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Spring 2005

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# ECONOMIC ISSUES FOR NEBRASKANS

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Spring 2005  
Department of  
Agricultural Economics  
University of Nebraska-Lincoln



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## COMMENTS FROM THE DEPARTMENT HEAD:

It has been an interesting and "usually" fun one and one-half years since I became Interim Head. Many good things have occurred thanks to a very productive faculty and support staff and bright, energetic students. It is our students - undergraduate, graduate and adult learners - that provide us with a reason to exist as a land grant institution. It is our research that fuels these learning and teaching furnaces so that we can help our students and clientele succeed. Our research not only helps the Nebraska taxpayers (our major clientele group), but it also helps keep our own knowledge of our profession current and vibrant and helps us attract great students and strong faculty members.

One of the major issues at UNL is declining enrollment. Unfortunately our department has contributed to that trend as our number of undergraduate students is down. We are trying to reverse that trend. We have initiated a student ambassador program and are examining our majors to see if we can develop majors that will be attractive to a broader base of students. We ask you, our readers of FOCUS, for any ideas you may have to help us increase enrollment.

The current issue of FOCUS contains four major articles and an update of departmental news. Dr. Roy Frederick retired a year ago but has written a recap of his very productive career. In so doing, his article also provides an excellent summary of agricultural policy and major events affecting that policy from the 70s through the 2002 Farm Bill. While Roy's career story is interesting in and of itself, his discussion of farm policy should be instructional to most readers.

Professors Helmers and Johnson, along with former graduate student Shaik discuss their research that helps us better understand Nebraska real estate market trends. They use data gathered by Dr. Johnson's annual market surveys to develop a model capable of predicting market trends. The model performs well and shows the incremental land value due to additional cash receipts and farm program payments.

Professor Royer, Department Head from July of 1999 through June of 2003, recaps the planning processes followed by the department faculty and staff during that time frame. Planning is a continuing process and the department, along with all UNL departments will be developing another "strategic plan" in early 2005. Two critical planning processes occurred during Dr. Royer's

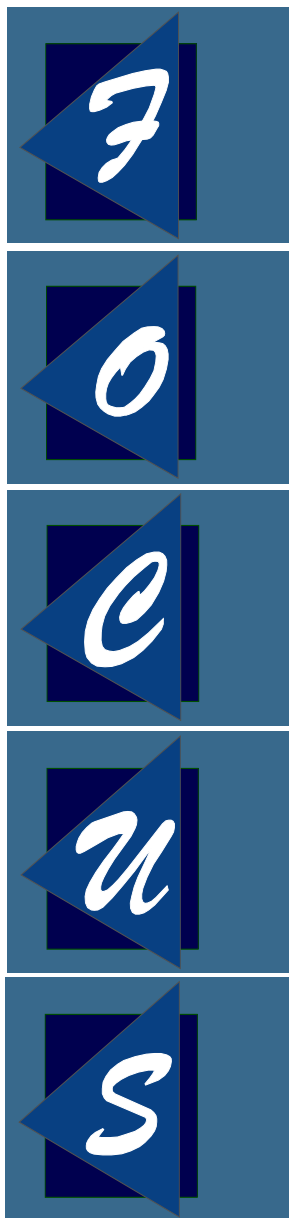
administration. One was a strategic plan completed in January of 2003 that laid out internal organizational changes and governance for the department. In May of 2003 the department concluded an Academic Program Review (APR) required about every five years. The APR involved a review of all our programs, teaching, research and extension, by a review committee with members from our clientele and other universities. We continue to implement recommendations and changes from both of these review processes.

Four events have recently combined to highlight an issue that has been with us for many years. The Kansas v. Nebraska settlement on the Republican River, Colorado-Wyoming-Nebraska settlement on the North Platte River, LB 962 and the ongoing drought in Western Nebraska have combined to remind us that competition for our limited water supplies is alive and well. Dr. Ray Supalla and graduate student Scott Nedved discuss the results of a study they conducted this past summer that examined the potential economic impacts from the Kansas v. Nebraska settlement. In so doing, they provide a lesson on diminishing returns, a concept quite familiar to most biological scientists and economists. While familiar to us, the concept is one that can easily be overlooked and thus lead to confusion about potential economic impacts of water use constraints. Their article helps us understand why water constraints do not always result in disastrous impacts on irrigators and the economy.

The news articles highlight the successes of our students and faculty. We are extremely proud of both. Our students not only have represented the department and UNL very well, they have also represented themselves in the best professional light. Anyone who saw how our club and Quiz Bowl members conducted themselves at our annual professional meetings would be proud to be associated with them. Thanks to them and to their faculty advisors for an outstanding year! Our faculty members have also been very productive and their peers and others have recognized that productivity and scholarly work in the form of honors and awards.

The past year has been a very good one for our department. As always, we encourage your comments and suggestions.

**Richard T. Clark,  
Professor and Interim Head**



# Economic Issues for Nebraskans

Department of Agricultural Economics • University of Nebraska-Lincoln

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# FORECASTING NEBRASKA LAND VALUES

by Glenn Helmers, Saleem Shaik and Bruce Johnson

**H**ow agricultural land values change is a major concern to agricultural producers, landowners, rural community businesses and financial agencies. Nebraska agricultural land values experienced dramatic swings in the first half of the twentieth century. The 1961-81 time period saw an average annual increase in land values of 10.5 percent per year. The 1982-87 time period, on the other hand, saw average decreases of that magnitude. More recently, from 1987-2003, nominal land values increased in nearly all years, but the average increase was less than one-half of those rates experienced in 1961-81. In this article we quantify factors important to land value changes and evaluate the accuracy in using these factors in forecasting land values. The market for land involves many transactions and each transaction is unique. Moreover, there is not one single market but literally hundreds of local markets, each operating under a different set of factors. However, using a limited number of economic variables we can quantify how the market operates on average.

## 1981-2003 Period Analysis

The impact of factors hypothesized to affect Nebraska land values was statistically analyzed for the 1981-2003 time period. This is a relatively short time period to provide statistically reliable estimates, however this was the time period for which land values were available from the annual Nebraska survey. Five explanatory factors were used in

estimating land values. Because the analysis emphasized forecasting, two of the variables involved the land values of previous years. The first was the previous year's land value and is used as a base in projecting next year's value. The second variable involving land values was the change in land values from two years ago to last year. This variable represents time trend, and past trends are sometimes thought to represent a speculative element in the market. Another perspective is that a trend in land values indirectly provides increased or decreased potential for credit; thereby either increasing or decreasing the capacity for existing landowners to purchase additional land affecting the demand for land.<sup>2</sup>

Three variables were included to represent the commonly-held capitalization formula for valuing infinite life assets. This is the process of discounting all future net returns from such an asset and is represented as

$$V = \frac{R}{r}$$

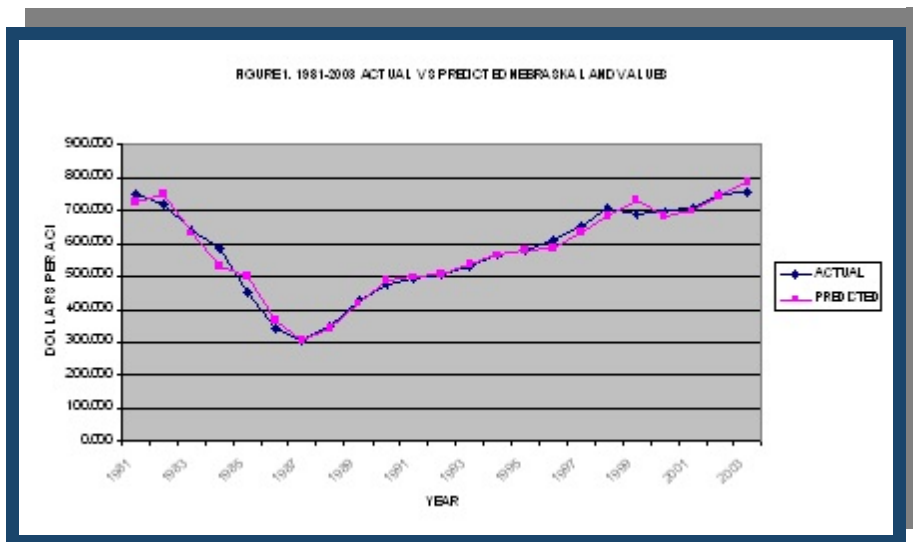
where V = land value, R is annual net return and r is the discount rate. For valuation purposes the numerator is the expected net return to land represented either by the owner's net annual receipts from a

crop share lease or net cash rent. The denominator represents the discounting of future returns because of time; and for this, the real estate interest rate is commonly used. We used the previous two years of per acre crop receipts for Nebraska to represent the numerator, along with per acre government payments for the previous two years as a second component. While net crop receipt data would be preferable, a data series for net returns from crops is not available because of the lack of aggregate cropping cost data. Both of the crop receipt and government

**"....the basic capitalization model using past economic variables performs relatively well in tracking and projecting the states land values."**

payment variables vary from year to

year, thus combining two years provides a more stable perspective of the level of expected cash receipts and government payments. The crop cash receipt variable and the government payment variable were both included separately rather than combined to allow us to quantify each ones influence. The past year's real interest rate (nominal interest rate less inflation) is used for the denominator. Real (inflation free) interest rates are used because the numerator of the capitalization formula is in non-inflated dollars, meaning that the future impacts of inflation on crop returns are not accounted for. Thus, the denominator should also be placed on a non-inflated or real basis. The real interest rate at a point in time



involves expectations of change and is not easily defined. Here it is done by subtracting the inflation rate from the nominal interest, even though it is recognized that changes in real interest rates defined in this way are more responsive to yearly changes than is actually the case. Real interest rates were low in early years of the analysis period and widened from 1983-87. They remained in the 5.0-7.5 percent range from 1988-2000 and have declined to lower levels after 2000.

It should be noted that all explanatory variables use data from previous years. This is convenient in forecasting because economic data for a current year is rarely available while they are likely available for the previous year.

Strong statistically positive relationships were found for the last year's land value, the land value trend variable, the previous two years' crop receipts and the previous two years government payments. The real interest rate variable was found to have the expected negative influence and was also statistically significant.

The comparison between forecasted and actual land values for 1981-2003 is presented in Figure 1. It can be observed that the forecasted values identify the low

(1987) point with some minor "overshooting" and "undershooting" for various years. Only for 1981-82 and 1999-2000 are there directional differences between the actual land value yearly change vs. the yearly change in the predicted or forecasted land value.

The impacts on land values of a one dollar annual change in per acre gross cash receipts and government payments for the 1981-2003 period were \$2.05 and \$2.52, respectively. This analysis period included all or parts of five commodity programs. Were both of these effects achievable without cost, viewed as a permanent change, and fully received by landowners, the impact of a net one dollar increase in crop returns and government payments on land values would be expected to be far greater than the 2-3 dollar change. However, particularly for crop receipts, a gross receipt change also involves significant cost when the increase is derived from increased output. Also,

for both crop receipts and government payments a one dollar change may not be viewed as a permanent change, thus further diminishing their influence. Finally, government payments involve various forms including conservation, disaster, deficiency payments, etc. Thus, a one dollar change in the government payment variable is an overestimate of true additional returns to land received by the landowner.

Using the overall crop receipt and government payment data, the analysis was extended to two types of cropland – center pivot irrigated and dryland (no irrigation potential). Unfortunately, the aggregate crop receipt and government payment data cannot be broken down and allocated to different farmland types. Hence, this limits the ability of the analysis to fully identify the impact of these variables on each farmland type. Nevertheless, the analysis found the impact of a one dollar annual change in crop receipts



and government payments on dryland land values to be nearly the same as for the all cropland category previously described. However, for center pivot irrigated land the impact of a one dollar annual increase in crop receipts on land values (\$5.61) was much higher than for dryland. This would be expected since the non-land portion of production costs per dollar of output is lower for irrigated land than for dryland. Similarly, the impact of a one dollar increase in government payments on land values (\$7.64) is much higher than for dryland. One reason for this may lie in the occurrence of crop disasters which have engaged disaster payments to dryland producers to a larger degree than to irrigated producers. When crop disasters occur, they likely dampen dryland cropland values relative to irrigated land. Thus, increased government payments of this form have less positive impact for dryland compared to irrigated land.

### Prediction Accuracy

It can be argued that the accuracy of the above analysis is "backward looking" and does not fully represent its true forecasting accuracy. For example, the projection for 1998 in Figure 1 also uses data for 1999-2003 to secure estimates of the impacts of variables rather than data only from the 1981-98 period. Hence we forecasted land values "outside" the data set in two different ways. These are termed "out-of-sample" estimates and when successful, increase our confidence in forecasting land values.

The first method used data for the 1981-97 period and retained those estimated relationships in estimating land values for 1998-2003. This is termed a "fixed" coefficient method. The second method (termed "updated") estimates land values for 1998 using

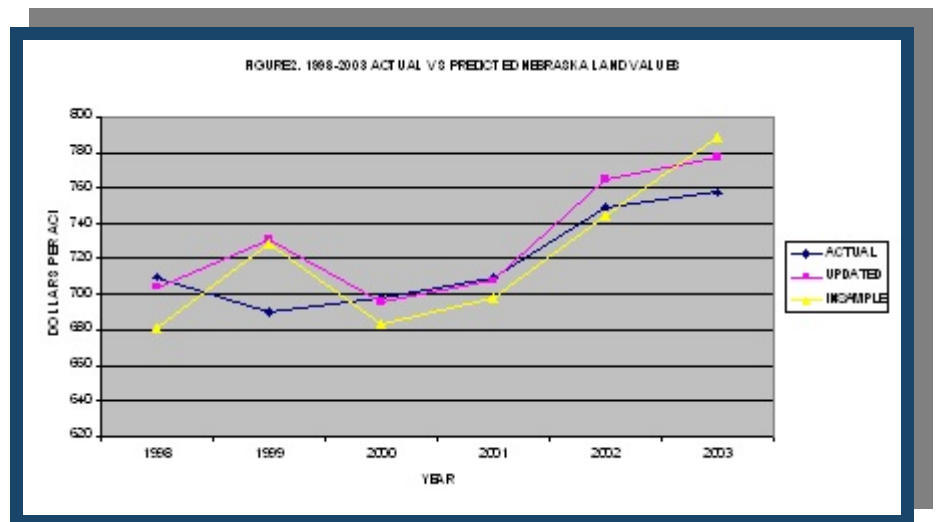
1981-98 data, 1999 values using 1982-99 data, etc. The latter method allows the estimated impact of the five explanatory variables to change across time. This method (updated) performed considerably better than the fixed coefficient model and is used here to compare to the "in sample" estimates described earlier. It again must be emphasized that the analysis period is relatively short, thus we only have a limited number of years to test the forecasting accuracy.

In Figure 2 the projected in sample land values and the updated out of sample projected land values are compared to the actual values for 1998-2003. The two projected series track closely, and generally reflect changes in the actual market values. It can be seen that the in-sample projection for 2003 showed a much greater

However, the most likely explanation for the 1999 discrepancy appears to be error in the land value survey. Actual land values from the Nebraska survey declined from 1998-1999 following a large increase from 1997-98, but a USDA survey indicated an increase for the 1998-99 interval.<sup>3</sup> This difference can be important when it is remembered that one variable in the estimation process for 1999 is the 1997-98 land value change. This is not to suggest that one series is more accurate than another, but rather that special care must be taken in interpreting forecasted land value changes when historical data series conflict and past land values are used in the estimation process.

### 2004 Projection

A specific projection for 2004 Nebraska agricultural land values cannot be made because data for



increase over 2002 compared to the updated estimate. One important difference between the actual and both projected values occurs in year 1999 as previously noted. In that year projections were considerably above the actual values secured from the Nebraska survey. This could be due to deficiencies in the model, errors in the value for the explanatory variables and/or to errors in the land value survey.

three of the five explanatory variables (2002 plus 2003 crop receipts per acre, 2002 plus 2003 government payments per acre, and 2003 real interest rates) are not yet available. However, indications are that 2003 crop cash receipts are higher than 2001, while 2003 government payments are similar to 2001. Hence, 2002-03 returns are likely to be higher than 2001-02 adding upward pressure on land

values in 2004 compared to 2003. In addition, real interest rates in 2003 may have been lower than 2002, also adding to an expected land value increase for 2004.

Presently, 2004 land value estimates from the Nebraska survey are completed and indicate a strong upward surge over previous year levels – in fact an overall gain of more than nine percent for the 12 month period ending February 1. Hence, the basic capitalization model using past economic variables performs relatively well in

tracking and projecting the state's land values.

1 Johnson, B.B. and G.A. Helmers, "Nebraska Farm Real Estate Market Developments 2002-03." Nebr. Coop. Ext. EC 03-8095, 2003.

2 Data for cash receipts and government payments: [ers.usda.gov/Data/farmincome/finfidmu.htm](http://ers.usda.gov/Data/farmincome/finfidmu.htm); nominal interest rates; 1980-2002, Agr. Income and Finance Outlook, March 2003, AIS-80 and Summary 1993 ECIFS 1301, Dec. 1994, U.S. Dept. Agr., Economic Research Service; Implicit GDP Price Deflator, [bea.doc.gov/bea/dn/home/gdp.htm](http://bea.doc.gov/bea/dn/home/gdp.htm).

3 "Agricultural Land Values." U.S. Dept. Agr., Aug. 2002.



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## DIMINISHING RETURNS AND THE ECONOMIC VALUE OF WATER

by Raymond J. Supalla and Scott Nedved

A combination of drought and interstate litigation have combined to present formidable challenges to water users in Western Nebraska. In the Republican Basin irrigators will soon be required to reduce the amount of groundwater they use in order to meet Nebraska's court mandated stream flow obligations to Kansas. In the Platte Basin, several years of drought have reduced water supplies in Lake McConaughy to 20 percent of capacity and reduced expected 2005 irrigation deliveries to less than 50 percent of normal. These developments have irrigators and main street businesses very concerned about the economic implications. Many observers believe this will bring an economic disaster to Western Nebraska,

especially the Republican Basin. A recent study of the Republican Basin, however, found that the consequences will be serious, but not disastrous if irrigators respond in optimum ways.

### Republican Study Results

The Republican Basin study used a linear programming methodology to analyze the on-farm effects of three policy options for reducing irrigation: basin-wide pumping reductions of 10 and 20 percent, and a worst case drought period scenario.<sup>1</sup> The drought

1 Since this analysis was completed the Nebraska Department of Natural Resources has lowered their estimate of the pumping reductions that may be required in drought years from 13 percent basin-wide plus 120,000 acre-feet (40,000 at the river), to a 5 percent basin-wide plus 120,000 acre-feet reduction.

scenario consisted of a 13 percent basin-wide reduction in pumping, plus an additional 120,000 acre-feet of pumping reductions (40,000 at the river) that was proportionally distributed across three Natural Resources Districts (NRD's) in the basin based on their respective share of depletions to the river. On-farm economic effects from these scenarios were estimated separately for the Lower, Middle and Upper NRD's and for the upland and quick response wells within each NRD. The methodology incorporated five irrigated crops (corn, soybeans, wheat, grain sorghum and alfalfa) and a dryland rotation, and solved for the optimum crops to produce and the optimum amount of water to apply to each crop. Other outputs from the



on-farm model included the effect of water supply changes on the total value of crop production, net economic returns and farm input purchases.

We estimated that a ten percent reduction would reduce water pumped by 110,000 acre-feet, reduce net farm income by \$3.00 per certified acre per year (\$6.00 per affected acre),<sup>2</sup> and cost the Republican Valley \$5.6 million in value added receipts.<sup>3</sup> This total cost is equivalent to \$53 for each one acre-foot change in pumping and to \$196 for each one acre-foot change in consumptive use.

We estimated that a 20 percent reduction would reduce pumping by 220,000 acre-feet, reduce net farm income by \$15.00 per certified acre per year (\$21.00 per affected acre), and cost the Republican Valley \$24 million per year in value added. This total cost is equivalent to \$110 for each one acre-foot change in pumping and to \$254 for each one acre-foot change in consumptive use.

The worst case drought scenario reduced water pumped by 260,000 acre-feet, reduced net farm income by \$21.00 per certified acre per year (\$31.00 per affected acre), and cost the Republican Valley \$32.5 million

per year in value added. This total cost is equivalent to \$125 for each one acre-foot change in pumping

13 percent + 120 kaf drought scenario would cost those with quick response wells in the Upper Republican NRD \$104 per acre. Impacts of this magnitude are very large indeed! On the other hand, there were many situations where the economic effects were quite small and certainly small relative to the expectations of some people in the Basin. Why was this the case?

We think that a major reason why the results surprised some people is that it is common practice to think in terms of the average value of water, rather than apply the concept of diminishing returns. Let us consider, for example, furrow irrigation of corn in the Middle Republican NRD. In this case the first inch of water applied produces about 11 bushels of corn and costs about \$3.00, for a net gain of \$22.85 if corn sells for \$2.35 per bushel ( $11 \times \$2.35 - \$3.00 = \$22.85/\text{inch}$ ), as illustrated in Figure 1. The 19th inch applied, on the other hand, may



and to \$287 for each one acre-foot change in consumptive use.

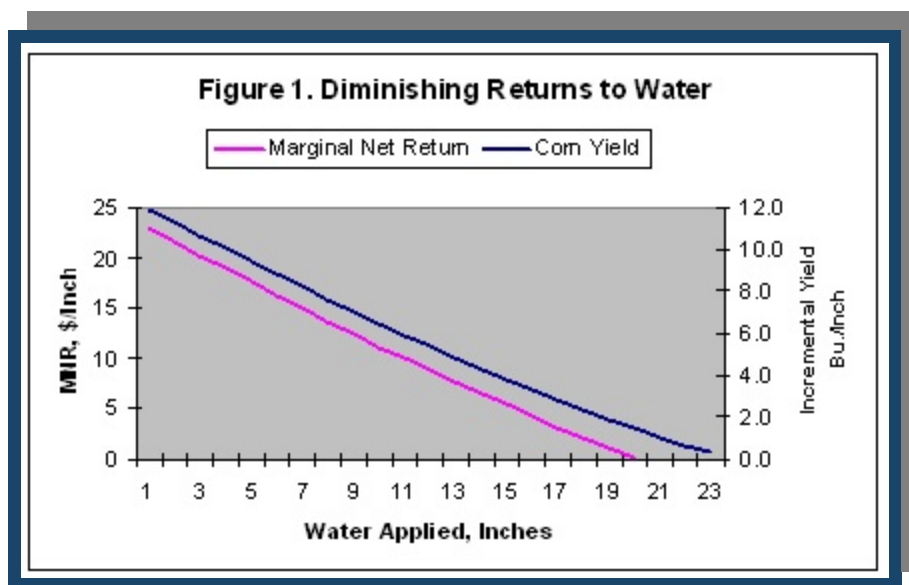
Public responses to the Republican study suggest that many people believe that both the on-farm and the off-farm effects of reduced irrigation will be much larger than was estimated.

### Why Are the On-Farm Economic Effects Smaller Than Some People Expect?

In our view many of the on-farm economic effects are not "small." We estimated, for example, that the

<sup>2</sup> A certified acre is any land which has been defined as irrigated by the NRD. The cost per certified acre was computed by dividing the total number of certified acres, whereas cost per affected acre was computed by dividing the same total change in net income by the number of acres affected by the regulation. Not all irrigated acres are affected by a regulation because not all of them have historically used more than the regulated amount.

<sup>3</sup> See page 10 for a definition of value added.



produce only two bushels, for a net value of \$1.70 ( $2 \times \$2.35 - \$3.00 = \$1.70$ ). In this case the average value of all irrigation water applied to corn is about \$10.00 per inch, with the first one inch worth \$27 and the last inch less than \$2.00. When irrigation is reduced by regulating pumping, the cost to the irrigator is the lost net income from the last inches used. Because of diminishing returns this cost is much less than the average value for all irrigation water. Although the relationship between water applied, crop yields and net economic returns is different for each crop, irrigation system type, soil and climate, the concept of diminishing returns applies in all cases.

The slope of the marginal net return (MNR) function describes how quickly economic returns diminish as more and more water is applied, and this is most significantly affected by the efficiency of an irrigation system. A very efficient system, such as a center pivot, will have a steeply sloped MNR function because even a small reduction in the amount of water applied results in significantly lower yields and economic returns. With a less efficient system, however, the MNR functions are flatter because you have to apply

more water to produce a crop. This means that with a relatively inefficient gravity system each one unit reduction in water applied will have a smaller impact on yields and economic returns than, for example, a more efficient pivot system that is used to irrigate the same crop.

The corn, gravity irrigated, Middle Republican case described in Figures 1 and 2 illustrates why the average value of irrigation water is not an appropriate measure of the cost of reduced irrigation, and why it is so important to implement reductions in the most cost effective way. The average value of water used for gravity irrigated corn in our example is \$116 per acre-foot (Figure 2). This represents the cost of decreased water use only if one reduces water use by reducing irrigated acres. In this case if one wanted to reduce water applied by 20 percent and did so by deficit irrigating corn, the average on-farm cost would be only \$25 per acre foot, compared to \$116 if a reduced acreage strategy was used. This huge difference exists because a 20 percent reduction in water applied to all gravity acres amounts to only 4 inches per acre (from 19.8 to 15.8 inches), which doesn't reduce economic returns by very much when compared to the

consequences of an equivalent 20 percent reduction in irrigated acres.

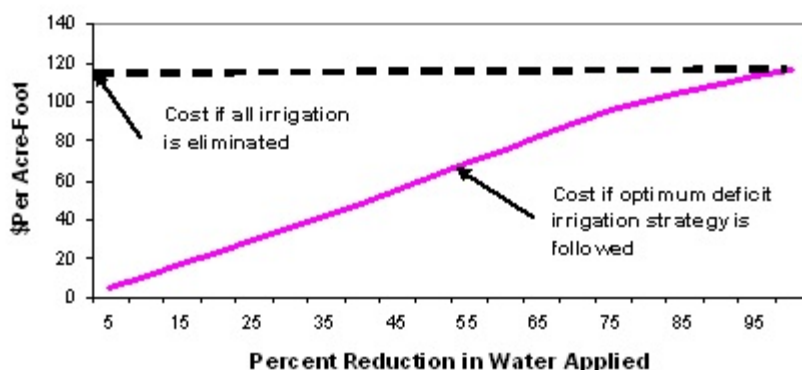
The fact that the cost of reduced water use is relatively low only if producers follow a deficit irrigation strategy may be another reason why some observers disagree with our estimate of the on-farm costs of reduced irrigation in the Republican Basin. The costs will indeed be higher than we have calculated if producers do not respond optimally to the expected regulations. This is a valid concern. If irrigators respond by shifting some irrigated corn acres to drought tolerant crops such as wheat and grain sorghum, or by reducing irrigated acreage instead of deficit irrigating corn or soybeans, then the economic costs will be much higher than we have estimated.

### Why Are the Off-Farm Economic Effects Smaller Than Some People Expect?

In our view, most of the off-farm economic effects are not small and some are very substantial. The 20 percent pumping reduction scenario, for example, was estimated to decrease economic output in the Republican Valley region by \$58 million and value added by \$24 million, with about 25 percent of the output impact and one-third of the value added impact occurring off-farm. Impacts of this size are certainly significant, but public feedback suggests that our estimates are still much smaller than many people expected. Why is this the case?

We believe that a major reason why some people believe that the off-farm impacts will be several times larger than we have estimated is again because they are accustomed to thinking in terms of the average impact from removing an acre of land from irrigation. If we were evaluating policy scenarios which retired irrigated land,

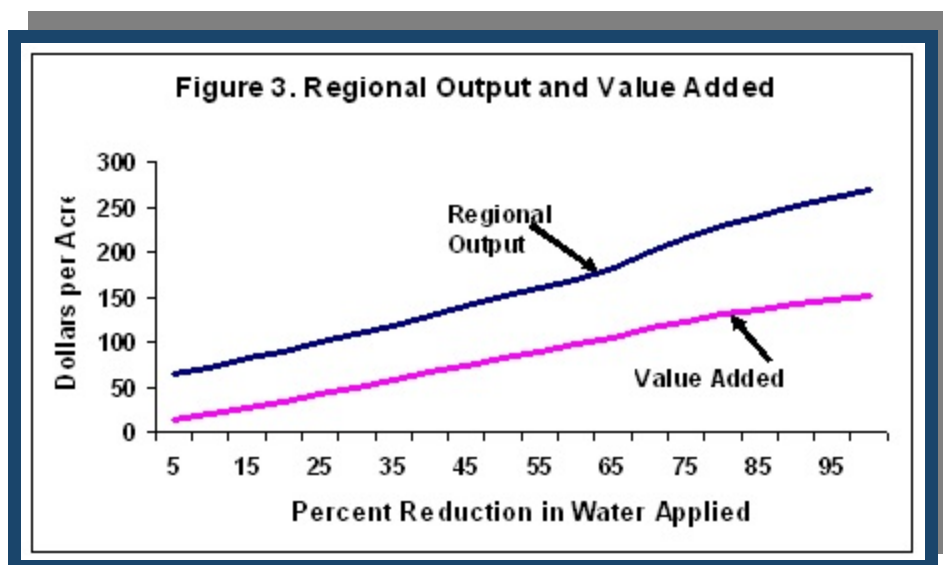
**Figure 2. Farm Cost of Reduced Irrigation:  
Gravity System, Middle Republican**



especially if it goes from irrigated production to conservation grasses, the economic effects on the region would be three to four times what was estimated for the regulatory scenarios. This is because removing an acre of land from production has a much larger effect on gross agricultural sales and on the amount of agricultural inputs purchased than when you reduce pumping by deficit irrigating. In other words, again we have the effect of diminishing returns, although in a somewhat different context.

The effects on the regional economy from reducing the amount of water used for irrigation are proportional to the change in the value of agricultural production, or sales of grain. Agricultural commodities are sold to buyers outside the region which generates income and employment for people within the region. Two measures of this regional effect are most commonly used, economic output and value added. The economic output effect is the change in the total value of what is sold by all sectors of the regional economy. Value added is a measure of how much the regional economy contributed to the value of total output. Hence, value added is the most meaningful measure because it represents payments to households and firms within the region for their contributions to production. These effects are described in Figure 3 for one small part of the Republican Basin; gravity irrigated land in the Middle Republican NRD.

Note from Figure 3 that water use can be reduced by a significant percentage before the regional economic effects become especially onerous. This is because deficit irrigation in response to modest percentage reductions in water applied has very little effect on grain yields, and thus there is very little impact on the total value of agricultural production in the



region. In our example, reducing the amount of water applied to gravity irrigated corn to 80 percent of the full irrigation requirement (a 20 percent decrease) would reduce regional output by about \$90 and value added by about \$35 per acre-foot of reduction. On the other hand, the regional impact from converting irrigated land to dryland is equivalent to reducing the amount of water applied to an acre by 100 percent, which would reduce regional output by \$270 and value added by \$150 per acre foot (Figure 3).

### Policy Implications

Most observers will probably agree that water policy in Nebraska has changed dramatically in the past couple of years. With the Kansas v. Nebraska settlement, the passage of LB 962 and the drought, the state has begun to manage ground and surface water as a single resource and has embraced sustainability as a long-term policy objective. This inevitably means more regulation of how ground and surface water is used. Understanding how regulations will affect irrigators and the regional economy is essential for the formulation of sound policy. Our analysis of selected proposals for the Republican Basin is only one small part of this process and the

numbers reported here may not stand the test of time. What is perhaps more important are the economic concepts imbedded in the analysis.

The economic concepts of diminishing returns and decision making based on marginal costs and benefits are especially important. As we reallocate water from irrigation in Nebraska to other uses or to other states, it is important that we do so in a least cost manner. This analysis and others like it suggest that such re-allocations need not be economically catastrophic if we use these economic concepts to find, understand and implement least cost and equitable policy options.



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# DEPARTMENT CONTINUES TO PLAN FOR CHANGE

by Jeffrey S. Royer

**D**uring the past three years, the Department of Agricultural Economics at the University of Nebraska–Lincoln has completed two major activities aimed at improving the quality of its teaching, research, and extension programs. In January 2003, the department concluded a two-year strategic planning process focused on improving its responsiveness to the needs of the state and increasing public awareness of its programs and accomplishments. In May 2003, the department conducted a three-day academic program review during which an outside panel reviewed its programs and offered recommendations for improvement. Currently, the department's faculty and staff are continuing to act on the ideas and suggestions identified by those two activities.

The strategic planning process, which the faculty initiated in April 2001, considered both the department's programs and its organization. As part of the process, the department held a one-day listening and planning session in May 2001 and a two-day off-campus faculty retreat in June 2001. At the retreat, the faculty outlined its goals for the strategic planning process and procedures for accomplishing them. It also developed several resolutions defining the scope and mission of the department.

Later, several committees were formed to study issues identified at the retreat and to make recommendations to the faculty for action. Those issues and plans for

action were discussed at regular monthly department meetings as well as several special meetings throughout the 2001–02 academic year and the 2002 fall semester. Final action on issues relating to the strategic planning process was taken in January 2003 when the faculty approved a revised set of departmental guidelines that incorporates the changes in organization and governance stemming from the process.

## **Changes Due to Strategic Planning**

With approval of the new departmental guidelines, the strategic planning process was essentially completed except for the implementation of some of the changes approved by the faculty. The major outcomes of the process are summarized below.

### ***Department Name***

One result of the strategic planning process was the faculty decision to change the department's name. If approved by various university oversight committees and administrators, the department would become the Department of Agricultural, Community, and Resource Economics, a name that is consistent with the department's scope, which includes agribusiness and food industry systems, community and economic development systems, and natural resource and environmental systems. The faculty believes that the new name would be more descriptive of the programs the department

currently offers and help stakeholders identify with the department. It also could help in recruiting new students to our natural resource and environmental economics major.

### ***Faculty Interest Groups***

The faculty formed five interest groups during the 2002 fall semester in an effort to coordinate teaching, research, and extension programs, increase faculty ownership in the department's programs, and improve the department's responsiveness to emerging economic issues in the state. The five interest groups are:

- Agribusiness
- Agricultural and Food  
Industrial Organization
- Community and Social Capital
- Farm Management  
and Marketing
- Natural Resources  
and Environment

The interest groups are responsible for providing leadership in identifying and responding to teaching, research, and extension needs within their areas of work. Their activities may include sponsoring seminars, workshops, and retreats for identifying needs and coordinating the efforts of faculty and staff in responding to those needs. Interest group chairs are responsible for presenting written reports about the activities of their respective groups to the faculty on an annual basis. Interest groups are also expected to participate actively in the faculty hiring process. The groups are expected to periodically review the need for



faculty in their respective areas, prepare position descriptions, and present them to the faculty for consideration and inclusion in the department's staffing plan.

### ***External Networking Committee***

The department also established an external networking committee during the 2002 fall semester. The primary purpose of that committee is to improve communications between the department and its stakeholders concerning current programs, recent department accomplishments, and the emerging teaching, research, and extension needs of the state. Membership on the committee currently consists of 17 leaders representing various stakeholder groups throughout the state, including production agriculture, agribusiness, community development, and natural resources. The inaugural meeting of the committee was held in April 2003. That meeting included an overview of the department and its programs, a lunch during which the members of the committee had an opportunity to visit with faculty members with shared interests, and a roundtable session at which committee members were asked to share their reactions and suggestions with the faculty. The consensus of those who attended the meeting was that it was an excellent first step toward improving communications between the department and its stakeholders and that additional meetings should follow. A second meeting to brief the committee on the academic program review was held in January 2004.

### ***Faculty Advisory Council***

During the 2003 spring semester, the department created a faculty advisory council to serve as a sounding board for ideas and issues submitted to the department head and as a mechanism for relaying faculty concerns. The faculty advisory council is also responsible for advising the department head on the maintenance of the department staffing plan. The



council consists of six faculty members, five of whom are elected to represent the department's interest groups and one who is elected from the faculty at large. The faculty advisory council serves in an advisory capacity only, and it has no administrative authority and is not involved in faculty evaluations.

### ***Restructuring of Standing Committees***

The department's new guidelines provide for a restructuring of the department's standing committees, which took effect at the beginning of the 2003–04 academic year. The most significant change in the committee structure is the consolidation of nine of the department's committees into three — an external relations committee

with greater responsibilities, a new professional relations committee, and a new working environment committee. Consolidation of the standing committees was motivated by the declining number of faculty and staff members and a belief that the merger of committees with related responsibilities could provide economies and additional functional integration. The faculty also thought that reducing the number of committees would make

committee membership more meaningful and the committees more accountable to the department. Under the new guidelines, the department head now appoints most of the committee chairs, and committee members are subject to limits on how long they may serve.

### ***Administration of Teaching Programs***

The guidelines also include new policies on the administration of the department's undergraduate and graduate teaching programs. Under those policies, the department head is expected to develop and administer a multi-year teaching and advising plan that follows these principles to the extent possible:

- Widespread faculty involvement in both graduate and undergraduate teaching, with no faculty member teaching a course for more than three years in a row.
- Widespread faculty involvement in undergraduate advising, with no faculty member having more than 40 advisees.
- The provision of teaching opportunities for graduate students under faculty mentors.

## *Annual Staffing Plans*

During the strategic planning process, the department articulated a set of staffing principles and developed a staffing plan that is to be updated annually. The staffing plan is to include a list of faculty priorities, corresponding position descriptions, and associated justification statements. Both the faculty interest groups and the faculty advisory council are expected to play key roles in maintaining the staffing plan. The department's new guidelines also specify the procedures to be followed during faculty searches.

### **Academic Program Review**

The comprehensive review of the department's teaching, research, and extension programs held in May 2003 was conducted in accordance with the Bylaws of the Board of Regents of the University of Nebraska and Legislative Bill 663, which require every institution within the university system to periodically review its academic programs. Administrative units within the Institute of Agriculture and Natural Resources (IANR) typically conduct comprehensive program reviews every five or six years. The department's last review was in 1997.

The 2003 review benefitted from the participation of an external panel representing UNL faculty, students, stakeholders, and administrators. In addition, the panel included individuals from Kansas State University, Purdue University, the University of Rhode Island, and the Cooperative State Research, Education, and Extension Service of the U.S. Department of Agriculture.

The review focused on the needs for and the goals of the department's programs in relation to the needs of the state, the university, and its stakeholders in the context of available resources. One purpose of the review was to help the department identify future program objectives as an integral part of the university's ongoing strategic and budget planning processes. In preparing for the review, the department's faculty spent much of the preceding year writing an extensive self-study report describing the department's programs and identifying the challenges and opportunities faced by the department. The schedule for the three-day review included numerous faculty presentations and opportunities for the review panel to interact with faculty, staff, students, and other stakeholders.

The review panel presented oral reports to both the department and IANR administration before leaving campus, followed by a written report received in June

**"The Department hopes these actions will help it respond more effectively to the needs of its stakeholders."**

2003. In the written report, the panel listed several items that it considered to be strengths of the department or that represented progress since the last review. Those included the following:

- A relatively stable enrollment in the department's undergraduate degree programs over the past 25 years (although acknowledging recent declines).
- The establishment of an MBA program in agribusiness jointly offered with the College of Business Administration.
- An increase in publications by faculty members, as well as more publications and professional presentations by

graduate students.

- The existence of cutting-edge research and infrastructure for supporting future research in several areas.
- The recent hiring and retention of outstanding new faculty members in teaching, research, and extension.
- The creation of the external networking committee.

The review panel's written report also contained a number of recommendations for improving the department's teaching, research, and extension programs. Among those recommendations, the panel suggested the department:

- Reassess the objectives and priorities of its extension program and develop an action plan in light of new information delivery technologies and the recent decline in the number of extension faculty members due to retirements and budget reductions.
- Develop a strategic plan for its undergraduate teaching program that addresses future directions, opportunities, and resource demands.
- Encourage its research and extension faculty to become more active in applying for external grants and contracts.
- Balance research that addresses the needs of stakeholders and research that contributes to the advancement of knowledge.
- Continue strengthening its relationships with other academic units, particularly the College of Business Administration and the School of Natural Resource Sciences.
- Encourage faculty members to provide more leadership in organizing and conducting multi-disciplinary research and extension programs with other departments.
- Work to increase the number of women and minority students

enrolled in its undergraduate programs.

After receiving the review panel's written report, the department began studying the panel's recommendations and developing steps for implementing them. The faculty submitted a response to the review panel's report to IANR administration in September 2003, and the department head met with administrators to review the response in December 2003.

Meanwhile, the department began taking steps to implement many of the recommendations. In July 2003, extension faculty and staff members held a two-day strategic planning session with extension administrators and educators to begin developing a strategic plan and to establish priorities in several programming areas.

More recently, the department initiated a comprehensive review of its undergraduate curriculum and degree programs and plans to have course changes and curriculum revisions approved and in place soon. The faculty also has been conducting a study of those students who left the department before graduating during recent years in an effort to design an improved student recruitment and retention plan. The department hopes these and similar actions will help it respond more effectively to the needs of its stakeholders.



#### ABOUT THE AUTHOR

Jeffrey Royer is Professor of Agricultural Economics, University of Nebraska-Lincoln, specializing in industrial organization and vertical integration, firm theory, agricultural cooperatives and operations research methods.

### FACULTY HONORS AND AWARDS

**BRUCE JOHNSON** received the Gold Quill Award for writing the outstanding article, "Equity and Risk Associated with Share and Cash Leasing: A Nebraska and South Dakota Study," published in the *Journal of the American Society of Farm Managers and Rural Appraisers* in 2004. His co-authors were John Cole and Larry Janssen.



**DOUG JOSE AND ROGER SELLEY** received the "2004 Outstanding Extension Program" award from the American Agricultural Economics Association for their "Winning the Game" marketing education program. This program has been well received in Nebraska and is being offered by their colleagues in other states as well.



**RON HANSON** was named the 2004 Nebraska Professor of the Year by the Carnegie Foundation in conjunction with the Council for Advancement and Support of Education (CASE). This was the first time a professor in agricultural or food sciences has earned this honor for Nebraska. The award was presented to Ron in Washington, D.C. this past November. A year ago Professor Hanson was the first UNL faculty member to receive the National University Teaching Award of Excellence from the U.S. Department of Agriculture. Ron serves as the Neal E. Harlan Professor of Agribusiness in the Department, and this April (2005) marks 31 years of undergraduate teaching and advising by Dr. Hanson in the Department. His teaching career has earned him 14 recognitions from the UNL Parents Association in addition to over 25 other teaching awards and honors at the college, university and national level.

**GARY LYNNE** was honored as a member of the Carbon Sequestration Team that received the IANR Team Effort Award.

### RECENT GRANT AND CONTRACT AWARDS

**KONSTANTINOS GIANNAKAS.** "Market and Welfare Effects of Purity Thresholds in Biotechnology Labeling Laws." Economics and Management of Agrobiotechnology Center, University of Missouri-Columbia, \$10,000.



**KONSTANTINOS GIANNAKAS AND AMALIA YIANNAKA.** "The Market Potential of a Second Generation GM, High Oleic Soybean Oil." United States Soy Board, through the UNL Agricultural Biotechnology Group, \$18,816.



**JEFFREY ROYER AND DARRELL MARK.** Development of "University of Nebraska Cooperative Analytical Simulation Tool, NU CAST Version 2.0." Nebraska Cooperative Council, \$6,500.



**RAY SUPALLA AND DAVE AIKEN.** "Water Marketing." U.S. Bureau of Reclamation and USDA, Economic Research Service, \$33,000.



# EPILOGUE TO A CAREER

by Roy Frederick

**T**ime for reflection. After 32½ years as an agricultural economist, I retired at the end of 2003.

Well over half of my professional life was spent at the University of Nebraska. Briefer stops were made at Kansas State University; the Committee on Agriculture and Forestry, the U.S. Senate; and the Nebraska Department of Agriculture. In each position, the work has been challenging and rewarding.

Even more importantly, I've met and worked with many wonderful people along the way. Thus, the first thing I want to do is say "thanks" to all those who've been a part of my career. I've learned much from you, and I cherish your friendship.

I also acknowledge that careers are often built on lifetime experiences. Having been reared on a modest-size farm near Kearney, Nebraska, I became sensitized to the economic vagaries of production agriculture at an early age. It is no coincidence that I became an agricultural economist. I wanted to learn as much as I could about the dollars and cents of agriculture. So to family (especially my parents), friends, teachers and others who inspired me to learn more about the economics of agriculture, I express my appreciation as well.

## Career Beginning

My career began on June 14, 1971, one day after receiving a

Ph.D. in Agricultural Economics from Purdue University. After spending nine years in college, I was amazed how little I knew as I joined Kansas State University to begin work as a grain marketing specialist! The practical issues and concerns of Kansas wheat farmers simply had not been on my radar screen as a graduate student in Indiana.

It didn't take long, however, to begin to understand some realities about production agriculture. Many haven't changed much in the past 32 years.



Agriculture tends to be a narrow-margin business. It takes a combination of good production practices, careful monitoring of expenses, savvy marketing decisions and the use of available government programs to make ends meet.

Notwithstanding generally narrow margins, profitability of

individual producers varies widely. In any single year, some of this is due to luck. Over the long-run, however, the benefits from good management and marketing skills cannot be overemphasized.

Technological innovation continues to drive agriculture. Some innovation, particularly with respect to machinery and equipment, is not size neutral. Along with other factors, this has contributed to structural change in agriculture, particularly relating to the number and size of individual operations.

Producers often express a desire to become better marketers. For some, this tends to mean being able to pick the high-price day to sell, a difficult goal to reach even once, much less to repeat indefinitely.

My initial work as a grain marketing specialist focused on the last of the items listed above. As much as possible, however, I tried to stay away from making specific forecasts about prices. Instead, much effort was directed to helping producers understand available market tools, such as futures contracts, options and various cash contracts. In more recent years, colleagues have included such tools in comprehensive risk-management educational programs.

## Increasing Importance of Exports

One of the more important events to impact the course of my career



occurred barely one year into it. It was a Saturday in the summer of 1972. I recall coming in from an afternoon of working in my yard and turning on the 6 p.m. news. The lead story reported that the Soviet Union had unexpectedly bought a large amount of U.S. wheat. But the story's real significance was a hint that more sales might follow. What an understatement that was!

That first Soviet purchase was, figuratively speaking, a shot out of the blue. The Cold War between the USSR and the United States already had droned on for a full quarter-century. Presumably, Soviet communist leaders wanted little to do with American capitalists.

What, then, changed their minds? Fundamentally, Soviet production had fallen short of needs. This had been true for several years leading up to 1972, and prospects were no better for that year. Unrest over food shortages was building, not only within the USSR but the Soviet satellite countries of Eastern and Central Europe.

Moreover, the Soviets proved to be salty capitalists, themselves. They recognized that U.S. grain and oilseed prices were very low. Gold, of which the USSR had large stocks, had risen in price after the United States abandoned the fixed dollar/gold exchange rate in the summer of 1971. In short, the Soviets needed to buy foodstuffs, they had the ability to do so, and the Americans were willing sellers.

In the ensuing twelve months after the initial Soviet purchase, more than 25 million metric tons of wheat and other agricultural commodities were imported from the United States. Prices skyrocketed to unthinkable levels. More importantly, they stayed at high levels for several years thereafter.

In Nebraska, for example, wheat

prices had averaged \$1.21/bushel for the 1969-71 marketing years. Over the next three years, 1972-74, the average price was \$3.12/bushel. For corn, the comparisons for the same three year periods were \$1.15 and \$2.27, respectively. And for soy- beans, prices averaged \$2.67 for 1969-71, about half the \$5.35 for 1972-74.

If nothing else, my ho-hum life as a grain marketing specialist came to an end with soaring commodity prices. Much attention was given to untangling all the factors – most of them in the export sector – that were impacting prices.

Export growth dominated agriculture throughout the 1970's. In 1971, as my career began, U.S. ag exports totaled only \$7.8 billion dollars. Ten years later, in 1981, exports had more than quintupled to \$43.8 billion.

Periodically, throughout that period, some observers worried that the world was running out of food. American farmers were encouraged, implicitly if not explicitly, to plant fence row to row to meet food needs. It was quite a change after 40 years of mostly excess capacity in American agriculture. Government programs that attempted to balance supply and demand by restricting production were considered outdated and unneeded by some agricultural leaders.

### **Hiatus From Academia: Act I**

In 1976, in the midst of the export boom, I took a year's leave of absence from KSU to serve as a staff economist on the U.S. Senate's Committee on Agriculture and Forestry. It was an eye-opening experience. My responsibilities included analyses of bills referred to the committee as well as proposals not yet in bill form.

Not surprisingly, among the issues addressed by the committee

in 1976 were a number of matters related to agricultural exports. This was an era in which some agricultural leaders felt export restrictions were needed to assure U.S. consumers that the country would not run out of food. Although this issue lingered for several years, it has been dormant for more than 20 years, now.

Committee staff also spent much time that year working on a comprehensive grain-inspection bill. This, too, had implications for international trade. The impetus for the bill was that some foreign customers had faulted the U.S. for delivering inferior-quality grain, ostensibly abetted by an inadequate grain inspection system.

Only after a tough Senate-House conference was a bill signed into law. Much of the controversy centered on whether grain inspections should be conducted by the public sector, the private sector or a combination of the two. The last alternative eventually was agreed to.

Another important activity in 1976 was the initial work on the 1977 Farm Bill. In particular, this was the first farm bill to include a research title (section), and much of the legwork on the title was completed during 1976.

From a personal standpoint, the committee experience ignited my interest in policy. I came to at least a modest understanding of how substantive budget and political perspectives come together in policy-making. Reluctantly, I came to admit, if only to myself, that politics often trumps other factors (notably economics) in the process. However, I also knew I wanted to spend more of my professional time on public policy issues when I returned to KSU in 1977.

### **Return to KSU**

As I began to reorient my career

to policy issues in the late 1970s, one issue dominated. Perhaps surprisingly, it was not the 1977 Farm Bill, although this was the first of six omnibus farm laws to which I devoted much time doing analyses and educational programming.

Throughout the 1970s, inflation in the general economy had been a problem. For the first three years of that decade, price increases had averaged about five percent annually. However, by mid-decade, inflation jumped to a nine percent annual rate. President Gerald Ford, upon taking office in August, 1974, almost immediately ordered an ample supply of WIN (Whip Inflation Now) lapel pins. Unfortunately, the pins seemed to do little good. Inflation remained at dangerously high levels for several more years, finally topping out at 10 percent in 1981.

Agriculture was not an innocent bystander to the inflation scourge. Input costs increased rapidly for many production items. Energy costs, in particular, were a concern.

In fairness, inflation also benefitted producers to some degree. Commodity prices during the last half of the 1970s probably were higher than they would have been without inflation. And landowners saw their net worth increase as land prices soared. (Inflation tends to cause money to flow toward fixed assets and away from financial assets).

Unfortunately, though, as the decade neared its end, a dangerous attitude toward land ownership began to develop. Some land was being purchased not so much to earn an acceptable current return, but for inflation-spurred capital gains. By 1981, prices of most types of agricultural land would reach record levels. The tendency was to think that land prices would go up

indefinitely because "they're not making any more of it."

### **Move to Nebraska**

In the midst of turmoil in the general economy (high interest rates were rapidly becoming a problem as well as inflation), an opportunity to return to the University of Nebraska came in 1980. I had been a student at the University in the 1960s, and my affection for the Cornhusker state and university had never waned. So in spite of interest rates that made it difficult to sell a house in Manhattan, Kansas and buy another in Lincoln, Nebraska, my family and I made the trek north to a new job in January, 1981.

In 1979, monetary authorities, led by Federal Reserve Chairman Paul Volcker, decided that the best way to zap the inflation demon was through higher interest rates. They did so with gusto. The prime lending rate, which had averaged 6.8 percent in both 1976 and 1977, leaped to a record 18.8 percent in 1981. The implications were profound for agriculture.

Anyone who borrowed money felt the impact of higher interest rates. But for those who had purchased land at inflated values and with little money down, the situation quickly became untenable. Many producers were forced to downsize their operations, if not leave agriculture altogether. Some banks and agribusinesses failed, as well.

Between 1981 and 1985, land prices dropped by half. By mid-decade, many observers were saying that the agricultural sector would have been better off if the boom of the 1970s had never occurred. Agriculture in the early 1980s went through a wringer not unlike that experienced in the Depression days of the 1930s.

In 1984, net farm income dropped to its lowest level in

decades (and what would prove to be the nadir for my career). Continued high interest rates, which had been at double-digit levels since 1979, were, of course, a big part of the problem. But a strong dollar and improved crops around the world, both of which tended to slow exports, added to the income debacle.

### **Government Supports Important Again**

When a new farm bill was passed into law in 1981, it reflected economic conditions of that period. In particular, members of the agricultural committees in the House and Senate worried about inflation and high interest rates. They wanted to provide an adequate price and income safety net for farmers, while staying within budget parameters. (Incidentally, that's an objective that hasn't changed much from the first farm bill in 1933 to today).

Target prices and potential deficiency payments had replaced nonrecourse loans as the primary means of support in the 1973 Farm Bill. The new payment scheme seemed to be working well, if judged by government outlays. Prior to 1981, corn deficiency payments for example, had totaled only \$88 million, all on the 1978 crop. Thus, Congress did not worry much – from a cost standpoint – about raising the target price in 1981. It seemed like the reasonable thing to do, given the hardships farmers were facing.

Congress raised the corn target price from \$2.40 per bushel in 1981 to \$2.70 in 1982. Thereafter, annual increases of around six percent were mandated, largely because of an expectation of continued high inflation rates. The corn target price was to reach \$3.18 per bushel in 1985, the last year under the 1981 act.

However, grain prices had weakened by 1984 and budget exposure from rising target prices had become an issue. The 1981 law was amended in 1984 to keep 1985 target prices at 1984 levels. For corn, that was \$3.03 per bushel. Still, deficiency payments for the 1984 and 1985 corn crops totaled \$4.1 billion. Outlays for other crops were also much larger than before.

The realities of the mid-1980's - low farm income, high government payments, falling land prices, sagging exports and mounting grain surpluses - set the stage for the 1985 Farm Bill. Policymakers realized there was little, if any immediate way to correct all the problems. Government support obviously was still needed, but budget-deficit reduction also was high on the agenda.

Eventually, the Congress and the Reagan Administration settled on a general goal of "market orientation." For the first time, the Food Security Act of 1985 mandated reductions in target prices, albeit with considerable lead time. First, target prices for the 1986 and 1987 crops were frozen at 1985 levels. Then, from 1988 to 1990, target prices dropped by about 10 percent.

Notwithstanding the change in policy, which had really begun in 1984, government payments reached a record high of \$26 billion in 1986. The next year, payments still were well above \$20 billion. For this, agriculture encountered something of a public relations nightmare.

Even as questions became more pointed about commodity subsidies, the 1985 Farm Bill was lauded for its emphasis on natural resources conservation. Soil conservation had been a part of farm bills as far back as the 1930s. However, the 1985 bill was the first to address

conservation in a comprehensive matter.

A new program, the conservation reserve program, was introduced to take poorer quality land out of production. In addition, conservation compliance requirements were applied to land left in production. Any producer who did not meet these requirements was denied price and income supports for corn and other eligible commodities. Similar conservation provisions applied to wetlands.

The significance of the 1985 conservation provisions is that such provisions have continued to grow in importance with succeeding farm bills. Environmental groups like them, farmers at least tolerate them and the general public does not complain about paying the bill. Most observers expect formal programs to conserve soil, water, wetlands and wildlife habitat to continue to grow in importance in the future.

### **Hiatus from Academia: Act II**

Quite unexpectedly, I was asked by Governor Kay Orr to serve as State Director of Agriculture in early 1987. So just as I had done in 1976, I requested a leave of absence from my "permanent" employment, this time from the University of Nebraska. Ultimately, I served with the Nebraska Department of Agriculture for 2½ years, returning to the university on October 1, 1989.

The NDA is much different from its federal counterpart. Most of the agency's work is regulatory in nature. That is, the focus on maintaining health, safety and weight standards for a range of agricultural products as they move from the farm gate to the supermarket shelf. For example, NDA inspectors regularly inspect dairies and dairy processing plants. Other inspectors routinely check

the accuracy of commercial scales. In total, at least 80 percent of the department's employees are involved in some regulatory activity.

Notwithstanding regulatory responsibilities, promotion and development of Nebraska agriculture have grown in importance for the department. NDA's role is to enhance and expand both domestic and foreign markets for Nebraska-grown products. More than a few Nebraska producers, while acknowledging the necessity of regulatory activities, hope that even more attention can be given to market development in the future.

Most ag directors also serve as an ex-officio spokesperson for the governor on agricultural matters. In my case, this role provided many opportunities for professional growth. In particular, I learned much more about the diversity of Nebraska agriculture and our natural resource base. I became better acquainted with Nebraska's agricultural leaders. And I came to understand a range of state government responsibilities that extend well beyond agriculture. All of this benefitted me when I resumed my career at the University of Nebraska.

### **The Home Stretch: Agricultural Policy**

Back at the university, I immediately began planning educational programming for the 1990 Farm Bill. As it turned out, this legislation continued many of the same general policy provisions that had been included in the 1985 law. Perhaps the most notable change in 1990 was not in the farm bill itself, but in an omnibus budget reconciliation bill that became law at about the same time. The latter reduced the acreage on which a deficiency payment would be paid

by 15 percent of the crop acreage base. In part, its purpose was to save money.

However, producers could plant any commodity, except fruits and vegetables, on these so-called flex acres. The introduction of flex acres in 1990 was the predecessor to almost complete abandonment of specific crop allotments in the 1996 and 2002 Farm Bills. The latter two bills also dispensed with acre idling or set-aside authority.

In short, the commodity support system has been "decoupled" from acres planted to a specific crop in a specific year. Instead, payments since 1996 have been based on historic crop bases. Moreover, the federal government can no longer use acreage set-aside authority to balance supply and demand of individual commodities.

Decoupling is significant in part because it removed the supply-control principle of commodity programs, a part of virtually every farm bill from 1933 through 1990. But it's important in another way, as well. At some point in the future, the federal government may decide it no longer wants to offer supports to the largest, most efficient farmers. Previous arguments that it's necessary to keep large-farm participants in farm programs to control supplies are no longer relevant.

Under the 1990 bill, extension programming focused on decisions about the desirability of participating in the government program, including use of the flex provision. However, in 1996 and 2002, it was almost a given that producers would participate. There was little reason not to.

An important need for producers in the latter legislation was to select among crop base and yield options.

Extension specialists and educators played a significant role in helping producers make those decisions. In particular, some educators made hundreds of computer runs for individual producers in their counties. Overall, Cooperative Extension worked more closely with the Farm Service Agency on the 2002 farm bill than any previous legislation.

Unfortunately, drought impacted areas of Nebraska in both 2000 and 2002. I was involved in drought damage assessments both years for the governor and our congressional representatives. Perhaps this specific activity is symbolic of agricultural policy programming generally: much of it focuses on linking a government response to a problem being faced by producers.

### **The Home Stretch: Other Public Policy**

High property taxes have been a public policy issue in Nebraska for much of the state's history. The lion's share of such taxes typically have been levied to finance public schools.

In 1990, the Legislature passed a major school finance bill. The bill's primary purpose was to shift significant financial support for schools from local property taxes to state sales and income taxes. Although this legislation reduced property taxes in the short-run, the long-run tendency for property taxes to increase resumed within a year or two.

Additional major legislation in 1996 and less comprehensive legislation in other recent years have not resolved the public's concern about tax and spending issues generally – or property taxes and school finances specifically.

Public finance issues have offered a fertile ground for extension programming. Over the years, I met with numerous school

and other local-government groups to discuss tax and spending issues. This programming is most effective when it applies to specific units of government. Still, with over 500 school districts and nearly 3,000 total units of local government, it's been a challenge to be responsive to apparent needs.

For several years, I have written two policy columns on a regular basis. The first is intended for general distribution and is published by a number of (mostly weekly) newspapers across the state. The second focuses more on agricultural and natural resources policy and is published by *Nebraska Farmer* magazine. Both columns have offered an excellent opportunity to interact with a cross-section of Nebraskans on a regular basis. I've enjoyed the challenge of writing the columns and the feedback that accompanies them.

### **Concluding Thoughts**

I've been lucky. I say that because I've spent my career mostly doing what I've wanted to do, where I've wanted to do it. Thank-you, Nebraska!

At the same time, certain frustrations go along with policy education. For one thing, agricultural policy is never completely effective, because it does not sufficiently recognize differences in individual farm and ranch operations. Combined with powerful economic forces, some operations benefit tremendously from government actions. Others are not helped much at all. No amount of educational programming changes that reality.

Agricultural policy generally tends to treat symptoms of problems, not problems themselves. In addition, policy responds mostly to short-term crises, giving short shrift to long-term problems. It



probably will continue to be difficult – if not impossible – to switch to long-term strategic planning in the political environment in which policy is made.

State tax and spending policy is impacted fundamentally by the nature of the state. We are a large state geographically, but a small state population-wise. In addition, the population is skewed to the Omaha and Lincoln metro areas. The latter have different needs and different tax resources than the rest of the state. Perhaps most importantly, we have not found a

way to export any significant amount of our revenue needs to taxpayers outside Nebraska.

In short, major public policy issues of Nebraska have not been resolved on my watch. Plenty of educational opportunities remain for my successor, whomever that may be. Best wishes both to the new "teacher" and the "students," the citizens of Nebraska.



#### ABOUT THE AUTHOR

**ROY FREDERICK** is Professor Emeritis, University of Nebraska-Lincoln. Before his retirement he specialized in agricultural and natural resource policy issues, taxation and international trade.

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# STUDENTS

## THE NATIONAL AGRI-MARKETING ASSOCIATION STUDENT CHAPTER

Report Prepared by Julie Douglas, Katie Frey and Matt Spilker

The student chapter of the National Agri-Marketing Association (NAMA) is in its eighth year as a student organization in the Department of Agricultural Economics. Bolstered by a rich tradition, UNL's NAMA Chapter continues to enjoy success.

Each spring, the student chapter travels to NAMA's national trade show and symposium, a conference held in conjunction with professional NAMA Chapters from around the U.S. and Canada. As part of the event, students participate in a marketing competition where they design a marketing strategy for an agriculturally based product or service. Products in past competitions have included branded beef, low phosphate corn, nutrient management programs and corn based plastics, to name a few. Students condense their marketing plan into a five page executive summary, which is submitted to judges in early March. During April's marketing competition, student chapters face off against one another with 20 minute presentations in front of panels of advertising, communications and marketing professionals. Of the 30 to 40 chapters fortunate enough to participate in the

competition, only 12 move into the semi-finals. The finals then consist of four teams.

The 2003-2004 edition of UNL's NAMA Chapter enjoyed a tremendously successful year. The highlight of the trade show was winning 2nd place in the Outstanding Chapter Competition, where all chapter functions, documented in the annual report, are used as criteria. UNL also won the Chapter Improvement Award for Communication, based largely upon publications, newsletters and overall promotion of chapter activities. The Midlands Chapter received the Outstanding Professional Chapter Award, and Bonnie Hassler, in only her freshman year, became the UNL chapter's fourth national scholarship winner.

Although the marketing competition is the highlight of UNL NAMA's year, many other activities enhance students' educational experiences. During the fall semester, agribusiness professionals join students for a resume and interview workshop where each student has the opportunity to sharpen interviewing skills with prospective employers. In



the spring, a discussion panel of similar professionals helps students to better understand what to look for in the job market. The mentoring program also helps students gain professional contacts throughout the year with visits to places of business and other informal communications. Fund-raising is also a big part of chapter life.

This year is already off to a great start with several students returning from last year. UNL's Student NAMA Chapter has been very effective in recruitment for the year, with seven new students joining the organization.

This year will see more involvement from professional partners who will critique and guide the development of the executive

summary and student presentation. This will be accomplished through meetings and the mentoring program.

Participation provides NAMA members with real-world expertise and networking as well as hands-on experience in developing a marketing plan.



## AGP STUDENT AMBASSADOR SCHOLARSHIP PROGRAM

During the 2004 Fall semester the Department of Agricultural Economics at UNL initiated the AGP Student Ambassador Scholarship Program. Five undergraduate students were selected for this program and are identified as the AGP Student Ambassadors. This two year pilot program is funded by a joint partnership between Ag Processing Inc. (AGP) in Omaha and the Department of Agricultural Economics.

The AGP Student Ambassador Program was announced to all juniors and seniors majoring in the department at the start of the 2004 Fall Semester. Student selection was based on three primary criteria: (1) a current resume demonstrating their academic scholarship, leadership record, work experience and extra curricular activities; (2) a Statement of Personal Interest for serving as a student ambassador for the department; and

(3) a Statement of Impact describing an idea or project that they would like to initiate for promoting the department and for recruiting students. Candidates were then

serving a nine month term for the 2004-2005 academic year and is awarded a \$1000 Scholarship from Ag Processing Inc. for their year of service to the department. The AGP Student Ambassadors are required to work in the department six hours each week on various projects and assignments.

The purpose of the AGP Student Ambassador Program is to help with student recruiting. This is being accomplished by initiating a better awareness of the many internship and career opportunities available to students majoring in the Department of Agricultural Economics, as well as international travel and studying abroad opportunities.

The AGP Student Ambassadors represent the department in a wide range of assigned activities which include: (1) CASNR Day, (2) Big Red Road Show, (3) UNL Preview Days, (4)



Student Ambassadors l-r: Cheryl Halstead, Regina Minary, Jessica McCall, Rebecca Reise and Jennifer Witte

interviewed by the Undergraduate Program Committee to determine the final selection.

Each Student Ambassador is

Red Letter Days, (5) speaking at high school career day events, (6) conducting department and East Campus tours, (7) visiting with prospective students and/or parents, (8) participation in CASNR phone call campaigns, (9) corresponding with prospective students by personal letter and E-mails, (10) updating recruitment brochures, (11) helping with the Department Student Newsletter, and (12) other assigned work projects in the Undergraduate Program Office.

Five seniors, Cheryl Halstead, Regina Minary, Jessica McCall, Rebecca Reise and Jennifer Witte were selected as the 2004-05 AGP Student Ambassadors for the Department.

**Cheryl Halstead** is a senior from Kimball, NE. She has been actively involved in her family farm/ranch operation that produces wheat and cattle. Last summer Cheryl and her brother formed a partnership and made their first farmland purchase to begin their own farming operation. Cheryl cites her agricultural study tour to Denmark and her summer internship with the Nebraska Panhandle Research and Extension Center as the highlights to her college years at UNL. She is currently Vice President of the Agricultural Economics Agribusiness Club and is a member of Alpha Zeta, Golden Key, Gamma Sigma Delta, National Society of Collegiate Scholars, AOII Sorority and University Ambassadors. She has also attended the Agricultural Future of America Leaders Conference the past two years.

**Regina Minary** is a senior from McCook, NE. She currently serves as the Membership Chair for the Agricultural Economics Agribusiness Club and is also a past officer of the Nebraska Junior Charolais Association. Regina has been honored by being selected as one of the top

young farmers in the nation for the New Century Farmer Program, sponsored by the National FFA organization in conjunction with Pioneer and DuPont. She plans to pursue a career in the agribusiness industry while expanding her commercial and purebred cattle herds.

**Jessica McCall** is a senior from North Platte, NE. She currently serves as President of the Agricultural Economics and Agribusiness Club and is a member of Alpha Zeta Honor Society. Last year Jessica was recognized with a UNL Student Leadership Award. She spent part of last summer studying abroad at the Institut Supérieur de Agricole in Beauvais, France and working for the Wells Fargo Bank in North Platte. Upon graduating this May, Jessica plans a career in agricultural lending.

**Rebecca Riese** is a senior from Holstein, NE. She is the Historian for the Agricultural Economics Agribusiness Club, is a member of Alpha Zeta Honor Society and also serves as Secretary for CASNR Week for the College of Agricultural Sciences and Natural Resources. She recently completed a year long appointment with the Rural Development State Office for the United States Department of Agriculture. Upon graduation from UNL, Rebecca plans to pursue a career with the USDA Rural Development Agency.

**Jennifer Witte** is a senior from Scribner, NE. Jennifer serves as the Protege Committee Chair for the Agricultural Economics Agribusiness Club and last year served as President of the club. She is President of Alpha Zeta Honor Society for the College and is also involved with the UNL Chapter of the National Agribusiness Marketing Association, CASNR Week, Block and Bridle Club and

Golden Key Honor Society. Jennifer will enter graduate school upon graduation this May to pursue a Masters Degree in Leadership Education. Her career plans are to be an Extension Educator for the State of Nebraska with a primary focus on youth development programs.



## STUDENTS SUCCESSFUL AT AAEE COMPETITIONS

**At the American Agricultural  
Economics Association  
annual meeting in Denver  
August 1-4, 2005, eight  
undergraduate  
Ag Economics/Agribusiness  
students participated in several  
events with excellent success.**

### QUIZ BOWL CONTEST

All eight students competed in a very competitive contest. In a double-elimination competition of forty teams from universities around the U.S. and Canada, UNL Team 1 (Rik Smith, Trent Blare and Zachary Hunnicutt) placed third out of 40 teams. UNL Team 2 (Jessica McCall, Cody Lashley and Anneke Gustafson) placed fifteenth. Colt Swanson and Cheryl Halstead also contributed as alternates on mixed teams. The faculty advisors to the Quiz Bowl teams were Drs. Amalia Yiannaka and Darrell Mark.

### UNDERGRADUATE RESEARCH PAPER

Rik Smith won FIRST Place in the Undergraduate Research Paper Competition for his paper and presentation of "An Evaluation of Feedyard Management Training and Experience." This project was a portion of the research he completed in the spring of 2004 for his honors project at UNL. For his first place win, Rik's paper will be published in the *American Journal of Agricultural Economics* and he received a \$200 cash award. Rik's faculty advisor was Dr. Darrell Mark.



**The Department of Agricultural Economics plans to publish FOCUS about twice a year. Readers who would like to be notified when the next issue is available electronically should send an email to Nancy Pritchett at [npritchett1@unl.edu](mailto:npritchett1@unl.edu). Those interested in receiving a paper copy should either email Nancy or send your name and address to:**

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