F

AGRICULTURAL ECONOMICS

Journal of Student Papers

PAPERS

ABSTRACTS

AMERICAN AGRICULTURAL ECONOMICS ASSOCIATION

Volume 6, No. 1
October 1988

STRUCTURAL DIFFERENCES BY SIZE CATEGORIES OF THE TYPICAL KANSAS HONEY PRODUCER

Ronald A. Fleming, Kansas State University

The honey industry contributes to the income of the agricultural industry in two ways: from revenues (sale of honey products) and from pollination services, the value of which is not measured easily. Much of the research conducted in apiculture deals with the biological aspects of honey production. Economics can be used to establish guidelines for the level of production a manager should obtain given limited resources. The focus of this paper is twofold: (1) to describe the nature of factors which affect honey production by small honey producers in Kansas, and (2) to determine what level of production is needed to achieve the least cost per pound of honey produced by hobbyist and small commercial beekeepers in Kansas.

THE 1986 TAX REFORM ACT AND ITS EFFECT ON THE COW-CALF RANCHER

Juli A. Loomis, New Mexico State University

The ranching sector in the U.S. economy has suffered a blow from the 1986 Tax Reform Act. Because the interpretation of the new code is still uncertain, taxplanning is a guesser's game.

In 1987, when cattle prices dramatically increased, they were unfortunately offset by the exclusion of capital gains. When investment tax credit was repealed, cattlemen were directly impacted. They could not exclude 60% of the cull cattle they sold, nor could their investments in equipment, machinery, and buildings be written off against their taxes.

The new tax law stated that farmers and ranchers could no longer expense preproductive costs in the year they occurred. Currently, only a quarterof these expenses must be capitalized in the year of birth and the rest must be allotted to years two and three. When the animal or crop becomes productive, it will have a depreciable basis.

An additional affect is that the depreciable life of an asset has been extended. To counteract the depreciation multiplier, the rate was increased by one-third and the Section 179 allowance was increased. It was found that due to the 1986 Tax Reform Act, more taxes will be paid by the cow/calf rancher for the same amount of income.

RELATIONSHIPS BETWEEN CERTAIN MANAGEMENT PRACTICES AND THE PRODUCTION COSTS FOR MISSOURI FARROW-TO-FINISH SWINE PRODUCERS

Douglas L. Luebbering, University of Missouri-Columbia

There is great variation in the production costs of swine between farrow-to-finish producers. This report studies the relationships between certain management practices and the production costs of farrow-to-finish swine. The selected management practices were divided into six categories according to the number of producers who used them and their affect on production costs. The categories included practices; not evaluated; not affecting total costs; causing moderately higher total costs; causing moderately lower total costs; causing significantly higher total costs; and causing significantly lower total costs.

To demonstrate the combined effect of several management practices, five of the practices which affected costs were grouped together, and they accounted for approximately 40 percent of the variation in costs. The results of this study prove that certain management practices do affect costs while others have very little influence on total costs. However, this study did not provide enough information to develop more than speculative explanations for why certain management practices affected costs the way they did.

AN ECONOMIC ANALYSIS OF THE FEDERAL DAIRY TERMINATION PROGRAM IN GEORGIA

Stuart Richardson, University of Georgia

The Dairy Termination Program (DTP) was a scheme enacted by the federal government as part of the 1985 Food Security Act. The target objective of the DTP was to reduce U.S. milk surpluses by 12 billion pounds. Although the termination program was extended nationwide, participation varied substantially among regions in the United States. In the South, three states, Alabama, Mississippi, and Georgia, were ranked nationwide in the top eight states in terms of the amount of milk that would be removed from the market due to the DTP. Georgia, specifically, lost 170 dairy producers and experienced a 21.6% drop in the existing production level. This paper will examine the reason so many Georgia producers got out of the dairy business. Having approached the problem from a cost-return standpoint, this paper will seek to establish characteristics of DTP participants in Georgia and why they opted for this choice. Finally, this paper will examine the future direction of prospects in the dairy industry in Georgia.

AGRICULTURAL DEBT IN THE UNITED STATES AND TENNESSEE A COMPARATIVE ANALYSIS OF CHARACTERISTICS, TRANSITIONS, AND TRENDS

John Williams Rose, Tennessee Technological University

The agricultural credit sector of the United States' farm economy has experienced considerable turmoil over the past decade. This turmoil has reflected the significant fluctuation occurring in the entire agricultural industry. The focus of this study is to analyze, compare, and contrast the characteristics, transitions, and trends relating to agricultural debt in the United States and the state of Tennessee. Descriptive statistical techniques are employed to identify marked differences in farm credit existing between Tennessee and the United States during the period of 1977 through 1986. Particular attention is given to the market shares and interest rates of the major farm lenders during the ten-year period.

The analysis of the data presented indicates that considerable changes have taken place in the agricultural credit sector. The study further identifies a number of differences in farm credit existing between Tennessee and the United States. These variations point to possible underlying differences and unique characteristics of the two respective farm economies. The analysis also highlights important state and national dissimilarities in the experiences of the major agricultural lenders regarding market share. The implications of the findings suggest a need for further analysis in this area.

THE EFFECT OF THE CANADA - UNITED STATES EXCHANGE RATE ON CANADIAN PRICES AND EXPORTATION OF BEEF TO THE U.S.

Richard A. Wilde, Utah State University

As the majority of Canadian cattle are fed near the United States border, a viable alternative for Canadian cattle producers is to market their product in the United States. A continual enticement to Canadians for the past six to seven years had been the strong United States dollar. A dollar earned in the United States can be converted to more than a dollar in Canadian funds.

Developed regression models revealed inconsistency between heifers and steers. The Canadian equivalent United States price was significant in the estimation of the price of Canadian steers but not for heifers. However, the Canadian equivalent United States price was significant for the estimation of Canadian heifer exportation but not for steers. These results suggest that if there is not price differences between steers in the two countries, and transportation costs have been accounted for, there will be little incentive to export; yet when there are price differences, as in the heifer prices, there will be strong incentive to ship to the country having the highest price.

The difference between the Canadian price and the United States price was found to be virtually the same. This indicates that there is little or no price discrimination of one nations cattle over the other.

A DEMAND FUNCTION FOR CRAWFISH FROM LOUISIANA'S ATCHAFALAYA BASIN

Brian T. Young, Louisiana State University

Because of unpredictable demand for crawfish from the Atchafalaya Basin, many investors consider the crawfish industry rather unstable. This paper estimates a demand function for Basin crawfish, which will increase the predictability of the industry, thereby encouraging investment. The independent variables used are: the price of Basin crawfish; the prices of shrimp, oysters, and blue crab (hypothesized substitutes); per capita disposable personal income for Louisiana; and the unemployment rate for Lafayette, Louisiana. The price elasticity of Basin crawfish was found to be -1.6518 and the income elasticity was 6.8488. Shrimp, oysters, and blue crab were not found to be substitutes. The large difference between the income and price elasticities indicates that the demand for Basin crawfish is affected more by the prices of its complements than by the prices of its substitutes.

CASSETTE SALES

The Student-Section is pleased to announce a new activity for all student chapters. Tape cassette recordings of the 1988 paper presentation can now by purchased by AAEA members. If you or your chapter desire to purchase a tape, you may mail the enclosed form to the address listed below. The cost of the tape is $9.50 including postage. Please make checks payable to the SS-AAEA and allow three weeks for delivery.

****

AMERICAN AGRICULTURAL ECONOMICS ASSOCIATION

STUDENT-SECTION

****

ORDER FORM
1988 PAPER PRESENTATION CASSETTES

NAME: ______________________________

ADDRESS: ______________________________
____
____

PHONE: ____________

NUMBER OF CASSETTES: ____________

Please return this form along with a check for $9.50 payable to the SS-AAEA and mail to:

Tim Chowning
Tennessee Tech University
TTU Box 6503
Cookeville, TN 38505

AAEA
COLLECTOR'S ITEM

The Student-Section of the American Agricultural Economics Association is now offering a classic dress pin that can also be used for a tie tac or even a hat pin. The AAEA emblem is etched in goldtone on a beautiful red marble background. Makes a handsome gift for professors and students alike, who are AAEA members. Why not give these to signify membership in your local club? Or, for outstanding performance in the agricultural economics field?

Order your prestigious AAEA membership pin today!

Be proud of being a part of the American Agricultural Economics Association

ORDER FORM
COLLECTOR'S ITEM AAEA PIN

NAME: ____________________

ADDRESS: ____________________

____

____

PHONE: ____________

NUMBER OF PINS: ____________

Please return this form along with a check for $5.00 payable to the SS—AAEA and mail to:

Keith Koenig
University of Missouri
325 Mumford Hall
Columbia, MO 65211