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Agricultural
Economics
Journal of
Student
Papers



WAITE MEMORIAL BOOK COLLECTION
DEPARTMENT OF AGRICULTURAL AND APPLIED ECONOMICS
232 CLASSROOM OFFICE BLDG.
1994 BUFORD AVENUE, UNIVERSITY OF MINNESOTA
ST. PAUL, MINNESOTA 55108

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Abstracts of 1985 SS-AAEA Papers

An Analysis of the Effects of Interest and Storage Costs on Net Wheat Prices

Karen D. Eifert
Oklahoma State University

The effects of interest and storage costs on net hard red winter wheat prices were examined. Ten-year monthly average wheat prices were obtained from the 1984 ERS-USDA Agricultural Prices Survey. The historical prices show that the highest wheat price most commonly occurs in November. However, when storage and interest costs were considered the maximum net price was received in June during five of the ten years in this period. Historically, potential increases in returns due to storage have not outweighed the potential losses.

The Soviet Union's Impact on the International Wheat Market

Janet C. Flanders
University of Georgia

This paper examines the international wheat market with respect to the Soviet Union. An economic model was developed to measure the impact of the Soviet Union's purchases and other economic variables on wheat markets. Also, the model is used as an aid to forecast wheat prices and quantities on world markets. The level of Soviet Union imports, income, and prices of corn and soybeans were found to significantly influence wheat markets. Model results suggest that Soviet Union purchases are monopsonistic.

Impacts of 1985 Farm Bill Policy Options on Iowa Farms

Ted R. Frandson and Ann L. Parish
Iowa State University

Three different Iowa farms, each with debt to asset ratios (DAR) of .4, .6, and .8 are evaluated with respect to performance of DAR, cash flow rate of return, and net worth under the baseline and market options for the 1985 Farm Bill as analyzed by the Food and Agricultural Policy Research Institute. Large farms at high DAR and with primarily owned acres tend to become insolvent while large farms of primarily rented acres are able to reduce DAR. Cash flow rate of return tends to be higher under the baseline option.

An Analysis of the Potential For Increased Direct
Marketing of Small Fruits and Vegetables
in Three West Virginia Counties

Lewis W. Jett
West Virginia University

The three rural, Northcentral West Virginia counties of Harrison, Marion, and Monongalia were analyzed on the basis of their potential for increased direct marketing of small fruits and vegetables. The overall goal was to make the dominant form of agriculture, which was feeder calf production, more efficient through enhanced direct marketing activities. To illustrate this point more clearly, three case study farms were analyzed. One farm, which was devoted exclusively to feeder calf production, was facing declining returns to labor and management while simultaneously receiving a total yield of mixed hay that was more than the herd could utilize during the ensuing winter months. The second case study farm was currently integrating from exclusively feeder calf production to the production of sweet corn for the direct market. The third farm examined was considered to have reached the efficient point of integration between having a small cow-calf herd and operating a profitable pick-your-own strawberry enterprise. It was determined, through the analysis of these three farms and direct marketing characteristics such as proximity to market and increased consumer demand for nutritional, locally-grown produce, that farmers in these three counties can make their present form of agriculture both more profitable and more efficient through increased direct marketing activities.

Lumping: Monopoly in the Loading/Unloading
of Perishable Commodities

Ronald M. Mahan
University of Florida

Under the Interstate Commerce Act, the motor carrier is responsible for loading and unloading functions. "Lumping" refers to the hiring of casual laborers to perform the task. Often these "lumpers" are highly organized and use coercive tactics to force drivers into using their labor service at exorbitant prices.

The Motor Carrier Act of 1980 made the coercion of drivers illegal. In a study by the Interstate Commerce Commission (ICC Ex Parte No. 410), it was reported that lumping problems were concentrated in the transport of perishable commodities and incidences were few enough to warrant case-by-case solutions. The results of this paper indicate that the problem is more wide-spread and may require stronger enforcement efforts and/or legislative action.

Problem Loans in the 1980's: How Virginia
Lenders Have Adjusted

Scott A. Mickey
Virginia Polytechnic Institute and State University

Strategies Virginia agricultural lenders used to deal with problem loans were studied. Interviews were conducted with lenders representing different credit institutions in the state to evaluate what adjustments are being made to resolve problem loans. The study was concluded by stating the implications of these actions on agriculture and suggestions for agriculture in the future.

The Impact of Domestic Policies, Foreign Competition, and
Real Exchange Rate Changes on the Price of
Hard Red Winter Wheat

Nancy K. Osborn
Oklahoma State University

The objective of this study was to determine the relative impacts of carryover stocks, the CCC loan rate, and the quantity of wheat exported by Argentina upon the price of hard red winter wheat. This analysis involved the use of a base model consisting of an ordinary least squares regression, and ten additional equations using exchange rate variables from individual countries. Exchange rates were found to have a small impact on price, with the other variables affecting price significantly.

An Economic Analysis of Underground Pipeline
Irrigation Delivery System Investments:
A Case Study in the Texas Rice Belt

Ed Schulze
Texas A&M University

A linear programming and capital budgeting modelling framework is used to examine the economic feasibility of underground pipeline irrigation delivery system investments by Texas rice producers. Net present value of such investments for producers using groundwater are sensitive to relative delivery efficiency rates, irrigation water prices, discount rates, and marginal income tax rates, among other factors. For the case situation analyzed, efficiencies of less than 85% for existing lateral delivery systems and water prices above \$20 per acre-foot are needed to justify an investment in an underground pipeline delivery system.

Buying Behavior of a Major U.S. Grain Exporter:
Relationships Between Bid and Actual Gulf Basis

Gene L. Seiter
Oklahoma State University

The relationship between projected and realized Gulf of Mexico-Kansas City (Gulf-KC) basis on hard red winter wheat for a major U.S. grain exporter was investigated. Data for this paper came from publications distributed by the exporter, which bases offers for forward contracts on its basis projection. Regression analysis revealed seasonal variations in the accuracy of bid basis as a predictor of actual basis, and a seasonal shift in marketing power between assemblers and exporter was postulated to explain this phenomena. No evidence was found to suggest that exporters enjoy a monopsonistic advantage in grain purchase.

Derived Demand for Purebred Bulls

Gerald Tice
University of Florida

With the number of breeds in Florida being so numerous and their relative impact being so varied, this study was limited to the three basic breeds represented; Brahman, Angus and Hereford. Using these breeds as a base, six locations, ranches or consignment sales, were selected to obtain prices received for bulls over the period of 1969-1983. These prices were then deflated to remove inflation using the Prices Paid by Farmers index for production cost. The quantity of bulls sold at these sales was obtained and the mature cow inventory in Florida was collected from the U.S. crop reporting board. The data were then analyzed using regression techniques for a linear model (Tomek, et al.). The variables included in this model are Quantity of cows in Florida, Quantity of Bulls at location, breeds, and locations. The model's coefficient of determination was .4788 with an F-test of 10.92.



AMERICAN AGRICULTURAL ECONOMICS ASSOCIATION

Student Section

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The purpose of the Journal is to provide a forum for scholarly work by undergraduate students of agricultural economics. Acceptable manuscripts shall have been presented in the Student Paper session of the AAEA Annual Meetings. The first, second, and third place papers are presented in their entirety. Abstracts of all other papers presented are published.

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PUBLICATION

The Agricultural Economic Journal of Student Papers is published once per year through funds made available from the AAEA. Copies are sent free to departments of agricultural economics, National Officers of the SS-AAEA, the current advisors and the current AAEA Board Members. Others may purchase copies at \$5.00 each from the AAEA business office.

NOTE: Many thanks to the department of Food and Resource Economics at the University of Florida for their valuable assistance in publishing this journal.