Today, 2012). Simply put, fuel blenders do not want to be exposed to the legal liability of engine failures, which may be linked to higher than E-10 blends. Given the potential for surplus supplies of ethanol, corn prices and all of the related agricultural sectors, including land prices, will be influenced—some negatively and others positively. Clearly, agricultural economists need to comprehend the effects of “hitting the blend wall” on the ethanol industry and, subsequently, the agricultural sectors.

Summary and Plea

Regardless of my disappointment in “ethanolization” not becoming viral in our profession and society, I am pleased to know our profession of agricultural economics has and will

continue to play a critical role in understanding and estimating the impacts of the RFS on U.S. and global agriculture. The ethanolization of agriculture has created huge challenges for farmers, ranchers, agribusinesses, rural communities, and policymakers who have been confronted with a complex and daunting set of problems. Please allow me to state once again and emphatically, agricultural economists have the training, necessary analytical skills and tools, and knowledge of agricultural markets to tackle the intricate questions associated with the chaos and confusion created by the RFS. Once again, my request is to step up and become actively engaged; be willing to be flexible as the environment, challenges, and problems evolve. Finally, seek to have fun along the way!

Thank you again for granting me this honor of a Lifetime Achievement Award. I am truly proud of this recognition by my peers and the SAEA. Thanks for your time and continuing support.

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