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**Stochastic Frontier Yield Function Analysis to Predict Returns to a New Crop:  
An Example of *Camelina Sativa* Yields Conditional on Local Factor Levels**

**Sofia Kotsiri, Postdoctoral Research Scholar**

Agricultural and Resource Economics

North Carolina State University

Email: [skotsir@ncsu.edu](mailto:skotsir@ncsu.edu)

**Kelly Zering, Associate Professor**

Agricultural and Resource Economics

North Carolina State University

Email: [kzering@ncsu.edu](mailto:kzering@ncsu.edu)

**Michelle Mayer, Research Associate**

Agricultural and Resource Economics

North Carolina State University

Email: [mlmayer@ncsu.edu](mailto:mlmayer@ncsu.edu)

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## Abstract

The purpose of this study is to develop a model that calculates the probability distribution of camelina expected yields dependent on location-related variables such as precipitation, temperature, and solar radiation, as well as nitrogen rate and others. Camelina is an oilseed crop grown in cool climate with low input requirements including little water. The application to camelina addresses challenges in analysis of potential adoption of crops with limited field data. Our data include trials and crop yields in the United States from 2005 to 2012. They have been assembled from various published reports covering a range of locations, seasons, and production methods. We begin by fitting a least squares (LS) regression model to camelina yields. As a robustness check we also apply a stochastic frontier framework under Cobb-Douglas technology. Preliminary results indicate that the average maximum precipitation for the period of interest positively affected the mean camelina yields, whereas it has no impact on yield variability. An increase in average maximum precipitation will more likely decrease the technical inefficiency. Both higher nitrogen rates and higher average maximum growing degree days will more likely increase the average yields. A taller camelina plant positively affects the mean yields and the yield variability. In contrast, total solar radiation is negatively correlated with mean yields and variation. There is still much to be learned about the crop and its best management practices as production expands. The analysis of the interaction of managed input variables and environmental factors will help us assess varietal performance and provide location conditional predictions.

## Introduction

*Camelina sativa* (also known as false flax or gold of pleasure) is a low input oilseed crop (Robinson, 1987), which appears to be promising in the race to find new biofuel crops. It is a short season cool climate crop with 85-100 days period of maturity, and can be grown on marginal land (implying minimal effect the food system) with low environmental footprint. So far, it has been produced at a larger scale in the Northwestern US (e.g., Colorado, Montana, Oregon, and North Dakota) and Saskatchewan and Alberta, Canada. Camelina is relatively robust such that yields are less dependent on weather conditions near harvest (Crowley and Fröhlich, 1998). Some authors suggest that it does not encounter pest problems faced by other oilseed crops, i.e., pollen beetle. It can be integrated in the fallow period of the crop rotation cycle (Johnson et al., 2009) thus reducing competition with other crops. Furthermore production costs are projected to be relatively low due to use of the same equipment as wheat (Keske et al., 2013, Newlands et al., 2012, Fullen and Polonius, 2011), and some suggest that low amounts of insecticide are required (Robinson, 1987). Gesch and Archer (2013) explored the profitability of double cropping soybeans with a winter type camelina in the upper Midwest. They found that combined oil-yields of double crop camelina and soybean exceeded the yields produced by mono-crops of soybean. Similarly, trials with camelina growing together with food crops such as grain and cereals proved that mixed cropping could bring up to 0.5 times higher relative yields in regions of Germany (Paulsed, 2011). However, some farmers prefer to remain with the traditional winter wheat and summer fallow because of limited availability of crop insurance for camelina<sup>1</sup>, lack of USDA direct payments for camelina, as well as lack of knowledge and experience of

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<sup>1</sup> Risk Management Agency (RMA) offers camelina crop insurance in Montana and North Dakota for \$16/cwt but its duration is unknown.

growing this crop (Young et al., 2012). Furthermore, US camelina yields have been highly variable across time, location, and variety.

Camelina is a good source of oil as a fuel feedstock especially for the aviation sector, containing 30 percent to 40 percent oil. 14 major airlines such as KLM, Lufthansa, and Japan Airlines as well as the US Navy have successfully operated flights with camelina derived jet fuel. The Department of Navy is a major driver of the derived demand for camelina since it plans to use eight billion gallons of renewable fuels by 2020 (Tindal, 2010). To achieve this goal, it would take over 70 million acres of crop production (AgriLogic LLG, 2011). By comparison, 88 million acres of corn were planted in the US in 2010 (USDA, NASS, 2010). Camelina oil can be either converted to biodiesel and used in a traditional diesel engine or burned directly in a modified diesel engine (Jewett, 2013). Furthermore after oil extraction, the remaining camelina seed can be sold as a high protein animal meal offering more revenue to camelina farmers (Brandess, 2012).

Our study tries to integrate biological models of individual plant growth with economic approaches. An NC State team is developing genetically modified camelina with improved characteristics and potentially higher yields. Agronomic development is already leading to improved camelina yield along with resistance to disease, weeds and pests (Moser, 2010). For example, in 2009, Agragen LLC introduced novel modifications that increase the tolerance of camelina to Group 2 herbicides by more than 300-fold in laboratory testing. Through an agreement with the University of Alberta and Agriculture and Agri-Food Canada (AAFC), Agragen will use its patented technology to introduce a gene encoding a key enzyme in oil synthesis for camelina (Glass, D. 2010). Zhang et al. (2012) found that under controlled environmental, overexpression of purple acid phosphatase 2 (AtPAP2) in camelina resulted in

longer hypocotyls, earlier flowering, faster growth rate, higher photosynthetic rate and increased seed yield in comparison with the wild-type line.

Simulated crop rotation budget models (Brandess, 2012, Keske et al., 2013) have incorporated variables such as the cost of seeding, cost of nitrogen fertilizer, herbicide costs, the optimal camelina acreage, average yields, effect of rainfall on yield distribution (accounting for precipitation, as well as evapotranspiration and runoff), on-farm fuel needs, additional diesel fuel purchases, additional labor cost, interest on a six month operating loan, hauling, crushing, cleaning and filtering cost, storage, etc. Various biological crop simulation models have been developed (WEPP, EPIC, DSSAT, CropSyst, APSIM, etc.). We perform an econometric analysis of camelina yields using historical yield data and corresponding explanatory variables.

### **Conceptual Framework**

We assume a production function  $f(z_i, \beta)$ . In the absence of inefficiency and error terms, the  $i$ th producer would produce

$$(1) \quad q_i = f(z_i, \beta)$$

The stochastic frontier analysis assumes that each producer produces less than they might due to a degree of inefficiency (Kumbhakar and Lovell, 2000; Aigner, Lovell and Schmidt, 1977), i.e.:

$$(2) \quad q_i = f(z_i, \beta)\tau_i,$$

where  $\tau_i$  is the level of efficiency for the  $i$ th producer. If  $\tau_i=1$ , the producer is achieving the optimal output with the technology in  $q_i = f(z_i, \beta)$ , whereas for  $\tau_i<1$  the producer is not making the most out of the inputs  $z_i$ . The  $\tau_i$  is strictly positive and must be in the interval (0, 1].

Apart from the inefficiency, the output is subject to random shocks, thus it can be written as:

$$(3) \quad q_i = f(z_i, \beta)\tau_i \exp(v_i)$$

The natural log of both sides yields:

$$(4) \quad \ln(q_i) = \ln\{f(z_i, \beta)\} + \ln(\tau_i) + \nu_i$$

Assuming  $k$  inputs and that the production function is linear in logs, defining  $u_i = -\ln(\tau_i)$ :

$$(5) \quad \ln(q_i) = \beta_o + \sum_{j=1}^k \beta_j \ln(z_{ji}) + \nu_i - u_i$$

Note that we only focus on technical inefficiency, and not allocative inefficiency that refers to the ability to combine inputs and outputs in optimal proportions after introducing prices of these inputs and output. (Lovell, 1993).

### **Empirical Model**

Frontier models can be estimated either with stochastic frontier analysis that includes econometric methods or with Data Envelopment Analysis (DEA) that involves mathematical programming. Contrary to the stochastic frontier models, the DEA modeling does not require the specification of a functional form, and we cannot infer economic implications. Furthermore DEA is highly sensitive to outliers and the number of observations (Bravo-Ureta et al., 2007). We select the stochastic frontier since we seek to project camelina yields as conditional on climate variables that may significantly affect both the expected value and variability of output levels. Moreover, due to high collinearity, some variables may be excluded from the estimated form of the production function. For example, we exclude some variables used in previous analyses such as field size, labor use, and seeding rate.

We specify a Cobb-Douglas production function of the following form:

(6)

$$\ln Y_i = \beta_o + \beta_1 \ln(N) + \beta_2 \ln(GDD) + \beta_3 \ln(elev) + \beta_4 \ln(precip) + \beta_5 solar + \beta_6 height + \nu_i - u_i$$

where  $Y$ =camelina yields in pounds per acre,  $N$ =nitrogen rate applied,  $GDD$ =the average growing degree days for the period between planting and harvesting,  $elev$ =elevation,  $precip$ =average precipitation in inches for the period between planting and harvesting,  $solar$ =total solar radiation,  $height$ =camelina height in inches.

## **Data**

Data on camelina production are limited since USDA started collecting crop data no earlier than 2007. Thus our data came mostly from published reports, University theses and Extension articles. We focus on the varieties that have been commercially released in the United States. The most common varieties are Blaine Creek and Suneson (Montana State University), Cheyenne (Blue Sun Biodiesel in Colorado) and Celina (developed in France). Jewett (2013) conducted a two year variety trial in the western United States and found that Ligena, SSD10, SSD177, SSD87, SSD138, and Celine were the highest yielding varieties in all combinations of environments, including irrigated environments. In our data set, the largest number of yield observations includes Calena, Ligena and then Blaine Creek, Suneson and Celina. Other common varieties are the BSX G22, BSX G24 (also from Blue Sun Biodiesel in Colorado) and Yellowstone (Great Plains Oil and Exploration in Ohio). Most of the spring seeding occurs between early April and early May and harvesting ranges from mid August to early September. Seed rates have not been found to significantly affect the yields, whereas nitrogen rate affected both yields and crop height (Crowley and Fröhlich, 1998). The total plot area in our data ranged between 75 sqft to 2,000 sqft.

Data for soil temperatures (not included in the analysis reported here) were collected from multiple sources since there is no unique database that contains soil temperature data for



the sites and the dates we are interested in. Nitrogen rates were recorded as applied at each trial location, ranging 0 to 175 lb/ac, achieved from a variety of formulations and application methods. Data on total daily precipitation (in.) and daily maximum and minimum air temperatures ( $^{\circ}\text{F}$ ) for the days between planting and harvest periods were collected from airport stations located in the areas of interest found in *Weather Underground*. Growing degree days (GDD) represent a "heat value" derived from a comparison of daily maximum and minimum temperatures to a base temperature specific to plant type and provide an estimation of the amount of plant growth achieved at the given time in the growing season (Miller et al., 2001). These values, expressed in degrees Fahrenheit ( $^{\circ}\text{F}$ ), are calculated as  $GDD = (daily\ max\ temperature + daily\ min\ temperature) / 2 - base\ temperature$ . and were gathered from *Weather Underground*. Solar radiation data, representing total daily insolation incident on a horizontal surface ( $\text{MJ}/\text{m}^2/\text{day}$ ), were collected from NASA Prediction of Worldwide Energy Resource (POWER) for corresponding latitude and longitude of each experimental site for the respective production season.

## **Results**

Before the estimation, we performed multicollinearity diagnostics (see Table 3 for the correlation matrix). The variables of temperature and growing degree days were highly collinear so we removed the temperature from the estimation. Similarly, the elevation was highly correlated with latitude and longitude; hence the last ones were removed, as well. Evapotranspiration is highly collinear with soil temperature and both variables were not included in the preliminary estimation. Note that our evapotranspiration values are derived from the ET-Penman formula and

when there are no available observations, we used the P-Kim computation. These measurement differences may add to the problem of collinearity.

The stochastic production frontier specified in (6) was estimated by the maximum likelihood method assuming half normal distribution of the inefficiency variance. As a robustness check we also estimated the model with least squares and we found an  $R^2$  of 0.60, in that our independent variables explain 60% of the variation of camelina production. The inputs that were statistically significant in the OLS were included as explanatory variables in the stochastic frontier estimation. The average precipitation for the period of interest positively affected the mean camelina yields, whereas it has no impact on yield variability. An increase in average precipitation is correlated with reduced technical inefficiency. Both higher nitrogen rates and higher average growing degree days are correlated with increased average yields. A taller camelina plant is positively correlated with mean yields and yield variability. In contrast, total solar radiation is negatively correlated with mean yields and variation. We also used a non parametric approach to estimate the probability density function of inefficiency. In the Appendix we provide the Kernel density estimates for technical inefficiency scores for the states used in the estimation.

## **Conclusion**

This study develops a model that predicts the probability distribution for expected yields given observed metrics such as precipitation, growing degree days, fertilizer rate, etc. We created a rich database with camelina yields and weather variables from locations in the United States.

Applying a stochastic frontier model, we found that precipitation, nitrogen rate, plant height and growing degree days, all positively affected average camelina yields, whereas solar radiation had

a negative impact. Future work includes the introduction of additional explanatory variables especially in the estimation of the technical inefficiency. Specifically, we are designing models to test comparative performance of varieties, in conjunction with locations. Tauer and Belbase (1987) found an ambiguous effect between inefficiency and geographic region. We are also looking into variables that will capture the different soil patterns since our data represent a large, diverse area of the US. Soil variables could potentially account for soil interactions with moisture and nutrients. Also, we are investigating whether extremes of water availability and extreme temperatures (e.g., temperature above 32° or below 5°) and varietal characteristics such as drought tolerance exhibit effects on camelina yield distributions. Another future area of study that could help in understanding performance and adoption is the impact of demographics on yield distribution and technical inefficiency, in particular. Furthermore, we will test different distributional assumptions (truncated normal, exponential and gamma) of the efficiency error term.

A limitation of this study is that our data came from multiple sources and account for only one or a few crop seasons so we cannot observe how camelina performed over a longer period of time. We identified multicollinearity as a problem in our analysis so we are working on alternative variable specifications and adding more data to improve descriptive power and fit of the model.

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## Appendix

**Table 1: Variable Definitions**

Variable	Description	Type	Unit
<b><i>Production Frontier and Technical Inefficiency Effect</i></b>			
<b>Dependent Variable</b>			
<i>Yield (Y)</i>	natural logarithm of camelina yields	continuous	lbs/acre
<b>Independent Variables</b>			
<b>(conventional inputs)</b>			
<i>Fertilizer (N)</i>	Natural logarithm of nitrogen rare	continuous	lbs/acre
<b>(weather-regional inputs)</b>			
<i>Precipitation (P)</i>	natural logarithm of precipitation from date of planting to date of harvest	continuous	inches
<i>GDD</i>	natural logarithm of growing degree days	continuous	days
<i>Solar (S)</i>	natural logarithm of total solar radiation	continuous	MJ/m <sup>2</sup> /day
<i>Elevation (E)</i>	natural logarithm of elevation	continuous	feet
<i>Height (H)</i>	natural logarithm of camelina plant height	continuous	inches



**Table 2: Summary Statistics of Camelina Yields per state**

State (Region)	Obs	Mean	Min	Max	CV*
<i>Colorado</i>	475	982.3	64	2424	58.65
<i>Idaho</i>	27	1568.3	970	2175	26.41
<i>Kansas</i>	42	369.9	59	1370	<b>87.22</b>
<i>Minnesota</i>	8	991.1	898.3	1086.5	6.03
<i>Montana</i>	207	1490.7	328.1	2633	39.35
<i>Nebraska</i>	17	712.3	472.8	1025.9	18.89
<i>New Mexico</i>	36	904.8	276.2	1540	40.72
<i>North Dakota</i>	329	1348.5	152	2835	44.22
<i>Ohio</i>	16	978.2	652	1292.7	21.90
<i>Oregon</i>	68	1011.2	61	2278	<b>64.39</b>
<i>South Dakota</i>	50	1046.2	494	1476	26.36
<i>Washington</i>	98	1705.4	1024	3379	23.76
<i>Wyoming</i>	173	762.4	96	2041	<b>68.87</b>

\* **Coefficient of Variation**

**Note: State values are not directly comparable due to inconsistent trial conditions and highly heteroskedastic trial data.**

**Table 3: Camelina Yields of the “most common” varieties**

Variety	Obs	Mean	Min	Max	Variance	Skewness
<i>Calena</i>	96	1406.8	104	3089	483607.7	0.047
<i>Ligena</i>	81	1394.5	125	3023	427105.5	0.130
<i>Blaine Creek</i>	66	1253.6	64	2519	416894	0.123
<i>Suneson</i>	63	1261.8	79	2298	350462.3	-0.185
<i>Celine</i>	62	1068.8	117	3379	386333.3	0.806
<i>Cheyenne</i>	72	1073.07	123	2275	306971.7	0.139
<i>Robinson</i>	41	1276.9	204	2481	405806	0.150
<i>Galena</i>	23	1508.3	407	2667.3	513491.9	0.218
<i>Yellowstone</i>	21	1001.9	94	1911	483656.4	0.244
<i>BSX G22</i>	18	939.5	95	1798	352377.9	0.004
<i>Lindo</i>	18	947.1	80	1862	404267	0.116
<i>Licalla</i>	17	895.5	120	1883	348599	0.176
<i>BSX G24</i>	16	906.3	103	1809	386830.9	0.249

**Note: Variety values are not directly comparable due to inconsistent trial conditions and highly heteroskedastic trial data.**

**Table 4: Correlation Matrix**

	Soil Temp.	Evapotransp	Nitrog. rate	Seed rate	Land	Air temper	Precip	GDD	Wind speed	Elev	Latit	Longit	Solar Rad.
Soil Temp													
Evapotransp	<b>0.9872</b>												
Nitrog. rate	0.8683	<b>0.9067</b>											
Seed rate	-0.6802	-0.7452	-0.7671										
Land	0.8421	0.7708	0.4651	-0.3650									
Air temper	0.6966	0.7665	<b>0.9595</b>	-0.7465	0.1997								
Precip.	-0.7641	-0.7091	-0.3514	0.3391	<b>-0.9733</b>	-0.0907							
GDD	0.4959	0.5726	0.8611	-0.6372	-0.0464	<b>0.9642</b>	0.1714						
Wind speed	-0.8458	-0.7753	-0.4712	0.3700	<b>-1.0000</b>	-0.2065	<b>0.9728</b>	0.0396					
Elev.	0.5626	0.6601	0.8867	-0.7287	0.0321	<b>0.9777</b>	0.0476	<b>0.9701</b>	-0.0391				
Latit.	-0.6375	-0.7276	<b>-0.9238</b>	0.7576	-0.1258	<b>-0.9892</b>	0.0443	<b>-0.9585</b>	0.1328	<b>-0.9956</b>			
Longit.	0.4075	0.2931	-0.0924	0.0906	0.8345	-0.3688	-0.8557	-0.5743	-0.8307	-0.5239	0.441		
Solar Rad.	<b>0.9761</b>	<b>0.9973</b>	<b>0.9328</b>	-0.7659	0.7224	0.8107	-0.6565	0.6293	-0.7272	0.7133	-0.775	0.2224	

**Table 5: Parameter Estimates from Stochastic Frontier Regression (half normal distribution) \* (N=165)**

Variable	Mean	Random Error	Inefficiency
	Coefficient (st.error)	variance ( <i>vhat</i> ) Coefficient (st.error)	variance ( <i>uhat</i> ) Coefficient (st.error)
<i>Constant</i>	12.445 *** (2.589)	2.106 (20.715)	2.106 (20.715)
<i>Precipitation (P)</i>	0.409 *** (0.100)	1.662 (4.653)	-1.211 ** (0.451)
<i>Fertilizer (N)</i>	1.251 *** (0.130)	N/A	N/A
<i>Height (H)</i>	0.352 ** (0.177)	15.705 ** (6.594)	-0.467 (1.399)
<i>GDD</i>	1.702 *** (0.216)	-4.038 (4.156)	-0.356 (0.739)
<i>Solar Radiation (S)</i>	-1.689 *** (0.184)	-9.230 * (5.192)	-0.525 (0.587)
<i>Elevation (E)</i>	0.140 (0.489)	35.628 (45.304)	-0.010 (2.520)

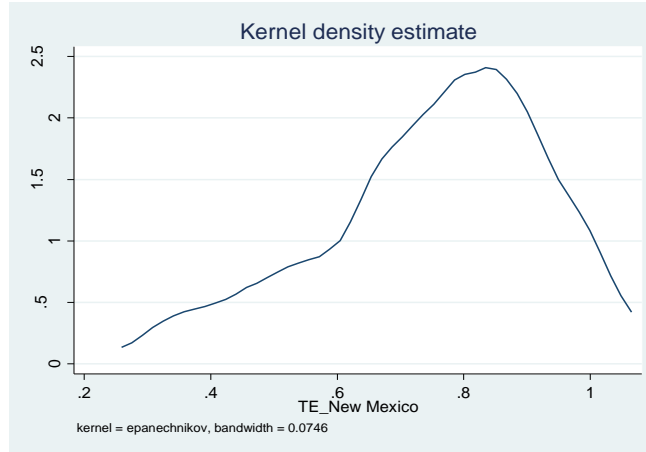
Notes:

\* allows for heteroskedastic error terms

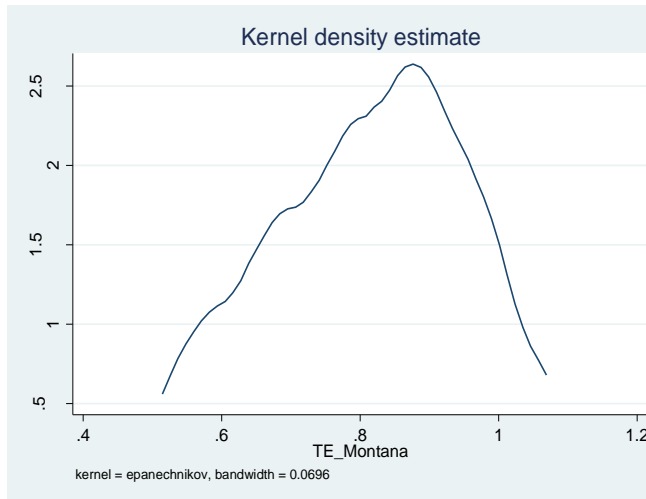
\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 6: Parameter Estimates from Least Squares Regression (N=165)**

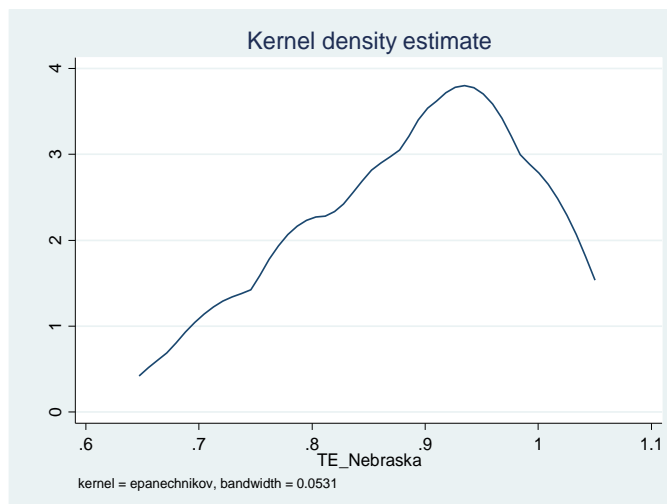
Variable	Coefficient (st.error)
<i>Constant</i>	7.405 (6.284)
<i>Precipitation (P)</i>	0.750 ** (0.236)
<i>Fertilizer (N)</i>	1.393 *** (0.246)
<i>Height (H)</i>	0.595 * (0.312)
<i>GDD</i>	1.801 *** (0.165)
<i>Solar Radiation (S)</i>	-1.764 *** (0.325)
<i>Elevation (E)</i>	0.709 (0.899)
<hr/>	
R <sup>2</sup> =0.6085	



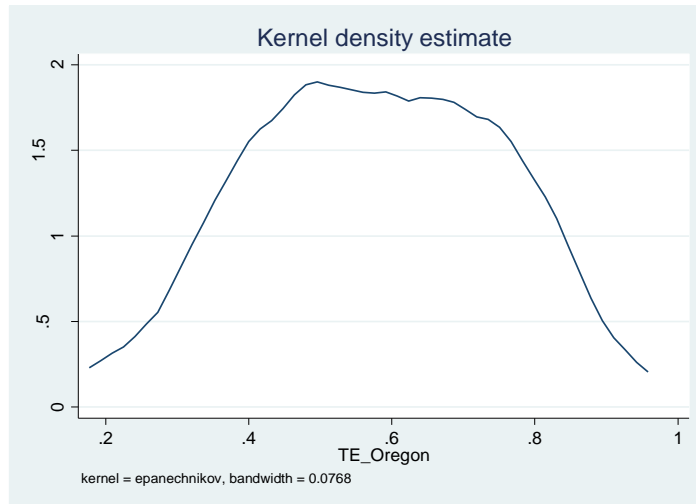
**Figure 1: Kernel Density Estimates for Technical Inefficiency Scores, New Mexico**



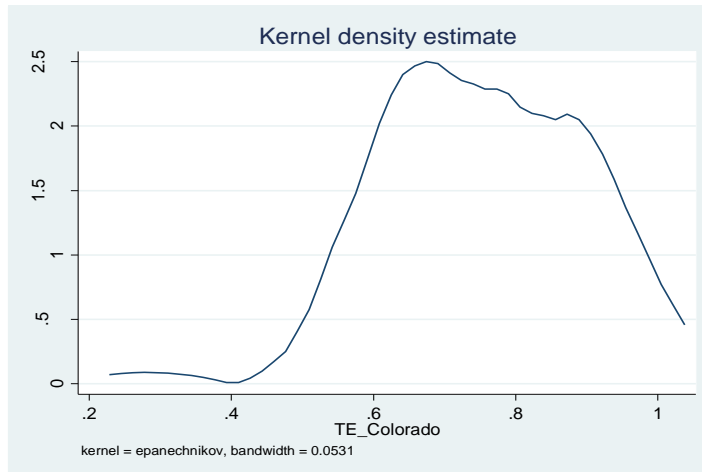
**Figure 2: Kernel Density Estimates for Technical Inefficiency Scores, Montana**



**Figure 3: Kernel Density Estimates for Technical Inefficiency Scores, Nebraska**



**Figure 4: Kernel Density Estimates for Technical Inefficiency Scores, Oregon**



**Figure 5: Kernel Density Estimates for Technical Inefficiency Scores, Colorado**