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Abstracts of Invited and Selected Papers and Organized Symposia

WAEA Annual Meetings, Big Sky, Montana
June 25–27, 2008

Invited Paper Abstracts

WAEA PRESIDENTIAL ADDRESS

"Ethics and Agriculture: A Teaching Perspective." Penelope L. Diebel (Oreg. State Univ.).

Ethics and agriculture is a complex debate, but one in which agricultural economics students must be prepared to participate. There are many links between economics and ethic or moral philosophy. Classroom teaching tends to focus on discussion of issues involving behavioral ethics and disregards the teaching of philosophical ethics and its application in agricultural economics. A discussion is presented regarding the ethical context we have inherited in agricultural economics. This presentation seeks to encourage faculty to develop an interest in ethics and moral philosophy and to watch for linkages with course content and teaching opportunities which will enrich our students' education. I offer some broad moral philosophy concepts and an argument for providing students with tools to develop a philosophical ethics perspective of agricultural economics.

[*Note: The full presidential address is published in this journal issue.*]

KEYNOTE GUEST ADDRESS

"Research: Are We Valuing the Right Stuff?" B. Wade Brorsen (Okla. State Univ.).

The incentives that researchers face depend directly upon what we as a profession value. The impacts of research can be either disciplinary by adding to economic knowledge or real world by being useful to economic agents. The true impacts are difficult to measure. Various measures of research impact, such as number of publications, citations, and external funding, are discussed, and the strengths and weaknesses of each measure are evaluated. Some minor improvements are suggested, but the number of appealing alternatives to the present system is low. Because of the difficulty of accurately measuring research impact, particularly in the short run, we must depend heavily on internal incentives as the motivation to select research topics with the most potential impact.

Selected Paper Abstracts

SESSION: *Production Economics and Farm/Ranch Management.* Moderator: Dannele E. Peck (Univ. of Wyo.).

"Machinery Sharing as a Risk Reduction Method for Agribusiness Firms." Jared L. Wolfley, James W. Mjelde, Danny A. Klinefelter (Tex. A&M Univ.), and Wes Rosenthal (Tex. AgriLife Research).

Agribusiness managers are continually seeking alternative methods to maintain profitability and manage risk. This study provides insights into a relatively new alternative, joint harvest machinery ownership by two farms. Using a two-firm simulation model under many contract provisions, the expected net present value of after-tax cash flows increases for both farms. Findings suggest there are interactions among percentage of shared costs paid, yield losses associated with sharing equipment, and the penalty paid to compensate for yield losses. For the scenarios presented, all farms show a decrease in risk when sharing machinery.

"Apple Supply Response Analysis." Jeff Luckstead and Stephen Devadoss (Univ. of Idaho).

Apple supply response analysis is undertaken by modeling new plantings, removals, and yield. The important determinants of plantings are apple profits, cherry profits, weather, and lagged investment. These variables are highly significant, underscoring their importance in determining new planting decisions. In the removals equation, expected short-run revenues of apples and peaches were the important determinants, and the signs of the estimated coefficients for these variables are consistent with a priori expectations. For the yield equation, price and weather variables are significant, highlighting their relevance in determining apple yield.

"Are Changing Demographics Fostering a New Role for Farmers?" Jason Oliver, Luc

Valentin, Bruce Erickson, and Michael Boehlje (Purdue Univ.).

This paper presents the results of statistical analysis on a survey of crop farmers predominantly from the Midwest. Ordered probit and descriptive statistics are used to explore the relationships between farm profitability and adoption of skill sets. Due to several recent changes in the farm industry, such as decoupled payments and trade liberalization, certain skill sets have become more important for both small and large farms. These crop farmers are particularly susceptible to change, and failure to adjust could lead to disastrous results. Changes in the agriculture industry are expected to only increase in number over the next 20 years.

"Alfalfa Harvesting Costs: Implications for the Hay Market." Steven C. Blank, Karen Klonsky, and Kate Fuller (Univ. of Calif.-Davis).

A survey of custom harvesters of alfalfa hay identifies both the rates being charged and the rate-setting methods being used in two geographic regions of California. Also identified is information about the ongoing shift from production of small hay bales to the production of very large bales. This shift is driven by production considerations, but it has significant implications for the hay market and its many consumer segments.

SESSION: *Resource and Environmental Economics.* Moderator: Craig A. Bond (Colo. State Univ.).

"The Economic Value of Novel Mechanized Means of Ascending High Mountain Peaks: A Travel Cost Demand Model of Pikes Peak Automobile Users, Cog Railway Riders, and Hikers." John Loomis and Catherine Keske (Colo. State Univ.).

Some peaks have alternative transportation routes such as cog railways, trams, or roads to the summit. We use a travel cost model to estimate the demand for hiking and novel means of ascending Pikes Peak in Colorado. Our analysis shows significant differences in the demand curve slopes and in the consumer surplus for these three types of visitors ascending the mountain. The more exotic or unique the means of ascent, the higher the visitor benefits are. Cog railway and automobile users, and those ascending by hiking, receive consumer surpluses of $98, $54, and $3, respectively, per day trip.

"A Benefit Transfer Approach to the Estimation of Agro-Ecosystems Services Values." Jay E. Noel, Eivis Qenani-Petrela, and Thomas Mastin (Cal Poly State Univ.).

Agro-ecosystem functions support not only the production of food and fiber, but a variety of socially valuable nonmarket goods and services, such as aesthetic experiences, wildlife habitat, carbon sequestration, and recreation. This paper illustrates the use of benefit transfer as a methodology for measuring baseline and marginal benefit (loss) estimates of agro-ecosystem non-market goods and services in Kern County, California. We conclude by suggesting that some estimate of the benefits provided by agro-ecosystem functions is important to the determination of either public policy prescriptions or market-based incentive programs that have as their objective maintaining or increasing those agro-ecosystem function nonmarket goods and services.

"A Dynamic Economic Analysis of the Mountain Pine Beetle Epidemic." Charles Sims, David Aadland, and David Finnoff (Univ. of Wyo.).

Mountain pine beetle outbreaks are occurring at greater intensity, and in locations where they have not previously occurred. An overlooked explanation for these abnormal outbreaks involves economic factors that lead to overstocked, monoculture forests. In order to analyze the economic effects on mountain pine beetle outbreaks, we propose to develop an integrated model where mountain pine beetle risk is partially endogenous to forest management. Faced with these forest and beetle dynamics as well as household demand for timber-nontimber forest products, a single forest manager chooses a stream of forest management actions to maximize social welfare. Through this framework, we hope to evaluate how various forest management objectives mitigate or exacerbate mountain pine beetle dynamics.

SESSION: *Alternative Crops and Cropping Systems.* Moderator: Brian H. Hurd (N. Mex. State Univ.).

"Economic Comparison of Rotational Effects Between Two Break Crops: Mustard or Peas in Rotation with Spring and Winter Wheat." J. Wesley McClintick and Larry D. Makus (Univ. of Idaho).

Data from experimental plots located in the Palouse region of northern Idaho from 2005 to 2008 are used to assess rotation impacts of peas

versus mustard (yellow and oriental) planted in a three-year rotation with spring and winter wheat. An F-test of mean differences suggested no wheat yield or nitrogen content differences between the mustard varieties and pea rotations. Additional tools (dendograms, DEA analysis, and an optimal control model) are used to determine differences in soil quality attributes. Results suggest no identifiable differences in soil attributes or wheat yield from mustard versus peas in the rotation.

"Economic Feasibility of Alternative Crops for Northern Nevada." Carol Bishop, Kynda Curtis, and Thomas Harris (Univ. of Nev. Reno).

Northern Nevada's Walker Lake is becoming excessively saline due to surface water withdrawals from its sources, mostly for agricultural irrigation purposes. These withdrawals are endangering the entire ecosystem. Unless agricultural water use can be reduced, the ecology of the lake will be altered. This study investigates reducing water use through planting alternative crops. A combination of a crop yield model (WinEPIC) and a risk simulation model (SIMETAR) was used to analyze and answer the agronomic and economic questions. Our findings indicate there are alternative crops that can reduce water use and yield sufficient returns to keep producers profitable in agriculture.

"Water as a Crop: An Investigation into Farmers' Willingness to Adopt Limited Irrigation Practices and Participate in Water Leasing." James Pritchett and Jennifer Thorvaldson (Colo. State Univ.).

Burgeoning populations are increasing municipal water demand in the West. Water is often transferred from agriculture to meet growing demands, but the formerly irrigated land is typically fallowed—removing a key industry from the regional economy. One alternative allows farmers to lease a portion of their water to cities by fallowing land on a rotational basis or by reducing the CU of their crops. Irrigated cropland remains in production so that rural economies suffer reduced impacts. This research examines producers' perceptions of lease arrangements. Results indicate that 60% of respondents are willing to lease, yielding 60,000 AF of potential water supplies.

"An Economic Analysis of Reduced-Till and No-Till Crop Production in Western Kansas With and Without Opportunity Cropping." Robert O. Burton, Jr. (Kans. State Univ.), Ray P. Smith (Commercial Crop Farm, Greeley County, Kans.), and Alan J. Schlegel (Kans. State Univ.).

Using 10 years of crop budgets for a case farm located in Greeley County, Kansas (on the Kansas-Colorado border), this study compares per acre expenses, net revenue, and risks of high cropping intensity no-till (NT) with reduced-till (RT) eco-fallow with and without opportunity cropping. Risks and expenses are less for the RT rotation without opportunity cropping; however, NT cropping can increase net revenue as long as intensity is decreased when soil moisture at planting is not adequate.

SESSION: *Food Safety and Invasive Species.* Moderator: Joseph Price (Univ. of Ga.).

"Does Food Safety Information Affect Consumers' Decision to Purchase Meat and Poultry? Evidence from U.S. Household-Level Data." Mykel R. Taylor (Wash. State Univ.), Daniel J. Phaneuf, and Nicholas E. Piggott (N.C. State Univ.).

Many factors influence consumer purchasing habits, including food safety information. Concerns about food safety can be influenced by both idiosyncratic experiences and general media information. This study focuses on the reaction of consumers to changes in the amount of beef, pork, and poultry food safety information available in the media. A multinomial logit model is estimated to assess the probability that heterogeneous households avoid making purchases in response to changes in food safety information. Results of the model suggest that certain households respond to changes in the level of information available by choosing to avoid purchasing meat or poultry.

"Modeling of Avian Influenza Mitigation Policies Within the Backyard Segment of the Poultry Sector." Levan Elbakidze (Univ. of Idaho).

[Note: This paper was published in the JARE August 2008 issue, Vol. 33, No. 2, pp. 195–211.]

SESSION: *International Trade.* Moderator: Ruby Ward (Utah State Univ.).

"An Evaluation of Canadian and U.S. Policies of Log and Lumber Markets." Stephen Devadoss (Univ. of Idaho).

The current and contentious trade war between Canada and the United States deals with (*a*) Canada's subsidized sale of timber to its lumber companies, (*b*) Canada's log export controls, and (*c*) U.S. retaliatory duty on lumber imports from Canada. The purpose of this study is to determine the appropriate level of U.S. countervailing duties on Canadian lumber by employing a vertically interrelated log-lumber model. The theoretical results show that U.S. countervailing duty (CVD) can be greater than the Canadian subsidy for a vertically related log-lumber market, whereas the U.S. CVD will be less than the Canadian subsidy if only the lumber market is considered. Our empirical results support the theoretical findings in that the U.S. CVD for the log-lumber market is 1.6 times the Canadian subsidy, whereas the U.S. CVD for the lumber market alone is only 0.91 times the subsidy. Thus, any trade policy determination—as carried out by the WTO panel—based solely on the lumber market without taking into account the vertical link between the log-lumber markets and the log export restriction is misleading.

"Trade Creation and Diversion Effects of Preferential Trade Associations on Agricultural and Food Trade." David Lambert and Shahera McKoy (N. Dak. State Univ.).

This research addresses the role of preferential trade associations (PTAs) in agricultural and food trade. Gravity model results indicated PTA membership positively affected trade. Intra-bloc trade was increased in both sectors and enhanced trade creation by most PTAs. Trade creation effects were found in NAFTA, the EU, ASEAN, and SPARTECA. PTA results are mixed for PTAs composed primarily of developing countries. MERCOSUR membership enhanced intra- and extra-bloc agricultural trade, but had no effect on intra-bloc food trade. Agricultural trade was enhanced among the members of CARICOM, yet did not affect extra-bloc agricultural trade. Conversely, intra-CARICOM food trade was enhanced through trade diversion.

"Impacts of Reference Prices on Imports of Fresh Tomatoes from Mexico." Gary D. Thompson, Satheesh V. Aradhyula, and Russell E. Tronstad (Univ. of Ariz.).

The reference price agreement, which establishes a price floor on fresh tomatoes imported from Mexico, was implemented by the U.S. Department of Commerce in 1996 and renewed in 2003. This paper develops a theoretical model, and comparative static results indicate that for both risk-neutral and risk-averse Mexican producers, an increase in the reference price exerts a negative effect on the quantity of tomatoes produced. Empirical results based on a switching-regimes model with weekly data corroborate comparative static results. Estimated models indicate weekly supply responds differently when market prices are "near" the reference price.

"The Agricultural Marketing System in Madagascar Under Economic Globalization: Barrier to Domestic Market Formation." Tsilavo Ralandison (Kagoshima Univ., Japan) and Yoshiharu Shiratake (Saga Univ., Japan).

Based on field survey data, this study sought to reveal the influence of the market-oriented policy reforms recommended by the IMF and the World Bank, on the agricultural marketing system in Madagascar, using a case study of rice—the country's main agricultural commodity. The data revealed that the rice market liberalization and deregulation did not favor the development of rice farming, but rather caused a price gap depriving both farmers and consumers of their purchasing power.

SESSION: *Livestock Pricing.* Moderator: Kevin Dhuyvetter (Kans. State Univ.).

"Preferential Cattle and Hog Pricing by Packers: Evidence from Mandatory Price Reports." Clement E. Ward (Okla. State Univ.).

Preferential pricing was one of several concerns leading to mandatory price reporting. Seven years of "new" data from mandatory reports are examined to determine if evidence exists of preferential pricing by packers for fed cattle and slaughter hogs. Weekly data show some alternative marketing methods track closer to cash market prices than others. Some differences can be explained, while others are not as clear. Evidence was found that cash prices lead prices for alternative marketing methods on rising markets but trail them on declining markets.

"Mandatory Livestock Price Reporting, Market Transparency, and Price Volatility." Scott W. Fausti, Bashir A. Qasmi, Jing Li, and Mathew A. Diersen (S. Dak. State Univ.).

Mandatory livestock price reporting (MPR) was implemented in April 2001. Empirical evidence indicates a significant change in the weekly vari-

ability of publicly reported fed cattle grid premiums and discounts occurred after MPR implementation. We evaluate the effect of increased market transparency resulting from implementation of MPR on grid premium and discount dispersion levels. Empirical results suggest that increased transparency is compatible with either an increase or a decrease in dispersion. Our findings indicate that during the pre-MPR periods, the weekly premium and discount point estimators were derived from a non-representative sample.

"Understanding Factors that Influence Breeders to Pull Bulls at Performance Test Sales." Jenni E. Simonsen and Jay M. Lillywhite (N. Mex. State Univ.).

Breeders of purebred bulls have multiple avenues to market their bulls, including consignment at auctions associated with performance tests. Purebred breeders often have opportunities to withdraw bulls that are eligible to sell in these auctions. Sales data from a public auction held in conjunction with a performance bull test in Tucumcari, New Mexico, were examined to gain insights on breeder decisions to withdraw bulls prior to entering the sales ring. Production costs, the number of bulls for sale, breed, performance, price level, and sale order were found to influence the probability that a bull is withdrawn from the auction.

"Gross Margin Hedging Opportunities for Stocker Cattle Producers in the Western U.S." Stephen R. Koontz (Colo. State Univ.).

Gross margins for stocker cattle involve selling deferred and purchasing nearby feeder cattle contracts. This spread trade is impacted by basis for animal purchases and sales. Historical margins are evaluated for winter wheat pasture in Kansas and Oklahoma, and summer grass pasture in Colorado and Montana. Margins were calculated prior to small animal purchase, after the small animal purchase but prior to large animal sale, and after purchase and sale. Standard risk return tradeoffs were found for summer pasture margins; but an opportunity was found for winter wheat pasture producers. Margins were largest with the least risk prior to animal purchases. Margins were smallest with the most risk after the fact.

SESSION: *Water Management and Quality Issues.* Moderator: Sierra Howry (Okla. State Univ.).

"Adaptive Management and the Economics of Shallow Lakes." Craig A. Bond and John Loomis (Colo. State Univ.).

Dual/adaptive control methods are used to compare passive and active adaptive management decisions in the context of an ecosystem with a threshold effect. Using discrete-time dynamic programming techniques, we model optimal phosphorus loadings under both uncertainty about natural loadings and uncertainty regarding the critical level of phosphorus concentrations beyond which nutrient recycling begins. Active management is modeled by including the anticipated value of information in the structure of the problem, and thus the agent can experiment, update beliefs, and learn about the uncertain parameter. Using this formulation, we define and value optimal experimentation both ex ante and ex post.

SESSION: *Crop Insurance.* Moderator: Robert Burton (Kans. State Univ.).

"Impact of Crop Insurance on Cropland Values in North Dakota." Jane A. Coleman, Sumadhur Shakya, and Saleem Shaik (N. Dak. State Univ.).

The importance of crop insurance payments, farm program payments, and farm returns on land values is examined using an extended income capitalization model. This model addresses the identification issue introduced by the countercyclical nature of farm program payments and farm returns, and crop insurance payments and farm returns. Results from the quantile recursive simultaneous equation model applied to 53 counties in North Dakota for the period 1989 to 2005 indicate a positive influence of farm program payments and crop insurance on land values. Further, the importance of the variables varied across the quantiles, leading to policy implications.

"Effectiveness of the Multi-Peril Crop Insurance Program's Prevented Planting Provision as a Drought Preparedness Tool." Dannele E. Peck (Univ. of Wyo.) and Richard M. Adams (Oreg. State Univ.).

The MPCI Program's Prevented Planting (PP) provision provides indemnity payments to producers who abandon crop plans due to insurable causes of loss, such as drought. Abandonment of fall-prepared fields due to drought is a major source of loss for row crop farms in the Pacific Northwest. This paper explores the effectiveness of PP coverage in optimal drought preparedness

using stochastic programming. PP coverage enters the optimal farm plan for two of three eligible crops, whether premiums are subsidized or not, and nearly eliminates drought's profit impact. However, it also induces the planting of more water-intensive crops, and therefore partially substitutes self-protection tools.

"Subsidy Impacts from Federal Crop Insurance Programs on Planting Decisions." Eric J. Belasco, Thomas O. Knight (Tex. Tech Univ.), and Barry K. Goodwin (N.C. State Univ.).

The role of crop insurance subsidies on planting decisions in joint production is evaluated in this study by controlling for formal insurance subsidies and actuarial/indirect subsidies in the form of high past loss ratios. To estimate the impacts from subsidies, a panel vector autoregressive model is used that captures the autoregressive relationship with acreage planting decisions, while conditioning on county-level individual effects that also influence planting decisions. Results indicate the subsidies, particularly for corn and cotton, positively influence planting decisions by more than previously estimated but are negatively impacted by subsidies for alternative crops such as soybeans and sorghum, respectively.

SESSION: *Local Foods and Organics.* Moderator: Dawn Thilmany (Colo. State Univ.).

"Demand for Local Foods: A Market Assessment of Potential Sales for Northern Colorado." Jennifer Lloyd, Dawn Thilmany, Craig Bond, and Jennifer Keeling Bond (Colo. State Univ.).

Direct marketing opportunities for fresh produce sellers are growing through the United States and have been important for small acreage enterprises. Although more producers are responding to increasing demand for local foods through direct venues, little market research has been conducted to identify the market potential for direct marketing of fresh produce. This paper quantifies supply and demand for locally marketed products in Colorado as an example of a local food market assessment. Using demographic data and a 2006 consumer survey of produce purchasing habits, a gap between the supply of and demand for direct marketing channels is identified.

"Profitable Strategies for Transitioning to Organic Grain Production in the Arid West: Experimental Plot Results in Dryland Eastern Washington." Kathleen Painter, Herbert Hinman, Patrick Fuerst, Richard Koenig, Ian Burke, Dennis Pittmann, Amanda Snyder (Wash. State Univ.), and Robert S. Gallagher (Penn State Univ.).

A five-year study of rotational choices for transitioning to organic grains strongly favored a forage-based system in eastern Washington. With a net present value of $391 per acre after five years, a forage green manure (alfalfa-oat-pea-hay) system was clearly superior to the other eight systems, with values ranging from –$191 to $222 per acre. The perennial forage-based system controlled weeds and increased fertility compared to systems with annual grains, pulses, and green manure crops. This system minimized costs during the transitional period when organic premiums are not available, yet generated some revenue from chemical-free transitional forage crops.

"What's Driving the Organic Milk Market? A Consumer Demographic Portrayal." Travis A. Smith (USDA/ERS), Chung L. Huang (Univ. of Ga.), and Biing-Hwan Lin (USDA/ERS).

Using actual retail purchases from the Nielsen Homescan data, the objective of this study was to identify important consumer characteristics associated with milk consumption—the decision to participate and the level of consumption focusing on the organic attribute. Key findings suggest that although income and the presence of children under the age of six did not influence the decision to purchase milk in general, they were driving factors influencing households to enter the organic milk market. Additionally, household heads under the age of 40 and of Hispanic origin were also found to increase the probability of purchasing organic milk.

SESSION: *Demand, Supply, and Welfare Analyses.* Moderator: David Ubilava (Purdue Univ.).

"Demand Estimation When Some Prices Are Unobserved." Carlos Arnade (USDA/ERS).

This paper estimates AIDS demand models for three aggregate brands of lettuce with a focus on finding an appropriate price to represent these transactions where consumption is zero. Demand equations are estimated using an ad hoc representation of unobserved prices and the standard inverse Mill's ratio method is used for handling observations where consumption is zero. Each

estimated equation is solved for price, and numerical estimates of the "choke price" (the price drives consumption to zero) are calculated. Models are reestimated with the new choke price series. Observations with observed market prices remain the same. This procedure is carried out once more: estimation, solving for price, calculating a new choke price, and reestimating the model. The lettuce models, elasticities, and appropriate choke prices are reported for 12 cities.

"Economic Wealth and the Extensive Margin." Jesse Tack (Univ. of Calif., Berkeley), Jeffrey LaFrance (Wash. State Univ.), Rulon Pope (Brigham Young Univ.), and Ricardo Cavazos (Univ. of Calif., Berkeley).

Risk management continues to be the fastest growing area of agricultural policy in the United States. This paper presents a dynamic theoretical model of economic responses in crop acreage (including adjustment costs and risk aversion), a unique data set compiled by the authors, and a coherent, carefully executed econometric framework to better understand intertemporal crop acreage response in U.S. agriculture. The empirical approach is the generalized method of moments, with instruments constructed from a long time-series data set we have compiled on macroeconomic variables, and farm-level prices for crops and livestock—including government subsidies and other payments.

"Welfare Implications of Washington Wheat Breeding Programs." Lia Nogueira (Univ. of Ill.), Thomas L. Marsh, and Heather Johnson (Wash. State Univ.).

We calculate the welfare effects of the Washington State University wheat breeding programs and technology for producers and consumers in Washington State, Oregon, Idaho, the United States, and the rest of the world. To do so, we develop a partial equilibrium multi-region trade model for wheat that provides consumer, producer, and total surplus for each wheat class and region. Our results provide evidence suggesting that WSU wheat breeding programs have increased welfare in Washington State, the United States, and the rest of the world.

SESSION: *Cattle Production.* Moderator: Larry Falconer (Tex. A&M Univ.).

"Economic Potential of Tall Fescue Infected with a Novel Endophyte in the Winter Forage Stocker Grazing Enterprise." Jon T. Biermacher, M. Anowarul Islam, Twain Butler, Ryan Reuter, Billy Cook, Andy Hopkins, and Joe Bouton (Samuel Roberts Noble Foundation).

Grazing winter cereal forages with stocker cattle is an important economic activity in the Southern Plains. A promising line of perennial tall fescur infected with a novel, nontoxic endophyte has been developed. The objective was to determine if the expected net return of the tall fescue grazing system is greater than the expected net return of an annual cereal forage system common to the region. Results from the three-year study show the benefits from the significantly lower establishment costs of the tall fescue system did not outweigh a greater relative number of grazing days realized with the conventional system.

"Economically Sustainable Cattle Production Practices During Multiple Years of Drought and Differing Price Cycles." Padmaja Ponnamaneni, Christopher T. Bastian (Univ. of Wyo.), Siân Mooney (Boise State Univ.), John Ritten (Univ. of Wyo.), W. Marshall Frasier (Colo. State Univ.), Steven I. Paisley, Michael A. Smith (Univ. of Wyo.), and Wendy Umberger (Univ. of Adelaide).

The objective of this research is to evaluate drought management strategies commonly utilized by cattle producers in the West during extended periods of drought under various price cycle scenarios. Twenty-eight scenarios of drought, management, and price cycle were analyzed using a multi-period mathematical optimization model of a representative Wyoming cow-calf operation. Overall, partial liquidation tended to result in higher returns than purchased feed. Purchased feed only returned positive results when prices were in a trough-to-trough price cycle, and overall, purchased feed tended to be a more variable strategy in terms of income as compared to partial liquidation.

"Determining Optimal Stocking Rates in Wyoming Using a Bellman Approach." John P. Ritten, W. Marshall Frasier (Colo. State Univ.), and Chris T. Bastian (Univ. of Wyo.).

The objective of this research is to determine proper stocking rates of rangelands in central Wyoming accounting for stochastic precipitation. The model solves a predator-prey model of grazing maximizing the Bellman equation over an infinite horizon using stochastic dynamic programming. Results show that producers who face

variable precipitation should stock at lower rates than producers who experience constant forage production. If producers have knowledge of growing season precipitation, they should also generally stock at lower rates, but should increase stocking rates in wet years in order to take advantage of increases in forage.

SESSION: *Resource and Environmental Economics.* Moderator: Jesse Tack (Univ. of Calif., Berkeley).

"Disaggregating Trip Economic Benefits into the Separable Economic Benefits of Natural Area Characteristics on a National Forest." John Loomis (Colo. State Univ.), Luis E. Santiago (Univ. of Puerto Rico), and Armando Gonzalez-Caban (USDA/Forest Service).

We apply the contingent valuation method using a survey of visitors to the Caribbean National Forest in order to statistically decompose trip values into marginal values of site features. While we ask visitors to value their current trip, by pooling data across sites that vary in site attributes, we calculate marginal values. The median net WTP of a river visit without waterfalls or foot trails is $96. Recreation at rivers with both waterfalls and foot trails has a median value of $138 per trip. The presence of waterfalls accounts for $23 and foot trails $19 per trip.

"Peak Load Pricing of High Alpine Peaks to Reduce Environmental Damage: Is the Reduction in Use Due to Substitution Effect or Income Effect?" John Loomis and Catherine Keske (Colo. State Univ.).

High alpine peaks throughout the world are under increasing environmental pressure from hikers, trekkers, and climbers. Most of these peaks have no entrance fees, and reach ecological and social carrying capacity on weekends. This paper uses a series of dichotomous choice contingent valuation questions to evaluate substitutability between different alpine peaks and to quantify the price responsiveness to an entrance fee. We find that peak load pricing would decrease use of popular Fourteeners in Colorado by 22%, yielding a mean net benefit of $294 per hiker, per trip. This reduction is due almost entirely to substitution, rather than income effects.

"Non-Market Valuation of Off-Highway Vehicle Recreation in Larimer County, Colorado." Daniel Deisenroth, John Loomis, and Craig Bond (Colo. State Univ.).

We utilized a dichotomous choice contingent valuation survey of ATV and 4×4 users on the Arapahoe-Roosevelt National Forest to estimate net willingness to pay per trip. The values calculated from several specifications of logit and probit models yield a range of net willingness to pay from $50 to $80 per trip, larger than several other non-motorized activities on National Forests. These benefit estimates will be useful for calculating the costs of any public land policy decisions that would restrict OHV use in the western United States.

SESSION: *Conservation Reserve Program Issues.* Moderator: Nicole Klein (S. Dak. State Univ.).

"Factors Affecting and Implications of Post-CRP Land Use Intentions in the Northern Plains." Larry L. Janssen, Nicole L. Klein, Emmanuel Opoku, and Gary L. Taylor (S. Dak. State Univ.).

This study summarizes key results from a 2007 survey completed by 753 CRP contract holders in South Dakota. Projected re-enrollment rate into a new CRP contract varies from 34% to 63% of existing CRP acres, depending on scenario. Statewide, 61% of post-CRP acres, not re-enrolled, are projected to be used for crop production, 30% used for grass hay or livestock grazing, and 9% for other uses. Results from logistic regression models indicate regional location of CRP land, crop prices, new CRP program provisions, and livestock management variables are major factors affecting post-CRP land use plans.

"Environmental Stewardship in U.S. Agriculture: Differences Across Conservation Program Participants and Nonparticipants." Glenn D. Schaible, C. S. Kim (USDA/ERS), and Dayton M. Lambert (Univ. of Tenn.).

Using 2004 and 2005 CEAP-ARMS data for wheat and corn production, this study investigated the differences between conservation program participants and nonparticipants. Program participants and nonparticipants for the 2004 wheat farms tended to more frequently use conventional land-management practices, but these same farms also emphasize the use of conventional and conservation pest-management practices. There were differences between corn and wheat farms. Corn farm program participants and nonparticipants used land conservation practices at similar levels, but more frequently adopted conservation pest-management practices. While conservation

program participants likely make a significant contribution to soil and water conservation/water quality objectives, nonparticipants were more heavily invested in conserving land and pest-management practices.

"An Examination of Increases in CRP Rental Rates Necessary to Keep Land Enrolled in the Western U.S." J. Marc Raulston, George M. Knapek, James W. Richardson, Joe L. Outlaw, and Marc Allison (Tex. A&M Univ.).

Demand for cropland has correspondingly increased with skyrocketing commodity prices. Coincidentally, contracts covering 10.7 million acres in the Conservation Reserve Program (CRP) are expiring from 2007 to 2010. Increased payments will likely be required to entice producers to continue idling land. A representative farm approach was used to determine potential returns from alternative crops for farms participating in CRP in the western United States, providing insight into payment rates necessary to entice producers to re-enroll highly erodible acres in the program. Wheat producers require higher CRP rental rates to remain in the program; current rates provide sufficient incentive for cotton farmers.

SESSION: *Food Labeling and Promotion.* Moderator: Mykel Taylor (Wash. State Univ.).

"Assessment of a State Marketing Program: A Case Study Using the GO TEXAN Marketing Program Evaluation." Michael Lau, Roger Hanagriff (Sam Houston State Univ.), and Tim Murphy (Tex. A&M Univ.).

Many states have implemented agricultural marketing programs to promote locally grown and raised products to consumers. The Texas Department of Agriculture recently launched the GO TEXAN consumer advertising campaign to promote Texas products similar to many state programs. This study utilizes survey methodology with logit and probit regressions to determine the economic impact of the GO TEXAN marketing program for Texas agriculture production and its producers. Many members in the program attributed increased sales to the GO TEXAN program.

"Empirical Investigation of Generic Promotion on Demand for Differentiated Potato Varieties." Jennifer Keeling Bond (Colo. State Univ.) and Timothy J. Richards (Ariz. State Univ.).

A two-stage model of demand is used to evaluate category and variety sales effects of the U.S. Potato Board's domestic fresh potato promotion program. Generic promotion is found to positively and significantly benefit potato category sales and sales of seven individual varieties. However, the impact of promotion on specific varieties varies widely, a result of many intrinsic and extrinsic factors. These findings contribute to the literature by demonstrating the disparate effects of category promotion on heterogeneous products and emphasizing the need to account for variety-specific impacts when seeking to maximize net promotion program benefits.

"Identity Preservation Markets: Estimating Non-GMO Soybean Premiums." Joseph N. Price and Jack Houston (Univ. of Ga.).

Prices and/or any premiums associated with non-GMO crops have limited devices for price discovery. Relevant futures prices have restricted historical price information, and farm gate value-added differentials are infrequently published. In this study, it is posited that the Tokyo Grain Exchange Non-GMO soybean futures contract and the Diapason Commodities Index® Agriculture Non-GMO are sufficient in understanding non-GM soybean price premiums in the United States. Using the GLS Prais-Winsten method, estimations are calculated as a premium percentage. Preliminary results suggest that the premium for non-GM soybeans delivered in November increased from 71¢ to 181¢ per bushel from 2006 to 2007.

"Calibrating Hypothetical Values: Estimating the U.S. Brand Value in a COOL-Mandated Export Market." Hikaru Hanawa Peterson (Kans. State Univ.), John C. Bernard (Univ. of Del.), and John A. Fox (Kans. State Univ.).

Hypothetical bias in an auction experiment that included both hypothetical and real payment scenarios for the same private good was examined. Bids were elicited from Japanese consumers for fresh pork of varying countries of origin. The study found a small hypothetical bias with the ratios between the hypothetical and real bids between 0.95 and 1.2. Real bids were related to hypothetical bids, but no other systematic patterns or differences across subjects were found. Choice-based conjoint responses resulted in a smaller bias than open-ended bids, but calibrated open-ended bids resulted in an even smaller bias.

SESSION: *Farm Policy.* Moderator: Roger Wilson (Univ. of Nebr.).

"Comparison of MILC: Current Law vs. 2008 Senate Farm Bill Proposal." Brian K. Herbst, James W. Richardson, Joe L. Outlaw, David P. Anderson (Tex. A&M Univ.), and D. Scott Brown (Univ. of Mo.).

This paper analyzes the impacts of the 2008 Senate Farm Bill proposal for MILC compared to the current law. Using the representative dairy framework, the paper also examines what level of production limit would be needed to give all dairies the support equal to current production limits under MILC. The average MILC payment per cow for a 110-cow dairy in New York is $65, while a 3,000-cow dairy receives $2 per cow under the 2008 Senate Farm Bill proposal. The MILC program provided small and moderate size dairies with more support than the larger dairies.

"How Successful Was the 2002 Farm Bill's Value-Added Producer Grants Program?" Michael Boland, John Crespi, and Dustin Oswald (Kans. State Univ.).

The objective of this paper was to identify the determinants for success among USDA's Value-Added Producer Grants (VAPG) program, which was authorized with funds appropriated in the 2002 Farm Bill. We analyzed 621 of the grant recipients. Increased market share, number of USDA employees per state, greater sales, and increased grant dollars, as well as a lower number of producers, were found to be determinants of business success.

SESSION: *Energy.* Moderator: James A. Larson (Univ. of Tenn.).

"Evaluating Split Estates in Oil and Gas Leasing." Timothy Fitzgerald (Univ. of Md.).

Taking advantage of randomly assigned federal mineral rights, this paper establishes the discount that mineral developers place on oil and gas leases with divided ownership. This discount is interpreted as an expectation of reduced profits as a result of transaction costs incurred in obtaining surface access. Results of 53 bimonthly federal oil and gas lease auctions in Wyoming between February 1998 and October 2006 are examined. Bidders discount split estates by 11% to 14% on average, but by as much as 24% for more expensive leases. Impacts of multiple ownerships and additional leasing stipulations are also explored.

"Revenue-Neutral Tax-Subsidy Policy for Carbon Emission Reduction." Gregmar I. Galinato and Jonathan K. Yoder (Wash. State Univ.).

Carbon taxes are often espoused by economists and have been applied in several countries, but to date there is little political will to implement them in the United States, partly because of the distaste for increasing taxes and for increasing fuel prices. At the same time, subsidies for renewable fuels have long been implemented at federal and state levels, funded primarily by general tax funds. Drawing from the revenue recycling literature, we characterize a revenue-neutral carbon tax and subsidy program that taxes high-carbon fuels and uses the revenues to fund subsidies for low-carbon fuels.

"Market Power over Blended Motor Fuel Inputs: Biodiesel vs. Renewable Diesel in Washington State." Qiujie Zheng and Jonathan K. Yoder (Wash. State Univ.).

Washington State currently distinguishes between two different types of biodiesel: mono-alkyl esters and other types of biological-based diesels, i.e., renewable diesel. Some of these renewable diesels can be produced alongside petrol-diesel within existing refineries, but are excluded from the Washington Renewable Fuel Standard (RFS). Asset specificity causes market power in the biodiesel market. This paper provides an economic interpretation of the motivation for exclusion of a biodiesel type from the RFS, examines the implications of exclusion of renewable diesel from the RFS, and compares other alternatives of taxes, subsidies, and antitrust law to address the market power problem.

"Are Biofuels Revitalizing Rural Economies? Projected vs. Actual Labor Market Impacts in the Great Plains." Janet A. Schlosser, John C. Leatherman, and Jeffrey M. Peterson (Kans. State Univ.).

Input-output (I-O) models are commonly used to predict the labor market impacts of new firms, which are of special importance for rural development. Economists have warned that I-O projections may be biased upward unless the model is carefully customized to the situation of interest. This paper evaluates I-O projections by retrospectively comparing the estimated labor market impacts of a Kansas biofuels plant to the actual number of jobs the plant created. Results show that if modeling proceeds with limited information, the predictions tend to be biased upward.

With more detailed information, the estimated impacts are smaller but sometimes lower than actual changes.

SESSION: *Feeder Cattle Production and Marketing.* Moderator: Clement Ward (Okla. State Univ.).

"Cost and Benefit Analysis of a Preconditioning Feeder Calf Program." Jeri Donnell (Samuel Roberts Noble Foundation) and Clement E. Ward (Okla. State Univ.).

The twofold objectives of this paper were: (*a*) to identify key factors influencing preconditioning cost and returns, and (*b*) to determine the premium for age- and source-verified, preconditioned calves sold at a public livestock market. Data provided by the Samuel Roberts Noble Foundation show preconditioning returns depend significantly on number of days preconditioned, average daily gain, and cost of vaccinations, hay, feed, and minerals. Noble Foundation cooperators received a premium for age- and source-verified, preconditioned feeder cattle when sold at market. Significant coefficients averaged across five sales conclude that Noble Foundation management practices receive a $2.49/cwt premium when compared to all other cattle sold at market.

"Transportation and Quality Adjusted Basis: Does the Law of One Price Hold for Feeder Cattle?" Dillon M. Feuz, Chad Harris, DeeVon Bailey, and Gary Halverson (Utah State Univ.).

Feeder calf prices are examined from national video auction sales from 2004–2006. Many cattle, lot, and market characteristics significantly impact feeder cattle basis. Auction prices were adjusted for quality differences and for transportation costs and compared across regions and states within a region. Basis was significantly different after the adjustment from region to region and from state to state. Results show cattle buyers are absorbing some transportation costs, or sellers of cattle closer to the destination are subsidizing sellers of cattle in more distant locations from the destination. This does not support the law of one price.

"Improving Feeder Cattle Basis Forecasts." Kevin C. Dhuyvetter (Kans. State Univ.), Kole Swanser (Custom Ag Solutions), Terry L. Kastens, James R. Mintert (Kans. State Univ.), and Brett Crosby (Custom Ag Solutions).

Forecasting feeder cattle basis has long been difficult because of the myriad factors that influence basis, including input and output prices and lot characteristics. This research draws upon knowledge of the various factors that influence cash feeder cattle prices to develop hedonic feeder cattle basis models. Out-of-sample test results provide strong evidence that these hedonic models predict basis more accurately than the multi-year average forecasting approach commonly used by livestock producers. Results from this research were used to develop a web tool funded by USDA's Risk Management Agency (BeefBasis.com) that producers can use to forecast and understand feeder cattle basis.

"Effects of USDA Frame and Muscle Feeder Cattle Grade on Stocker and Feeder Cattle Performance and Profitability." Ryan R. Reuter, M. Dan Childs, Jon T. Biermacher (Samuel Roberts Noble Foundation), and Clement E. Ward (Okla. State Univ.).

Individually purchased stocker calves were used to measure the effect of USDA frame size and muscle score on profitability. Gain on rye pasture increased with frame size, but smaller framed cattle initially cost less, which increased stocker-phase net returns of SM steers by approximately $30 over that of larger cattle. During finishing, SM steers gained less weight but incurred lower feed and interest costs. Smaller framed steers also exhibited increased marbling score and carcass price, resulting in greater overall net returns for SM steers. The stocker cattle market was not efficient in assigning appropriate prices to stocker cattle of various frame scores.

"Shifting Regional Cattle Feeding Comparative Advantages." Tyler Van Winkle and Ted Schroeder (Kans. State Univ.).

Given reduced advantages of using steam-flaked corn when feeding distillers' grains, should cattle feedlots shut down their expensive steam flakers? The answer to that question is that it depends on relative animal feeding performance and production costs. If employing a dry-roll system produces a pound of weight gain for a lower cost than the steam-flake system, relative to performance differences, then dry rolling holds the competitive advantage. Robust feed-to-gain ratio estimates when distillers' grains are present in the ration are needed to understand the most cost-effective grain processing method.

SESSION: *Groundwater and Watersheds.* Moderator: Donna Lee (ENTRIX, Inc.).

"Water Storage and Expectations: The Case of the Colorado River Basin." James F. Booker (Siena College, NY).

Increasing water demand- and climate change-induced reductions in supply pose continuing challenges. This paper addresses tradeoffs between the mean and variance of annual base in basins requiring storage that suffer evaporative losses. Explicit use of expectations about future flows is shown to improve welfare. For example, 75% of welfare gains possible with perfect foresight of future flows can be gained by basing reservoir releases merely on a knowledge of future mean flow levels. Using limited information about expected future climate conditions results in greater mean use, and substantially lower storage levels than with traditional decision rules governing river basin management.

"Spreadsheet Method for Finding Least-Cost BMPs for Abatement at the Watershed Level: Illustration for the Eucha-Spavinaw Watershed." Sierra Howry, Arthur Stoecker, Daniel Storm, and Michael White (Okla. State Univ.).

A spreadsheet approach that determined least-cost abatement at the watershed level without using a mathematical programming model was shown. Spreadsheet formulas were used to determine amount of pollution abatement that can be obtained from each hydrological resource unit (HRU) by changing management practices (MPs) for a given marginal abatement cost (MAC). An application was shown for phosphorus reduction in an Oklahoma watershed with over 1,300 HRUs. The MAC was increased until the best MP in each HRU, selected from 49 simulated cow-calf MPs, allowed a watershed phosphorus target to be achieved. The MPs included improved grazing practices and reduced litter application.

SESSION: *Land Valuations.* Moderator: Yohannes Hailu (Mich. State Univ.).

"Agricultural Profits, Farmland Values, and Farm Wealth in the West: How Important Are Amenity Values, Urbanization, and Recreation Income?" Steven C. Blank (Univ. of Calif., Davis), J. Michael Harris, Kenneth W. Erickson, Vince Breneman, and John Buckler (USDA/ERS).

An econometric model is estimated to help explain the linkages between agricultural profits, farmland values, and changes in farm household wealth across the U.S. West using farm-level repeated cross-sectional survey data. Changes in farm and nonfarm capital are significant in explaining changes in wealth, suggesting that nonfarm capital is a substitute for farm capital. Our results help explain why large-scale farms are more competitive in today's global marketplace than small- and medium-size farms. Findings suggest that amenity values and urbanization affect profits, farmland values, and wealth accumulation, and that effects differ over space and time.

"Pricing the Multiple Functions of Agricultural Lands: Lessons Learned from the Farmland Values Project." Leah Greden Mathews (Univ. of N.C., Asheville) and John Bonham (Carolina Mountain Lands Conservancy).

There are multiple types of value that can be attributed to farmland; much of this value accrues to non-farmers as economic, social, and environmental benefits. While there is a significant body of research that estimates the individual types of farmland benefits (scenic quality, ecological services) and a small and growing literature in the economic valuation of cultural heritage, up to now there has been no standardized method to fully quantify and holistically incorporate these benefits into one measure. This research tests a choice model to simultaneously price the multiple functions of agricultural land.

"Impact of the Section 1031 Like-Kind Tax Provision on Agriculture Land Values." Glenn Helmers (Univ. of Nebr.), Joseph Atwood (Mont. State Univ.), and Saleem Shaik (N. Dak. State Univ.).

To empirically determine the impact of the 1031 exchange provision on land values, a forecasting model of land values was constructed for Iowa, Kansas, Missouri, Nebraska, North Dakota, and South Dakota. Specifically, the basic time-series structural income capitalization model consisted of lagged independent variables and a lagged dependent variable. For this analysis, various dummy variable configurations are examined which represent the initiation and degree of implementation of the 1031 provision. Results for each of the four states have been completed demonstrating significantly negative impacts of the 1031 tax provision. This is seen regardless of the configuration of the 1031 dummy variable configuration.

SESSION: *Commodities and Agribusinesses.* Moderator: Stephen R. Koontz (Colo. State Univ.).

"Components of Commodity Price Volatility: A Multiple Commodity Comparison." Berna Karali (Univ. of Ga.) and Walter N. Thurman (N.C. State Univ.).

Agricultural commodity prices are subject to considerable variability. We analyze the determinants of daily futures price volatility in corn, soybeans, wheat, and oats markets. We use data from simultaneously traded contracts for each commodity through a generalized least squares method that allows us to clearly distinguish among time-to-delivery effects, seasonality, and the influence of physical inventories. Results illustrate that price volatility is time varying, especially increasing in summer months before harvest season starts. Further, volatility increases as contracts approach delivery time, supporting the so-called Samuelson effect. Because inventories stabilize price fluctuations caused by demand and supply shocks, price volatility decreases with larger inventories.

"Quarterly Earnings Estimates for Publicly Traded Agribusinesses: An Evaluation." Mark Manfredo (Ariz. State Univ.), Dwight Sanders (Southern Ill. Univ.), and Winifred Scott (Ariz. State Univ.).

Decisions made by publicly traded agribusinesses impact suppliers, processors, farmers, and even rural communities. Professional analysts' estimates of earnings per share (EPS) provide a unique source of information regarding firm-level financial performance. Incorporating a battery of tests, this research examines the forecast properties of consensus analysts' EPS estimates reported in the Institutional Brokers Estimate System for a sample of publicly traded food companies. While the results are mixed among firms, they suggest: (*a*) analysts' forecasts are largely unbiased but inefficient, and may not encompass information in simple time-series models, and (*b*) EPS may be becoming more difficult to estimate.

"The Relationship Between Industry Structure and Production Contracting: Raising Questions at the Beginning of a Trend." Steven C. Blank, Richard J. Volpe, III (Univ. of Calif., Davis), and Kenneth W. Erickson (USDA/ERS).

This study assesses the possible relationship between industry structure and the expanding use of production contracting. We propose that there are unique structural constraints in each commodity market that determine the potential for production contracting. We test hypotheses on (*a*) the expected positive relationship between concentration in an agribusiness industry and the extent of production contracting for the relevant commodity, (*b*) the expected negative relationship between the share of a commodity produced on contract and the number of products made from that commodity, and (*c*) the expected negative relationship between the number of commercial uses applicable to a commodity and the concentration of buyers of that commodity. We present empirical data from a small cross-section of commodities that are consistent with these hypotheses. Also, we explore the significant differences between agricultural producers who enter into production contracts and those who remain independent. Based on our results, we draw preliminary inferences on the future of production contracting in American agriculture—its potential for expansion as well as its fundamental limitations.

SESSION: *Teaching and Consumer Economics.* Moderator: Paul N. Wilson (Univ. of Ariz.).

"The Motivation to Learn: A Household Production Model of Higher Education." Andrew Barkley (Kans. State Univ.).

College teaching can be enhanced by understanding student motivation. A highly motivated student will often outperform students with less ambition. Learning about student motivation enables teachers to develop and provide learning environments that will maximize student learning outcomes. The objective of this research is to identify the major determinants of student motivation for learning in an academic environment. These determinants will be identified by the construction of a mathematical model of human capital acquisition. The model provides useful implications concerning how college-level instructors could implement strategies that use student motivation to enhance student effort level and learning outcomes.

"Effect of School Food Director's Satisfaction on Fruit and Vegetable Program Usage." Benjamin L. Campbell, John L. Park, Rodolfo M. Nayga (Tex. A&M Univ.), and Andres Silva (Univ. of Kent).

Dietary intake of children has been linked with high obesity levels. Fruit consumption has been found to have lower scores on the healthy eating index compared with other food categories. For this reason, a survey was conducted in Texas during spring 2006 to determine school food director expenditure levels within the Department of Defense's Fresh Fruit and Vegetable Program (FFVP) and Texas Farm-to-School Program (FSP). Both programs offer fruits to schools throughout the state. Results indicated that director demographics played a greater role in FFVP expenditures, while program satisfaction levels and not director demographics had the greatest effect on FSP expenditures.

"Sole-Source Contracts in WIC Infant-Formula Rebate Auctions and Their Effect on Manufacturers' Markups." David E. Davis (S. Dak. State Univ.).

The WIC program uses an auction to procure infant formula. Manufacturers bid on the right to be an agency's sole supplier of formula by offering a rebate on formula sold through WIC. Rebates reduce costs, averaging about 90% of wholesale prices. However, because rebates are so large, some question the industry's competitiveness. This paper develops a model for optimal rebates and shows that marginal cost can be estimated from model coefficients and program characteristics. Marginal cost estimates suggest large markups, and elasticities consistent with these markups suggest manufacturer price on the demand curve where demand is nearly unit elastic.

SESSION: *Biofuels.* Moderator: Timothy Fitzgerald (Univ. of Md.).

"An Evaluation of the Economic and Environmental Impacts of the Corn Grain Ethanol Industry on the Agricultural Sector." James A. Larson, Burton C. English, and Daniel G. De La Torre Ugarte (Univ. of Tenn.).

The impacts that growing corn ethanol production might have on land use and selected environmental indicators were evaluated using POLYSYS. Analysis included ethanol production levels from 8.6 to 18 billion gallons by 2016. Land moves from other crops into corn, and crop prices rise. Cotton shifts westward, and wheat moves into the Southeast. Soybeans shift from the Corn Belt into the Southeast. Erosion and sedimentation increase. Carbon sequestration diminishes and carbon emissions rise.

"Biofuel Boom, Aquifer Doom?" Matthew Clark, Jeffrey Peterson, and Bill Golden (Kans. State Univ.).

The increase of commodity prices, renewable fuel standards, and other factors have led to a general shift in cropping patterns. Kansas, traditionally a dryland wheat and sorghum state, has seen large increases in the production of corn and other water-intensive crops. The increased production of water-intensive crops has created much concern about the already strained Ogallala aquifer. This study uses a Positive Mathematical Programming model to simulate the effects of increased commodity prices on irrigation water use from the Ogallala aquifer.

"Structural Change in the Energy Sector: The Demand for Ethanol." Malika Chaudhuri and Glynn T. Tonsor (Mich. State Univ.).

Ethanol is increasingly being used in the refinery and blender industry as an oxygenate. In this paper, we first estimate refinery and blender factor demand and evaluate price responsiveness. Second, we develop and test hypotheses regarding existence of structural change in the industry's factor demand. Moreover, we analyze if there has been a common shift point and adjustment rate for structural change in all the inputs utilizing gradual switching multivariate regression. Results suggest that degrees of substitutability between inputs have increased significantly over time; structural change in factor demand exists and occurs for inputs at different points and rates.

"Washington Biofuel Feedstock Supply Under Price Uncertainty." Qiujie Zheng and C. Richard Shumway (Wash. State Univ.).

Biofuels, as alternative transportation fuels, are now being used globally. Taking advantage of in-state feedstock supply is an efficient way to stimulate in-state biofuel industries and the local economy. This paper uses the mean-variance model of utility maximization to estimate supply equations for major biofuel feedstock crops in Washington State. We consider price risk, examine the comparative statics results of the model, and use the results to draw important decision-making implications for Washington farmers who are considering production of biofuel feedstocks. Of three potential feedstock crops, only one shows immediate promise in Washington State.

SESSION: *Production Economics and Risk.* Moderator: Dillon Feuz (Utah State Univ.).

"Cow-Calf Producer Valuations of Traceability System Attributes." Lee Schulz and Glynn Tonsor (Mich. State Univ.).

A choice experiment is used to evaluate how cow-calf producers in the United States value traceability system attributes such as premium/discount per animal sold, entity maintaining data, and additional advanced traceability information (i.e., age verification, production practice information, performance/genetic information, and health records). The effect of producer characteristics on their preferences for traceability system attributes is also evaluated. Results suggest that participation in traceability programs deemed undesirable to the representative cow-calf producer may be accomplished by offering premiums for participation or participation may be influenced by markets penalizing nonparticipation. Producers prefer traceability system managing entities to be private and within the beef industry. Producers do have a preference against programs requiring too much advanced traceability information.

"Producer Perceptions of Price Risk in Beef Production." John M. Riley and Ted C. Schroeder (Kans. State Univ.).

This study uses subjective price expectations and price distributions of cattle producer survey participants to determine how producers' expectations compare with that of the market. Individual respondents' discrete stated price and price distribution information was fitted to a continuous distribution, and an implied mean and standard deviation was determined. This was compared to market price and price risk data. Respondents' expectation of price was not significantly different from the market. Individual volatilities resulting from each fitted distribution were significantly different from the market for a distant contract.

"Are There Gender Differences in Ag Producer Risk Preferences?" Rebecca L. Goldbach, Catherine M. Keske, and Dana L. Hoag (Colo. State Univ.).

Research into women and entrepreneurship has tended to focus on the general population or female business owners. Using an empirical study, this paper expands on the past research by looking at the sub-population of agricultural producers. Agricultural producers are compared across gender using the following criteria: risk preferences, satisfaction, motivations, influence, knowledge, and confidence. Gender similarities were found in agricultural producers where gender differences have been found in research of the general population. Despite many similarities, female producers still show greater risk aversion in a few parameters.

SESSION: *Climate Issues.* Moderator: James Booker (Siena College).

"Possible Impacts of Climate Change in the Ogallala Aquifer Region of Northwest Kansas." Bill Golden and Jeffrey Peterson (Kans. State Univ.).

Increasing atmospheric concentrations of carbon dioxide heighten the earth's natural greenhouse effect and may result in global warming. Many researchers suggest that production agriculture may have the ability to adapt to these changes without major impacts. In this research we develop dynamic production functions that adjust to future climate conditions and couple them with a dynamic economic/hydrological model of producer choice to project future hydrologic changes, cropping practices, and farm income. Our findings indicate that in areas where pumping capacity is limited or state policy limits water use, irrigated agriculture may incur financial losses as a result of climate change.

"Climate Risks and the Adoption of Conservation Tillage Systems: An Application of a Growth Mixture Model." Ya Ding and Hua Fang (Univ. of Nebr., Lincoln).

Climate change is likely to increase the occurrence of weather extremes such as droughts and floods. No-till, with its benefits of conserving soil moisture and reducing erosion, can moderate the production risk associated with climate variability. This paper uses the Growth Mixture Model (GRMM) with county-level panel data to estimate the effect of climate risks on the adoption of no-till. GRMM controls for cross-sectional heterogeneity by clustering the counties into subgroups, and thus generates more accurate estimates. Our results show different adoption patterns over the years across clusters. Weather extremes are significant determinants of no-till adoption decisions in one cluster.

"Amenity Values, Urbanization, Climate Change, and Farmland Pricing in the West: A Farm-Level Analysis." Ashok K. Mishra

(La. State Univ.), Vince Breneman, J. Michael Harris, Kenneth W. Erickson, Richard Nehring, and John Buckler (USDA/ ERS).

We examine how amenity values, urbanization, and climate change are affecting farmland values in the U.S. West over the period 1996–2005. After exploratory data analysis using ARMS farm-level data and GIS mapping, we test two hypotheses: H_1, natural amenity values, urbanization, and climate change are contributing relatively more to farmland prices than are returns from production agriculture; and H_2, there is a strong positive effect and interaction among urban influence and natural amenity values in some areas of the West. We find insufficient evidence to accept H_1. There is a strong positive effect and interaction among urban influence and natural amenity values in some areas of the West.

"Valuing Groundwater Resources in Arid Watersheds Under Climate Change: A Framework and Estimates for the Upper Rio Grande." Brian H. Hurd and Prasenjit N. Ghosh (N. Mex. State Univ.).

Climate change is expected to affect water resources throughout the western United States, compressing peak snowmelt and runoff, and possibly reducing total runoff. These regions also face additional stress from population growth and environmental regulation. Strategies to adapt to such changes are evolving at various institutional levels including improved conjunctive management of surface and ground waters. Six climate change scenarios are used to model runoff changes using a hydrologic model that integrates climate and hydrologic variables. Coupled with estimated changes in population growth and irrigation demands, the results illustrate how the value of water in the system is potentially affected by climate changes and groundwater management policies. Findings suggest that groundwater resources, management, and institutions can have a significant effect on the value of water in arid, water-scarce basins. Combined with the effects of population change and reductions in surface supplies as a result of climate change, the value of water in the Rio Grande region may rise by five-fold or more.

SESSION: *Community Development.* Moderator: Saleem Shaik (N. Dak. State Univ.).

"Economic Contribution of Agritourism to Colorado." Dawn Thilmany McFadden, Martha Sullins, William Gascoigne (Colo. State Univ.), and Phil Watson (Univ. of Idaho).

The results from a 2007 online survey of travelers to and within Colorado were used to address four underlying questions for the agritourism industry in Colorado: (1) Who is participating in Colorado agritourism? (2) What factors are influencing their travel? (3) What affects travelers' expenditures? and (4) What is the estimated economic contribution within Colorado? Using a refined IMPLAN model, total economic contribution was estimated to be $2.2 billion, of which $1.7 billion is contributed by out-of-state visitors. A multinomial logit and linear demand model estimates reveal that natural amenities and distance away from metropolitan areas play a significant role in travelers' agritourism participation. The results from this study also provide a first step in examining the role of various marketing and travel planning tools on agritourism participation.

"Community Attributes Influencing Location and Growth of Small Food Manufacturing Businesses in the U.S. Pacific Northwest." Fafanyo Asiseh and Yuliya Bolotova (Univ. of Idaho).

The study analyzes factors influencing location and growth of food manufacturing establishments in the Pacific Northwest region (Idaho, Oregon, and Washington). We hypothesize that patterns of location and growth are different for small-size and medium/large-size food manufacturing establishments. Agricultural input market, food industry output market, labor market, and agglomeration are factors hypothesized to impact location and growth of food manufacturing establishments. Empirical results suggest that patterns of location of these two groups of establishments are similar; however, the patterns of growth are different. Medium/large-size food manufacturing establishments tend to grow in the areas with good access to agricultural input markets. In contrast, small food manufacturing establishments tend to grow in the areas with good access to food industry output markets.

SESSION: *Consumer and Household Economics.* Moderator: Berna Karali (Univ. of Ga.).

"Socioeconomic Determinants of Obesity in OECD Countries." Trenton G. Smith and Jill J. McCluskey (Wash. State Univ.).

Obesity has been identified as a critical public health problem in the developed world. Policy responses have included efforts to educate the populace in matters of health and nutrition, and to reexamine agricultural policies in light of the nutritional outcomes they can induce. There is a growing body of evidence, however, that consumer knowledge and static material constraints may not be the end of the story. In particular, a number of recent studies of individual-level survey data point to economic insecurity as an independent cause of weight gain. In this paper, we ask to what extent this phenomenon might also explain the incidence of obesity across countries in the developed world. We use panel data for the OECD countries from 1990–2001 to estimate the effect of economic insecurity on obesity rates, and find that various measures of financial insecurity do explain a significant amount of the variation in the data—and, indeed, that insecurity appears to have more explanatory power than food prices or calories consumed for the sample of countries we examine.

"The Check Is in the Mail: Household Characteristics and Migrant Remittance from the U.S. to Mexico." Adam McCoy, Mudziviri Nziramasanga, and Jonathan Yoder (Wash. State Univ.).

We develop a household model of migrant remittance that accounts for the effects of subsistence requirements and transaction costs on remittances. The model supports testable hypotheses about the effect on remittances of migrant income, family composition and distribution, transaction costs, income and residence security, and other household characteristics on remittance levels and frequency. We test these hypotheses using survey data on individual Mexican migrants in the United States. The results are broadly consistent with our hypotheses. For example, our subsistence requirement implies that below a threshold, the income effect on remittance is zero. This is borne out in our results.

SESSION: *Estimation Methods.* Moderator: Carlos Arnade (USDA/ERS).

"Bridging the Gap Between Laboratory Experiments and Naturally Occurring Markets." Jayson L. Lusk and F. Bailey Norwood (Okla. State Univ.).

We explore two possible causes for the divergence between behavior in the laboratory and the field: social concerns and unfamiliarity with the traded good. Consistent with our conceptual model, we find that people overstate preferences for relatively familiar goods with normative attributes and understate preferences for a relatively unfamiliar good without normative consequences in the laboratory as compared to the field. We also find a new method, inferred valuation, has the potential to narrow the lab-field gap. Valuations obtained from a conventional elicitation approach can be more than twice the size of that obtained from the new inferred valuation approach.

"Effects of Income and Social Awareness on Heterogeneous Consumers' WTP for Informational Attributes." David Ubilava, Kenneth A. Foster (Purdue Univ.), Jayson L. Lusk (Okla. State Univ.), and Tomas Nilsson (Univ. of Alberta).

Consumers appear to be increasingly concerned about animal well-being, environmentally friendly production, and the use of antibiotics in food processing. We test if the higher-income consumers are more altruistic, and whether social consciousness of the consumers translates into choice behavior. Results reveal that both higher income and socially aware consumers are on average willing to pay higher premiums for the antibiotic-free attribute, but not for the other two social attributes. Also, the group of higher income consumers is highly heterogeneous in their preferences, whereas socially aware consumers tend to be more homogeneous in their preferences.

"Probability Evaluation Through Calibration, Resolution, Brier Score, and Yates-Partition: An Application to Qualitative Choice Models." Senarath Dharmasena, Oral Capps, Jr., and David A. Bessler (Tex. A&M Univ.).

Using the AC Nielsen Homescan data for calendar year 2003, we develop binary probit and logit models to focus on the decision made by a sample of U.S. households to purchase selected nonalcoholic beverages. Probabilities generated (within and out-of-sample) are evaluated using: (*a*) expectation/prediction tables, (*b*) calibration and resolution, (*c*) the Brier score, and (*d*) the Yates-partition of the Brier score. Expectation-prediction tables show about 60% of purchase decisions are correctly predicted. Resolution graphs show low probabilities for purchases that did not occur and high probabilities for purchases that did occur. The Brier score and its Yates partition offer further evidence on the solid forecasting ability of the qualitative choice models.

Organized Symposia

SESSION: *Exploring the Economics of Animal Health Surveillance and Management Practices: A Discussion of Approaches and Implications of Policies and Market Outcomes.* Organizer/Moderator: Dawn Thilmany (Colo. State Univ.).

OVERVIEW: Managing animal diseases and related food safety perceptions has become an increasingly high priority in recent years. Between the series of BSE discoveries in 2005 and 2006, and an increasing number of foreign animal disease outbreaks (e.g., Highly Pathogenic Avian Influenza and FMD) worldwide, there may be a perceived need for greater consistency and oversight in animal health practices. Subsequently, the potential implications of a major animal health outbreak have received an increasing amount of attention in an era of growing consumer awareness and rising attention to international outbreaks. This symposia will not only provide some current updates on the potential economic implications of animal health and its management, but will also facilitate discussion on effective approaches to analyzing the economics of "prevention" or maintenance of preventative technologies at the national, regional, and operation levels.

PRESENTATIONS:

■ **"National Impacts of Changes in Surveillance." Philip L. Paarlberg (Purdue Univ.) and Ann Hillberg Seitzinger (CEAH/VS/APHIS/USDA).**

This presentation focused on estimates of the national gains and losses in economic welfare from expansion of livestock disease surveillance efforts. A U.S. agricultural sector model was used to accomplish this task. Two types of surveillance issues were considered. One type involves livestock diseases already in the United States. Improved surveillance in this context addressed measures that reduce animal mortality. The second type of surveillance analysis deals with reducing the risk of foreign animal diseases (FADs) entering the United States and becoming established.

■ **"Impacts from Animal Health Management and Surveillance Strategies." Dustin L. Pendell (Colo. State Univ.) and Ted C. Schroeder (Kans. State Univ.).**

This presentation showed that different zones will alter the epidemiological and economic impacts under differing surveillance and control policies during livestock disease outbreaks. Higher levels of surveillance correspond to smaller circles while areas outside the circle also constitute a zone, with the lowest surveillance level. Analyzing zone capability within a disease spread model is considered particularly important to advising formulation of emergency response plans for an outbreak of highly contagious foreign animal disease, such as foot-and-mouth (FMD) disease. The focus of this presentation was estimates of the welfare changes resulting from alternate mitigation strategies using an epidemiological disease spread model integrated with an economic model.

■ **"Measuring the Economic Implications of Differing Animal Health Management Practices." Brian Greathouse, co-authored by Kate Reid and Dawn Thilmany (Colo. State Univ.).**

This final presentation shared results from an adapted meta-analysis of beef management practices to standards that use less preventative protocols, such as those suggested by no-antibiotic producers and claims. In short, the use of pharmaceutical technologies in the production of beef at the cow-calf and feedlot levels impacts the animal health experiences reported in the United States, but the productivity impact may be smaller than previous estimates when one considers outlier protocols.

SESSION: *Emerging Markets for Environmental Goods: Can the Market Solve Such Problems?* Organizers/Moderators: Christopher T. Bastian (Univ. of Wyo.) and Catherine M. Keske (Colo. State Univ.).

OVERVIEW: With the increasingly common use of market-based solutions to allocate environmental goods, economists are faced with assessing the viability of such programs, which extend beyond emissions trading. The goals of this session are to present criteria for evaluating the effectiveness of a market mechanism to resolve inefficiencies associated with environmental public goods, and to generate discussion among attendees about the effectiveness of these policies. We present possible criteria for evaluating environmental market solutions and two papers that serve as case studies of markets that have evolved to address environmental market failures.

PRESENTATIONS:

■ **"Emerging Market Characteristics: Defining Criteria for Evaluating Market Solutions**

for Environmental Problems." Catherine M. Keske (Colo. State Univ.).

An "emerging market" is a situation whereby an incomplete market is evolving into an efficient one. A well-defined good, consistent prices, and absence of market failures are three criteria that can be used to assess whether the market is complete. These criteria provide a context in which the potential success of market-based solutions to address externalities facing today's society can be discussed.

■ **"Public Goods Provision Through Private Action: Using Auction Market Mechanisms to Sell Ecosystem Services." Stephen K. Swallow, Emi Uchida, and Chris M. Anderson (Univ. of R.I.).**

Results are presented from a Spring 2007 market in which researchers, acting as brokers, facilitated transactions between farmers who protect grassland nesting birds and exurban residents who value those birds and associated aesthetic values of hayfields. Two approaches intended to provide public-good, ecosystem services through private, voluntary financing without coercive or regulatory authority of government were implemented. Results are discussed in the context of a larger research agenda to enable real markets or business to develop around public goods provided by ecosystem services.

■ **"Factors Impacting the Potential Supply of and Demand for Development Rights in the Emerging Market for Conservation Easements." Christopher T. Bastian (Univ. of Wyo.), Catherine Keske, Dana L. Hoag (Colo. State Univ.), Donald M. McLeod, and Ashley D. Miller (Univ. of Wyo.).**

Despite the fact that conservation easements are an example of an increasingly popular market-based approach that appeals to buyers and sellers alike, little research has been reported about this market. This paper presented the results of both the potential supply and demand preferences elicited from stated choice surveys of agricultural landowners and land trust board members. Preliminary results offer potential insights into how to improve this emerging market.

SESSION: *Benefits and Costs of the National Animal Identification System.* Organizer/Moderator: Ted C. Schroeder (Kans. State Univ.).

PRESENTERS: Ted C. Schroeder, Kevin C. Dhuyvetter, Chris Crosby (Kans. State Univ.), Glynn T. Tonsor (Mich. State Univ.), Dustin L. Pendell (Colo. State Univ.), Gary W. Brester (Mont. State Univ.), and John Wiemers (USDA/APHIS).

The National Animal Identification System (NAIS) is the broadest and most comprehensive effort ever launched in the United States to enhance the ability to quickly identify animal premises, promote animal identification, and develop animal movement and animal tracing capabilities. The values of livestock premise registration, animal identification, and animal movement recording include: (*a*) potentially greatly reducing the economic impact of animal disease outbreaks; (*b*) providing improved support to producers in the event of a natural disaster; (*c*) enhancing biosecurity; (*d*) securing global market access, especially in the event of food safety or animal health concerns; (*e*) providing opportunity for increased production efficiency through more intensive data collection and management; and (*f*) enriching supply chain management, traceability, and food product information provided to consumers.

Benefits of an effective animal identification system accrue to livestock producers, livestock marketing institutions, processors, exporters, and consumers. However, developing and operating an effective animal identification system involves direct costs to producers, livestock markets, processors, and state and federal regulatory agencies, and may include indirect costs to others. As with any new technology, some individuals, firms, groups, or sectors benefit more than others from NAIS adoption by industry. While all facets of NAIS are voluntary, NAIS is being adopted, or being considered for adoption, by many participants in the livestock industry. In addition, producer associations, marketing institutions, processors, retailers, and food service institutions support a variety of positions with state and federal policy makers regarding NAIS and related policy alternatives. Our organized symposium provided a summary of issues and methods we were using to conduct our recently funded USDA/APHIS study to determine net economic benefits of NAIS and the distribution of these benefits across industry stakeholders and consumers.

Methods to estimate direct costs associated with an electronic identification system that are incurred at the various segments of the livestock industry and how they relate to size of operation were presented. A summary was provided of governmental costs of administering an animal ID and tracking system based upon experiences in

the state of Michigan where individual identification of cattle is now mandatory. An equilibrium displacement model designed to evaluate changes in demand and supply resulting from the introduction of an animal disease or from additional costs imposed by a traceability system was presented. Finally, the new APHIS business plan designed to provide a roadmap guiding current and future directions for development of the NAIS was discussed.

Journal of Agricultural and Resource Economics 33(3):508–510

JARE Editors' Report

Presented at WAEA Annual Meeting
Big Sky, Montana
June 25, 2008

This report covers volume 32 (2007) and the first two issues of volume 33 (2008), published under the editorial team of David Lambert, George Davis, and Douglas Larson (LDL). The number of articles and total article page counts are listed in table 1. The total page count for volumes 32 and 33 includes non-billable pages in the December issues, comprised of committee reports, awards information, abstracts of WAEA Selected Papers, and other front- and end-matter.

Table 1. Number of Articles and Page Counts for Volumes 32 and 33

	Number of Articles / (Page Count)			
	April	August	December	Total
Volume 32 (2007)	12 (224 pages)	9 (176 pages)	9 (154 pages)	30 (584 pages)
Volume 33 (2008)	8 (135 pages)	9 (165 pages)	10 (185 pages)	27 (520 pages)

JARE Manuscript Management

The total number of manuscripts handled by the LDL editorial team between April 1, 2006 and June 1, 2008 is 340. Of this total, 289 represent unique submissions. The remaining 51 submissions include papers that have been reviewed two or more times and are either still in review or have received a final editorial decision. Table 2 provides a breakdown of manuscript status as of May 31, 2008.

Table 2. Manuscript Submission Status by Stage of Review: April 1, 2006 to May 31, 2008

Manuscripts:	Total	Percentage of Total	Percentage of Papers with Final Decisions
Currently in Review	36	10.6%	—
Resubmitted	55	12.4%	—
R&R and Not Resubmitted	24	7.1%	—
Accepted	42	16.2%	18.7%
Rejected	183	53.8%	81.3%
Total	340	100%	

Papers currently in review are either new or resubmitted manuscripts. Resubmitted papers are papers that were not accepted, yet received a favorable report encouraging resubmission. These subsequent resubmissions are either included among the 36 papers currently under review, were rejected, or are listed as accepted papers. Twenty-four manuscripts received a recommendation to revise and resubmit, yet have not been resubmitted. Accepted papers are those that have been published or will appear in the August 2008 issue. Authors of rejected papers were advised to reconsider submission of their work elsewhere due to either minimal contribution to the literature, empirical problems, or incompatibility with the mission of the *Journal*.

Final acceptance or rejection decisions have been reached for 225 manuscripts. Based upon the number of final decisions, the manuscript acceptance rate for the LDL team is 18.7% (42 of 225 manuscripts accepted). Rejected papers account for 81.3% of the total set of papers for which final decisions have been made. Of the unique 289 manuscripts submitted, 12.5% (36 papers) are still in review.

Table 3 presents average and median times between the sending of a review request and receipt of the reviewer's comments. Both the average and median review times are within the 42-day review period set as an informal target for *JARE* reviews. The fastest review has been returned within an hour of the request, and the maximum completed review time has been 184.2 days.

Table 3. Reviewer Statistics

Review Description	Total Reviewer Reports	Average Review Time (days)	Median Review Time (days)	Minimum Review Time (days)	Maximum[a] Review Time (days)
Completed	432	42.3	37.2	0.0	184.2
Still in Review	53				
Declined Request	25				
Expired	30				
Total	540				

[a] The maximum review time reported in the 2007 Editors' Report was 214 days. This was for a paper under the purview of the former editorial team, and hence is not included in these statistics.

The reviewer incentive payment of $50 for reviews completed within 42 days was discontinued in December 2006. Results of a simple comparison of mean review times of the completed reviews initiated during the incentive payment period (April 1, 2006–December 7, 2006) and after the elimination of the payment are reported in Table 4. Under an assumption of normally distributed review times, we cannot reject the hypothesis that mean review times have not changed between the period with and without the reviewer incentive payment. These results are consistent with those presented in the 2007 editors' report. Although more difficult to quantify, the editors are of the opinion that there has also not been a noticeable change in reviewers' willingness to provide reviews following elimination of the incentive payment.

Table 4. Average Completed Review Times and Variance During (April 1, 2006–December 7, 2006) and After (December 8, 2006–May 31, 2008) $50 Incentive Payment Program

Description		Average Days	Variance
All Reviews:	Post-Incentive (n = 299)	40.11	776.95
	During Incentive Period (n = 133)	43.30	924.41
t-Statistic of Equal Means		–1.066	

Electronic Access to *JARE*

The *Journal* signed a contract with EBSCO Publishing in July 2006 to include *JARE* among the titles listed in the EBSCOHost Research Database. Full text copies of *JARE* articles from July 1992 to the current issues are now posted to EBSCO's "EconLit with Full Text" database. Inclusion in the EBSCO database allows researchers and library users around the world to access *JARE* titles and abstracts directly, assuming they or their libraries have a subscription to the EconLit with Full Text Database.

AgEcon Search also provides full pdf access to *JARE* articles from volume 1, issue 1 of the *Western Journal of Agricultural Economics* through current *JARE* volumes. The *JARE* editor scans individual articles and e-mails these to Louise Letnes, our contact at the University of Minnesota's Waite Library,

for posting. Recent improvements to the AgEcon Search site allow direct access of *JARE* articles from Google Scholar searches.

The membership voted at the 2007 annual meeting to end the one-year delay for article access on the AgEcon Search and the EBSCOHost sites. Consequently, electronic access to *JARE* articles coincides with publication of the print *Journal*. The motivation for the change was to increase the impact factor for the *Journal*. Future impacts of the change on *JARE* impact factors, as well as on membership and subscription numbers, should be analyzed.

Final Comments

The editors are most appreciative of the many people who have contributed to the success of the *Journal of Agricultural and Resource Economics*. The editors are extremely grateful to Judith Harrison for providing excellent service as the *Journal*'s technical editor. Judy does an excellent job working with authors and with the professional staff at Sheridan Press, ensuring that each issue of the *Journal* is ready to print by its scheduled publication date. Judy has been conscientious in ensuring that funding source information for submitted manuscripts is included in each paper's acknowledgment. This reference to funding source, especially when the funding is based on USDA programs, is especially important to our federal colleagues who administer, and must justify, federal research expenditures.

The editors also extend their gratitude to Cybil Perkins, *JARE*'s editorial assistant. Cybil is responsible for preparing pdf files for distribution to reviewers; clarifying submission and other details for both editors and authors; providing Judy with final approved manuscripts and manuscript and author data; collecting copyrights, re-print orders, and page charge information from authors; providing Rob Davis with new member information and re-print order summaries; and coordinating with AAEA regarding billing after the printing of each issue.

The collaboration with FastTrack, the electronic submission system used by *JARE*, has been beneficial. George Chronis, director of the electronic system at the University of Missouri, has been extremely responsive to incorporate suggested changes to improve editor, author, and reviewer interface with the system.

The editors also appreciate the thoroughness of the many reviewers who have contributed to ensuring the quality of the *Journal*. The quality of the reviews is a great help to the editors in evaluating the conceptual or methodological contributions of manuscripts and in determining the suitability of each manuscript for publication, as well as providing authors with excellent suggestions for improving the quality of their work. Editorial decisions depend largely upon the expertise and the knowledge of our reviewers. We also thank the members of the *Journal*'s Editorial Council for providing important feedback on submissions in which additional review is required. The editors appreciate Council members' punctuality in helping to provide assistance in determining a manuscript's suitability for publication in the *Journal*.

The editors also thank members of the WAEA Executive Committee for providing support for the continued operation of the *Journal*. The editors, including the assistant and the technical editors, also greatly appreciate Rob Davis' agreement to serve as Secretary-Treasurer of the Association. Rob has introduced greater efficiency into the billing and maintenance of subscriber lists underlying the publication of the *Journal*, ensuring more timely distribution of the *Journal* to members and subscribers.

Finally, the editors remind WAEA leaders and members that a new editorial team should be in place by April 1, 2009. All who are involved in this process are strongly encouraged to begin discussing the succession and to prompt members to prepare and submit application materials by the end of the year.

Respectfully submitted,

David K. Lambert, Editor
George C. Davis and Douglas M. Larson, Co-editors
Journal of Agricultural and Resource Economics

Journal of Agricultural and Resource Economics 33(3):511–512

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October 1, 2007–December 1, 2008

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Journal of Agricultural and Resource Economics 33(3):513–518

WAEA
2007 Award Winners

Outstanding Master's Thesis

NATHAN HENDRICKS, "Estimating Irrigation Water Demand with a Multinomial Logit Selectivity Model," Department of Agricultural Economics, Kansas State University.

JEFFREY M. PETERSON, Advisor

Understanding irrigation water demand is vital to policy decisions concerning water scarcity. This thesis evaluates irrigation water-use responses to changes in prices, while accounting for cross-sectional characteristics of irrigators' resource settings. An irrigator's profit-maximizing decision is modeled in two stages. In the first stage, he decides which crop to plant, and in the second stage he decides how much water to apply given the crop choice.

This thesis employs an econometric modeling technique not previously used in the irrigation water demand literature, a multinomial logit selectivity model. This econometric technique allows the intensive (change in water use for each crop in the short run) and extensive (change in water use in the long run due to changes in crop choice) marginal effects to be computed in a simultaneous equation system. A multinomial logit selectivity model has applications to many resource issues in production agriculture where the two-stage decision process is common. The model is estimated from field-level data on water use and crop choice for a 25-county region in western Kansas over the period 1991–2004.

Water use was found to be highly inelastic to the price of natural gas, but becomes more elastic as the price increases. When natural gas price is high, \$5/Mcf, the elasticity of demand is −0.16. The extensive margin effect only comprised half the total effect under high natural gas prices and was negligible for low prices. However, the extensive margin effect under high natural gas prices declined over time due to more efficient irrigation systems and improved crop varieties. The intensive margin effect explained most of the water use response from changes in other variables, including corn price. An increase in corn price has a negligible extensive margin effect because corn is most often substituted with alfalfa, which has a similar water requirement.

An inelastic demand implies that policies aiming to conserve the Ogallala Aquifer by increasing the price of water will not accomplish their purpose and will adversely affect irrigators' incomes. If the goal is to reduce water use, voluntary or mandatory quantity restrictions are more effective policies. However, efficient restrictions would need to account for spatial variation in the rate of depletion and the remaining saturated thickness.

Outstanding Master's Thesis, Honorable Mention

RAFAEL DE FARIAS COSTA, "The Impacts of Improving Brazil's Transportation Infrastructure on the World Soybean Market," Department of Agricultural Economics, Texas A&M University.

C. PARR ROSSON, III, Advisor

The lack of adequate transportation infrastructure in Brazil has been a bottleneck for soybean producers for many years. If transportation costs are reduced by introducing improved infrastructure in Brazil, the United States and other significant soybean-competing exporting countries are expected to decrease its market share as well as producer revenues. On the other hand, Brazil is expected to increase its competitiveness in the world soybean market.

This study uses a spatial equilibrium model to analyze many transportation infrastructure improvements proposed by the Brazilian government. The model specifies the Brazilian inland transportation network and the international ocean shipments and divides Brazil into 18 excess supply regions and 8 excess demand regions. The competing exporting countries are the United States, Argentina, Rest of South America (Bolivia, Paraguay, and Uruguay), Canada, and India. The importing countries are composed of China, the European Union, Southeast Asia, Mexico, and the Rest of the World.

Results suggest these proposed transportation improvements yield potential noteworthy gains to Brazil with an increase in producer revenues of over $500 million and exports of 177,000 metric tons. Consequently, the world soybean price decreases by $1.16 per metric ton and producer revenues and exports also decrease in the United States by 63,000 metric tons and $104.89 million, respectively.

Although the absolute gains in price, revenues, and exports for Brazil are considerable, they represent only 1.48%, 2.35%, and 0.32%, respectively. Similarly, the loss in price, revenue, and exports in relative value for the United States is also low, decreasing 0.23%, 0.23%, and 0.12%, respectively.

Outstanding Master's Thesis, Honorable Mention

KALAMANI MUTHUSAMY, "Impact of a Marketing Cooperative on Price Behavior in the Idaho Potato Industry," Department of Agricultural Economics and Rural Sociology, University of Idaho.

CHRISTOPHER S. MCINTOSH, Advisor

High price volatility has a detrimental impact on producers, processors, distributors, and consumers of agricultural commodities. Consequently, this has a negative impact on the agricultural and food industry performance. Agricultural marketing cooperatives by virtue of their activities could decrease the price volatility and thus ameliorate the negative impacts of industry performance. Moreover, the current federal antitrust regulations allow for creation of agricultural marketing cooperatives to tackle this problem.

Low prices due to overproduction, decreased demand, and foreign competition prompted Idaho potato growers in November 2004 to organize a marketing cooperative—the United Fresh Potato Growers of Idaho (UFPGI). The goal of the cooperative is to stabilize the potato price through programs and policies on supply stabilization, quality standards, and acreage management. Since a large share of the Idaho potato production is coordinated by the cooperative, the impact of the cooperative's actions on the prices received by the growers and their income is vital. This encourages assessing the impact of the UFPGI cooperative on the behavior of fresh potato prices, in particular, the first two moments of price distribution, the mean, and the variance.

An extension of the traditional autoregressive conditional heteroskedasticity (ARCH) and generalized ARCH (GARCH) models is applied to the data of monthly fresh potato prices received by the potato growers in Idaho from 1985 to February 2007. These models are also estimated on the shipping point prices of the Russet Burbank variety shipped from Upper Valley, Twin Falls-Burley District, Idaho, to observe the effect of the cooperative at the point of shipping.

In assessing the impact of the cooperative on price mean and variance, it was found that the cooperative has had a significant effect on stabilization of fresh potato prices in Idaho. A lower price variance after the cooperative's entry confirms that UFPGI plays an important role in stabilizing the fresh potato prices received by the producers in Idaho. Though lacking statistical significance, the mean price showed a positive trend after the cooperative's entry. The empirical analysis on the shipping point prices reveals similar results for U.S. No.1 and U.S. No.2 fresh potatoes.

Outstanding Extension Program Award for Project

"Economic Accountability for Extension"

DEAN A. MCCORKLE (Texas AgriLife Extension Service, Texas A&M University)

Performance and accountability requirements for Extension have been an increasing point of emphasis at the state and federal levels over the past two decades. These requirements typically include the quantity of educational programs delivered, number of participants, and measuring and reporting changes in participants' knowledge, behavior, and other social impacts. In recent years, increasing demands on state and federal governments in allocating scarce public funds have led to an increase in performance and accountability requirements. Extension in many states is now facing an increasing need to quantify and demonstrate the economic benefits of Extension programs in order to justify its funding.

Since the late 1990s, the Texas AgriLife Extension Service has been asked by the Texas Legislature to provide estimates of the economic impacts of its programs. More specifically, these requests focus on two types of economic impact: economic benefits to our clientele, and the number of jobs that have been created because of Extension programs. This has provided a great opportunity for Extension to showcase the impact of its programs.

Dr. McCorkle has led an aggressive effort with the Texas AgriLife Extension Service in responding to these economic accountability needs. In working with the Extension administrative team over the course of the past four years, a methodology has been developed for quantifying and communicating the economic impacts of Extension programs. He collaborates with the Extension administrative team, associate department heads for Extension (program leaders), Extension specialists, and regional program directors to identify and prioritize potential statewide and regional programs for economic impact assessment.

Throughout the process, Dr. McCorkle engages other Extension specialists in conducting the economic impact studies for their technical expertise in specific program areas, as well as other Extension economists via a review council that was created to provide further input into the analysis and interpretation process. The primary communications tool used with local, state, and U.S. elected officials is a one-page brief written for each program analyzed—providing a brief description of the issue, the Extension program, and the economic impact. All economic impact briefs are available on the web.

The economic impact studies of Extension programs, the multidisciplinary approach, and the impact briefs have served as a very effective method for quantifying and communicating economic impact information at the local, state, and federal levels. Dr. McCorkle has also shared his insight through trainings with Extension faculty in Texas and other states, and as a speaker at Extension conferences in other states.

Outstanding Extension Program Award for Career

"The Financial And Risk Management (FARM) Assistance Program"

STEVEN L. KLOSE AND JOE L. OUTLAW (Texas A&M University)

Responding to the need for improved financial planning, the Texas AgriLife Extension Service offers a whole farm and ranch computerized decision support system for long-term strategic planning decisions, called Financial And Risk Management (FARM) Assistance. Developed and coordinated by Steven L. Klose and Joe L. Outlaw, FARM Assistance is a prized program of Extension Agricultural Economics at Texas A&M. For 10 years, this team of 12 individuals, working from five locations, has provided financial analyses for individual farmers and ranchers across the state.

FARM Assistance provides individual agricultural operations the ability to assess the expected financial impact of proposed changes within their operations, as well as the financial risk associated with those changes. For example, producers can compare their cash flow risk under various plans, and view estimates of their plan's impact on net worth 10 years down the road. In the past, management changes were evaluated based on gut instincts or generic advice. Through FARM Assistance, producers now have the ability to evaluate their operational plans and associated risk with technical financial expertise.

The FARM Assistance mission is "Helping Agriculture Make Informed Decisions." To that end, the FARM Assistance group has conducted over 1,200 financial analyses, helping producers make valuable strategic decisions. FARM Assistance has been used to analyze all types and sizes of crop and livestock operations across the state of Texas, representing more than 3.5 million acres of land and over $1.25 billion in managed assets.

One measure of the FARM Assistance program's impact is the projected net worth consequences of alternative scenarios analyzed for each subscriber. This measure indicates the gain in net worth a producer would likely see, at the end of the 10-year planning horizon, resulting from choosing the better of two alternatives. Just looking at the difference between the base situation and one alternative scenario implies that participants in the program, on average, have found a $23,000 per year difference in net worth compared to making the worst-case decision. For the 10-year planning horizon, this represents a $230,000 decision that FARM Assistance helps the producer make.

While FARM Assistance offers tremendous benefits for individual program participants, the program also has a broader scope. An extensive participant database benefits the entire Texas agricultural industry, providing valuable research capabilities and a direction for Extension education efforts. The program also gives industry leaders and lawmakers the ability to assess the potential impact of legislative changes on a broad profile of producers. The result is more informed legislative or industry-wide decisions and an enhanced relationship between Extension and the leadership of the agricultural industry.

FARM Assistance is one of a kind in Extension programming. Indeed, its capacity to help farm and ranch managers analyze the reality of the risks they face is rare across the country, and the ability to address aggregate industry issues using actual producer-level data is unmatched. The program and its leadership are honored to be recognized by the Western Agricultural Economics Association with the 2007 Outstanding Extension Program Award.

Outstanding Published Research Award

KELLIE CURRY RAPER (Michigan State University), H. ALAN LOVE (Texas A&M University), and C. RICHARD SHUMWAY (Washington State University). "Distinguishing the Source of Market Power." *American Journal of Agricultural Economics* 89,1 (February 2007): 78–90.

Structural models used to measure market power, though widely employed, continue to be criticized. We compare alternative market power tests, including nonparametric and Solow residual based tests. We develop Solow residual based methods that permit nested testing for both monopolistic and monopsonistic market power by the same firm. These tests and a set of nonparametric tests are implemented to examine market power exertion by U.S. cigarette manufacturers from 1977 to 1993. All tests indicate that cigarette manufacturers exerted monopsonistic power in the upstream tobacco market. They are mixed on whether monopolistic power was exerted in the downstream market.

JARE Published Research Award

KAI-LI WANG (Tunghai University, Taiwan) and CHRISTOPHER B. BARRETT (Cornell University). "Estimating the Effects of Exchange Rate Volatility on Export Volumes." *Journal of Agricultural and Resource Economics* 32,2 (August 2007): 225–255.

This paper takes a new empirical look at the long-standing question of the effect of exchange rate volatility on international trade flows by studying the case of Taiwan's exports to the United States from 1989–1998. In particular, we employ sectoral-level, monthly data and an innovative multivariate GARCH-M estimator with corrections for leptokurtic errors. This estimator allows for the possibility that traders' forward-looking contracting behavior might condition the way in which exchange rate movement and associated risk affect trade volumes. Change in importing country industrial production and change in the expected exchange rate are found to jointly drive the trade volumes. More strikingly, monthly exchange rate volatility affects agricultural trade flows, but not trade in other sectors. These results differ significantly from those obtained using more conventional and restrictive modeling assumptions.

Outstanding Undergraduate Instructor

Less than 10 years:

CHERYL S. DEVUYST, North Dakota State University

Outstanding Undergraduate Instructor

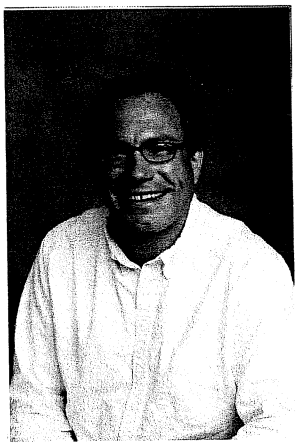
More than 10 years:

ERIC A. DEVUYST, North Dakota State University

Distinguished Scholar of the WAEA

This award is the highest recognition for individuals making an enduring contribution in their career to agricultural, resource, and/or environmental economics in the Western states and provinces and the WAEA.

ANDREW BARKLEY (Kansas State University), Distinguished Scholar



Andrew Barkley has a distinguished career in teaching and teaching scholarship in addition to professional service. Andy is an effective teacher who has profoundly influenced countless students, is a student himself of teaching methods and student success, and has contributed significantly to the instructional improvement of others.

Andy has taught a variety of courses from freshman to graduate level, introductory to capstone, large (150 students or more) to small. Consistently over his career, evaluations by students are among the highest at Kansas State University. His dedication to teaching and commitment to enhanced learning earned him a reputation for teaching challenging, engaging, and intellectually stimulating courses. Over a 12-year period, 94% of students rating his instruction indicated they would recommend the course to others. Andy's teaching skills have been recognized with several prestigious awards, including the National Excellence in College and University Teaching in Food and Agricultural Sciences Award by the U.S. Department of Agriculture, Distinguished Undergraduate Teaching Award for less than 10 years by the American Agricultural Economics Association, Outstanding Undergraduate Teaching Award by the Western Agricultural Economics Association, and being named a Teacher Fellow by the National Association of Colleges and Teachers of Agriculture.

Much of Andy's research has focused on teaching pedagogy and student success determinants both in the classroom and in their careers. He has published 16 refereed journal articles, of which two were named the Outstanding Journal Article by the National Association of Colleges and Teachers of Agriculture. Andy has shared his teaching knowledge and skills with others. He initiated and developed the Western Agricultural Economics Association's first National Young Professionals Conference targeted to young faculty members. The 1999 conference was so successful, it was repeated in 2001, and then the American Agricultural Economics Association assumed responsibility for the conference, last held in 2007, where Andy was the keynote speaker.

Andy has provided significant leadership and service to the National Association of Colleges and Teachers of Agriculture and the American Agricultural Economics Association. However, most notably, he served the Western Agricultural Economics Association as Director, Vice President, and then its President in 2000–2001.

JAMES W. RICHARDSON (Texas A&M University), Distinguished Scholar

James Richardson has excelled in public policy research and outreach, and has compiled an exemplary record of scholarly achievement over his 30-year academic career. He has contributed to methodological innovations involving simulation and risk analysis, and his outreach efforts targeting Congressional Agriculture Committee members and staff have significantly contributed to farm policy decision making. In addition, he is an accomplished and recognized teacher and mentor.

James' contribution to methodological advances includes the pioneering development and use of Monte Carlo simulation for farm-based policy analysis. His use of representative farms localized policy impacts for Congressional members and farm organizations. He has completed more than 150 policy analyses at the request of Congress. He was the first

to use Normal copulas to simulate correlated nonnormal multivariate distributions, later extending the procedure to include an intertemporal component. He co-developed the innovative Stochastic Efficiency with Respect to a Function (SERF) technique, which ranks risky alternatives without knowledge of decision-maker's risk aversion.

James used his innovative research to develop an award-winning and influential outreach program for Congressional members and staff, farm policy and commodity organizations, and extension professionals. He developed a Base and Yield Analyzer which was selected by the Farm Service Agency, U.S. Department of Agriculture, as its official analysis tool. He has consistently contributed to farm policy formulation and developed a reputation for presenting results in a comprehensible manner for Congressional members and their staff. Support for his international reputation comes from having taught more than 600 risk analysts in 10 countries. He has participated in or been responsible for over 100 contracts totaling nearly $20 million.

Evidence of James' prolificacy includes over 100 refereed journal articles, 6 book chapters, more than 275 Experiment Station publications, and over 170 professional papers. He teaches two graduate simulation courses each year and has advised 37 M.S. and Ph.D. students. James has earned recognition from the American Agricultural Economics Association (group extension program—twice, quality of communication, distinguished policy contribution, and graduate teaching for more than 10 years), the Western Agricultural Economics Association (undergraduate teaching for more than 10 years), and the Southern Agricultural Economics Association (*Southern Journal of Agricultural Economics* outstanding article, team extension program, and lifetime achievement).

VINCENT H. SMITH (Montana State University), Distinguished Scholar

Vince Smith has distinguished himself by his broad contributions to basic and applied economics research and innovative outreach programs, along with his teaching and mentoring effectiveness and professional service. His unique balance and blend across Land Grant University missions characterizes his professional career.

Vince is a leading expert in the areas of crop insurance, agricultural policy, science and technology investments, and international trade. Currently he is co-director of the Agricultural Marketing Policy Center at Montana State University. He has authored over 40 refereed journal articles and more than 100 selected papers. He is author/co-author of five books, editor/co-editor of four others, and author/co-author of 11 book chapters. The quality of his research is evidenced by having received the Western Agricultural Economics Association's awards for Outstanding Published Research and Outstanding Article in the *Journal of Agricultural and Resource Economics.*

Vince developed a recognized outreach program aimed toward policy makers, rural communities, and agricultural producers. He has long focused on international trade policy and its impacts, and on crop insurance. Over the past decade, he has focused his outreach on health and economic education of the seven American Indian reservation communities in Montana. His outreach efforts and accomplishments earned him the Western Agricultural Economics Association's Outstanding Extension Program award.

A demanding teacher who spends countless hours with students, Vince has served as advisor for several graduate students and on numerous graduate student committees. He has been recognized in Montana for his dedication to economic education of Native American high school students through the Montana Council on Economic Education and of Native American college students through the Montana Tribal Colleges.

Vince has served his department and Montana State University in several capacities over his 20 years there. Service to the Western Agricultural Economics Association includes his current appointment to the Council, and committee chair for the Outstanding Master's Thesis Award and twice for the Outstanding Published Research Award.

Journal of Agricultural and Resource Economics 33(3):519–520

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