Welcome to the Fall 2013 Department of Agricultural Economics and Economics newsletter. As the snow begins to fall in Bozeman, it is a great time to look back over the accomplishments of our award-winning faculty and outstanding students during the past several months.

Our faculty members have an incredible amount of research recently published or forthcoming in refereed journals, covering a wide array of topics from crop insurance to political advertising to education policy and agricultural futures markets.

Faculty have also been active in grantsmanship, earning grants to study the effects of financial education in high school on later in life outcomes as well as the cost effectiveness of cancer prevention programs in rural communities.

The department hosted our annual Agricultural Outlook conference in October, with a particular focus on cooperative businesses.

On the teaching front, the department continues to grow along with MSU more broadly, and this is the second year in a row that we have taught over 10,000 student credit hours over the course of the year, reaching nearly 3,750 different students.

As you read through the newsletter, I think that you will agree that the department continues to uphold its reputation as home to a dynamic and creative set of faculty and student-scholars.

This spring, we are once again offering our unique Agriculture in a Global Context course (sometimes called "Follow the Grain" or "Follow the Beef"). The course will culminate with a trip to New Zealand to focus on both the beef and grain sectors there.
Montana Agriculture in 2014: Prospects for Growth, Future Challenges, and the Role of Cooperatives

www.ampc.montana.edu/fallconference.html

The department hosted our 7th annual fall conference as part of MSU’s “Celebrate Agriculture” weekend on October 25th.

The conference has evolved and grown over the years. Through all of the changes, it continues to serve as an opportunity for building and strengthening connections between MSU and the agricultural community.

This year’s sponsors included MSU Extension, Northwest Farm Credit Services, Montana Farm Bureau Federation, and the Montana Cooperative Development Center.

The morning speakers focused on hot topics in agriculture and an agricultural outlook. MSU Speakers and Topics included:

- George Haynes: Montana Agricultural Outlook
- Vince Smith: The Future of U.S. Farm Policy
- Anton Bekkerman: Economics of Wheat Stem Sawfly
- Eric Belasco: Beef Supply Issues
- Gary Brester: Economic Footprint of Montana Cooperatives

The afternoon featured three very distinguished guest speakers discussing issues facing cooperative businesses. Professor Mike Boland (University of Minnesota) discussed the issues facing management teams and board of directors in cooperatives across the country. Dr. Boland also explored different board governance policies and their implications.

Mark Nonnenmacher (Executive Vice President of Northwest Farm Credit Services) shared with the crowd some insights on unique aspects of lending to cooperatives.

The day concluded with Carl Casale, President and CEO of CHS, delivering the 2013 M.L. Wilson lecture. Mr. Casale engaged the crowd in a discussion about the challenges and opportunities for cooperatives and agribusinesses in the future.

Annual Welcome Back Picnic

The department once again celebrated the start of the academic year with our annual "Welcome Back" picnic in August.

We were lucky to have beautiful weather and a great turnout. Faculty and students were able to gather, catch up, and share an informal lunch of sandwiches, fruit, and cake.
Publications

DAEE faculty members have had over a dozen of their research papers published or accepted for publication in top-level refereed journals in recent months, including (click the title to jump to the article):

Mark Anderson
• "Medical Marijuana Laws and Suicides" American Journal of Public Health
• "Does Shortening the School Week Impact Student Performance? Evidence from the Four-Day School Week" Education Finance and Policy
• "High School Dropouts and Sexually Transmitted Infections" Southern Economic Journal

Anton Bekkerman and Greg Gilpin:
• "High-speed Internet Growth and the Demand for Locally Accessible Information Content" Journal of Urban Economics

Anton Bekkerman:
• “The Changing Landscape of Northern Great Plains Wheat Markets” Choices

Eric Belasco:
• “Yield Guarantee Determination and the Producer Welfare Benefits of Crop Insurance” Journal of Agricultural and Resource Economics

Joe Janzen:
• "Hedging and Speculative Trading in Agricultural Futures Markets" American Journal of Agricultural Economics

Vince Smith:
• “Relative Preferences for Soil Conservation Incentives among Small Holder Farmers: Evidence from Malawi” American Journal of Agricultural Economics
• “The Environmental Consequences of Subsidized Risk Management and Disaster Assistance Programs” Annual Review of Resource Economics

Carly Urban:
• “Is Smoking Inferior? Evidence from Variation in the Earned Income Tax Credit” Journal of Human Resources
• “Dollars on the Sidewalk: Should U.S. Presidential Candidates Advertise in Uncontested States?” American Journal of Political Science
• “Mandatory Mediation Laws and the Renegotiation of Mortgage Contracts” Economic Journal

Doug Young (emeritus faculty) and Grant Zimmerman (DAEE student):
• “Migration and Montana’s Changing Demographics” Montana Business Quarterly

“Does Shortening the School Week Impact Student Performance? Evidence from the Four-Day School Week”

Mark Anderson’s paper, "Does Shortening the School Week Impact Student Performance? Evidence from the Four-Day School Week," (with Mary Beth Walker) is forthcoming at Education Finance and Policy.

School districts employ a variety of policies to close budget gaps and stave off teacher layoffs and furloughs. More schools are implementing four-day school weeks to reduce overhead and transportation costs. The four-day week requires substantial schedule changes as schools must increase the length of their school day to meet minimum instructional hour requirements. Although some schools have indicated that this policy eases financial pressures, it is unknown whether there is an impact on student outcomes.

We use school-level data from Colorado to investigate the relationship between the four-day week and academic performance among elementary school students. Our results generally indicate a positive relationship between the four-day week and performance in reading and mathematics. These findings suggest there is little evidence that moving to a four-day week compromises student academic achievement.

This research has policy relevance to the current U.S. education system, where many school districts must cut costs.
“High-speed Internet Growth and the Demand for Locally Accessible Information Content”

Anton Bekkerman and Greg Gilpin’s paper, “High-speed Internet Growth and the Demand for Locally Accessible Information Content,” was published as the lead article in the Journal of Urban Economics.

Proximity to information resources has repeatedly been shown to affect urban development. However, individuals’ increased abilities to access information content electronically may have dampened urban areas’ comparative advantage of proximity-driven knowledge flows.

We investigate the effects of increased high-speed internet access on the role of information proximity by modeling changes in the demands for locally-based information resources, exploiting variation in the use of U.S. public libraries—the most common low-cost providers of locally accessible information content.

Data describing a nearly comprehensive set of U.S. public libraries during 2000–2008 provide empirical evidence of complementary growth in internet access and the use of public library resources, suggesting that internet access increases the value of locally accessible information content and overall information demand.

Moreover, the complementarity is found to be largest in metropolitan areas, indicating that improved internet access in locations with greatest proximity and information spillover effects are likely to experience more substantial economic impacts.

“Mandatory Mediation Laws and the Renegotiation of Mortgage Contracts”


Scholars have studied the use of mediation—a third party to facilitate the settlement of a dispute—in a variety of settings. The theoretical literature asserts that mediated negotiation weakly dominates unmediated negotiation, increasing the flow of information between the principal and the agent.

This paper tests these predictions using a mandatory mediation policy for mortgage contracts in default. Difference-in-differences estimates from three metropolitan statistical areas before and after at least one sub-jurisdiction imposed mandatory mediation show that mediation increased the flow of information, especially for selected sub-groups, as demonstrated by increasing rates of loan contract modifications.

“Migration and Montana’s Changing Demographics”

Doug Young coauthored an article with student Grant Zimmerman titled “Migration and Montana’s Changing Demographics” that was published in the Autumn 2013 issue of Montana Business Quarterly.
"Relative Preferences for Soil Conservation Incentives among Small Holder Farmers: Evidence from Malawi"

Vince Smith's paper, "Relative Preferences for Soil Conservation Incentives among Small Holder Farmers: Evidence from Malawi" (with P. Marenya, and E. Nkonya) is forthcoming at the American Journal of Agricultural Economics.

Framed choice experiments were used to examine the preferences of a randomly selected sample of 276 smallholder farmers in two adjacent districts in Malawi for alternative policy-based incentives to adopt conservation practices that reduce soil erosion and increase yields. The policy incentives offered in the choice experiments included an ideal index-based crop insurance contract, an index insurance contract with basis risk, cash payments, and fertilizer subsidies.

Prior to implementation of the choice experiments, farmers participated in an education protocol utilizing small, group-based, dynamic learning games that demonstrated how index-based crop insurance contracts function.

The choice experiment results indicate that most farmers preferred cash payments to index insurance contracts, even when the insurance contracts offered substantially higher expected returns, and that more risk averse farmers were more likely to prefer cash payments than less risk averse and risk loving farmers.

"Yield Guarantee Determination and the Producer Welfare Benefits of Crop Insurance"


Farm-level crop insurance guarantees are based on a small sample of historical yields. Two measures enacted by Congress, yield substitution and yield floors, are intended to mitigate the erratic nature of small samples in determining yield guarantees.

We examine the impact of small samples and related policy provisions on the producer welfare benefits of individual-level yield insurance. Our findings indicate that sampling variability in Actual Production History (APH) yields has the potential to reduce producer welfare and that the magnitude of this effect differs substantially across crops. The yield substitution and yield floor provisions mitigate the negative impact of sampling error but also bias guarantees upward, increasing government cost of the insurance programs.

http://ideas.repec.org/a/ags/arerjl/141669.html
Publications, cont’d.

“Medical Marijuana Laws and Suicides”


The relationship between marijuana and mental health has received a great deal of attention from both proponents and opponents of legalization. Proponents argue that marijuana can be an effective treatment for bipolarism, depression, and other mood disorders. They also argue that medical marijuana patients are able to reduce their use of pain killers, tranquilizers, and psychiatric medicines because of marijuana. Opponents, on the other hand, argue that medical marijuana patients are able to reduce their use of pain killers, tranquilizers, and psychiatric medicines because of marijuana.

When we examine the relationship between legalization and suicides by gender and age, we find evidence that medical marijuana laws are associated with decreased suicides among 20- through 29-year-old males and among 30- through 39-year-old males. Estimates of the relationship between legalization and suicides among females are less precise and are sensitive to functional form.

We conclude that the legalization of medical marijuana leads to an improvement in the psychological-well being of young adult males, an improvement that is reflected in fewer suicides.

“The Changing Landscape of Northern Great Plains Wheat Markets”

Anton Bekkerman’s paper, “The Changing Landscape of Northern Great Plains Wheat Markets,” was published in Choices. Food security and decreased production concerns have likely prompted multinational agribusinesses to vertically integrate procurement, transportation, and export of Northern Great Plains wheat. Resulting grain demand increases may have already changed land conservation behaviors. Potential longer run implications include decreased competition for grain and structural changes to wheat production areas and marketing.

“Hedging and Speculative Trading in Agricultural Futures Markets”


Regulators and industry participants have expressed concern that excessive speculation harms agricultural futures markets. Such harm may arise if speculators cause prices to systematically differ from the price sequence that would arise in markets populated by informed traders with rational expectations (RE).

The paper shows theoretically that, when traders exhibit differences of opinion (DO) about the expected value of the commodity, futures prices may diverge from the RE equilibrium.

Moreover, we develop a testable prediction, namely that positions held by different trader groups are correlated with prices in a DO equilibrium but not correlated in a RE equilibrium.

The paper finds strong empirical support for the DO-type environment; changes in positions held by managed money traders are positively correlated with prices and changes in positions held by producers are negatively correlated. In the context of our DO model, this finding implies that prices change by more on average than producers think they should and by less than managed money traders think they should. However, the evidence suggests that neither group is systematically more prescient than the other.
Publications, cont’d.

“The Environmental Consequences of Subsidized Risk Management and Disaster Assistance Programs”

http://ageconsearch.umn.edu/handle/155319

Vince Smith’s paper, “The Environmental Consequences of Subsidized Risk Management and Disaster Assistance Programs,” (with B. Goodwin) was published in the Annual Review of Resource Economics.

Federal subsidized crop insurance has been a major fixture of U.S. agricultural policies for the past several decades. In recent years, the program has expanded rapidly and now constitutes the largest and most expensive agricultural subsidy initiative in the United States.

Similar programs have been introduced around the world. All these programs have one common denominator: Absent generous subsidies, participation is minimal. Such subsidies introduce the potential for a wide range of distortions. Intensive margin distortions may result from moral hazard as insured growers alter their production practices.

Mark Anderson’s paper, “High School Dropouts and Sexually Transmitted Infections,” (with Claus Portner) is forthcoming at Southern Economic Journal.

People who drop out of high school fare worse in many aspects of life. We analyze the relationship between dropping out of high school and the probability of contracting a sexually transmitted infection (STI). Previous studies on the relationship between dropout status and sexual outcomes have not empirically addressed unobserved heterogeneity at the individual level. Using fixed effects estimators, we find evidence supporting a positive relationship between dropping out of high school and the risk of contracting an STI for females.

Furthermore, we present evidence that illustrates differences between the romantic partners of dropouts versus enrolled students. These differences suggest that female dropouts may be more susceptible to contracting STIs because they partner with significantly different types of people than non-dropouts. Our results point to a previously undocumented benefit of encouraging those at risk of dropping out to stay in school longer.


Presidential candidates in the United States do not intentionally advertise in states without rigorous competition for electoral votes. However, in some areas of non-competitive states, media markets overlap with battleground states, exposing these regions to political ads. These spillover advertisements allow us to examine the relationship between advertisements and individual campaign contributions, with data from the Wisconsin Advertising Project and the Federal Elections Commission. Using propensity score matching within uncontested states, we find that 2008 aggregate giving in zip codes exposed to political ads was approximately $6,100 (28.1% of mean contributions) more than in similar zip codes without advertisements.
Publications, cont’d.

“High Tunnels Are My Crop Insurance: An Assessment of Risk Management Tools for Small-Scale Specialty Crop Producers”


High tunnels are being used by specialty crop producers to enhance production yields and quality, extend growing seasons, and protect crops from extreme weather. The tunnels are unheated, plastic-covered structures under which crops are planted directly in the soil, and they provide greater environmental protection and control than open-field production.

This study uses field-level experiments to evaluate high-tunnel production. The results suggest that investments in high tunnels can provide increased profits and superior protection against adverse risks relative to crop insurance.

http://ageconsearch.umn.edu/handle/155319

Awards

Dean Don Felker Financial Management Award

A team lead by Joel Schumacher, Marsha Goetting and Keri Hayes won the Dean Don Felker Financial Management Award from the National Extension Association of Family and Consumer Science.

The award was earned for the team’s work in developing the Solid Finances adult financial education webinar series.

During the first two years of the webinar series, over participants have collectively received over 3,000 hours of financial education. The Solid Finances project provides free webinars targeted at working adults. Each webinar focuses on a personal finance topic. Participants are able to attend the live webinar or watch recordings of past webinars.

Other team members include MSU Extension agents Julie Riley, Roubie Younkin, Nico Cantalupo, Mary Anne Keyes, Damon Bunting, Judy Johnson and Jenifer Wells. Human Resource Office participants include Janet Simon (MSUB), Ruth French (MSUB), Ann Guiditta (UM), Mary Kay Bonilla (MSU Great Falls) and Lisa Albert (MSU Great Falls).

More information is available at: www.msuextension.org/solidfinances
Awards, cont’d.

Distinguished Faculty Award of the College of Agriculture’s Homecoming Awards

Myles Watts was the first-ever winner of the Distinguished Faculty Award of the College of Agriculture’s Homecoming Awards. The award recognizes Myles’ meritorious service in the areas of teaching, research, leadership, achievement, mentoring, and outreach, as well as his national and international achievements, superior record, and having brought distinction to the College. Myles was honored during homecoming week at an awards reception in October.

Outstanding American Journal of Agricultural Economics Article Award

Randy Rucker received the Agricultural & Applied Economics Association’s 2012 Outstanding American Journal of Agricultural Economics Article Award for the paper “Honeybee Pollination Markets and the Internalization of Reciprocal Benefits.”

The paper is co-authored with Walter N. Thurman (North Carolina State University) and Michael Burgett (Oregon State University) and was published in the July 2012 edition of the American Journal of Agricultural Economics.

In this paper the most extensive markets for pollination services in the world—those for honey bee pollination in the United States—are examined. These markets play important roles in coordinating the behavior of migratory beekeepers, whose managed honey bees both produce honey and provide substitutes for ecosystem pollination services.

The economic forces that drive migratory beekeeping are investigated, and the determinants of pollination fees are analyzed theoretically and empirically using a much larger and richer data set than has ever been studied. The analysis in this paper expands the understanding of pollination markets and market-supporting institutions that internalize external effects.

Randy was presented the award at the AAEA annual meetings in Washington, D.C. in August.
Grants

INBRE grant “An Evaluation of the Cost-Effectiveness of Cancer Prevention Programs in Rural Communities”

Eric Belasco was awarded an INBRE grant for his research, "An Evaluation of the Cost-Effectiveness of Cancer Prevention Programs in Rural Communities."

Lifestyle and socioeconomic factors, as well as cancer screening behaviors, are important determinants of late stage cancer incidence rates. The relationship between these determinants and incidence rates are important, in part, because they are the main policy tools in combating cancer. Past efforts aimed at reducing cancer burdens in rural communities have included ideas such as mobile mammography units, smoking cessation campaigns, healthy activity promotion, health eating promotion, or the increase of medical staff to reduce costs associated with cancer screening. While each of these activities provides an important way to reduce the burden of cancer, they also come at varying costs.

This research uses microsimulation to evaluate the cost-effectiveness from improvements in screening rates and/or behavior change factors. The goal of this research is to identify the most effective means by which to reduce cancer-related mortality rates in rural areas, where access to health care services are limited due to economic factors, geography, and limited medical supplies.

Financial Industry Regulatory (FINRA) Foundation $71,000 grant

Carly Urban is the PI on a $71,000 grant with the Financial Industry Regulatory Authority (FINRA) Foundation to study the effects of financial education in high school on later life outcomes.

The purpose of the project is to provide the first high-quality estimates of the effect of different state mandated financial education requirements for high school students on their later life financial well-being. Specifically, the project team intends to examine the effect of the requirements on the student’s credit score, credit card and other debt delinquency, asset accumulation, and the probability of experiencing a foreclosure or bankruptcy.

To achieve the goals and objectives of the research, a dataset will be created documenting the types of financial education requirements in place in each state and how they have changed over time.

These data on financial education will then be combined with a panel dataset on individual credit files from the Federal Reserve Board and FINRA’s Financial Capability Study to obtain information on various outcome measures. The results of the study will provide insight into the most effective financial education requirements, and how these mandates can be used to improve later life outcomes for today’s youth.

Institute of Museum and Library Sciences

Anton Bekkerman and Gregory Gilpin received funds from the Institute of Museum and Library Sciences to provide a policy brief that discusses the relationship between increasing access to high-speed internet and the changing uses of public libraries.

The goal is to inform policy makers and the public about the continuing role of public libraries as information providers in the 21st century.
Faculty Spotlight

Myles Watts

How did you end up at DAEE?

In 1977 I began to look for a job, interviewing at several universities as well as for private sector jobs. In December of 1977, MSU contacted me and encouraged me to apply. I had offers from other universities but eventually chose MSU for three reasons. First, the scholarly culture of the department resulted in a strong commitment to both teaching and research and the Department was recognized as one of the top agricultural economics departments in the world. Second, the joint agricultural economics and general economics faculty provided a rich environment for both teaching and research. Third, Montana is my home and even though I enjoyed visiting other places, my preferred place to live is Montana.

What are your current research topics of interest?

My current research interests are in production economics and agricultural finance. More specifically my current efforts are in use of irrigation water, public lands grazing contracts, insurance, and financial regulation.

What lead you to study economics?

My interest in economics was triggered by an economics professor who also happened to be from the Miles City area (my hometown). P. J. Hill was and continues to be one of those people whose clarity of thought, ability to communicate, and grasp of the subject make the power of economics apparent. Economics helped me understand much of what was happening in the world. Developing my economic skills to help me understand a broad range of social as well as business management problems became consuming.

Biography

Myles Watts. Professor of Agricultural Economics and Economics, joined the faculty at Montana State University in 1978 after completing a PhD. at the University of Nebraska. His research has focused on production economics and finance issues and has been published in all of the major agricultural and resource economics journals. In 1996, he received an Honorable Mention for the Outstanding Journal Article Award from the American Agricultural Economics Association, and in 2006 he received the Distinguished Scholar Award from the Western Agricultural Economics Association. In 2013, he was chosen as the first Distinguished Scholar by the College of Agriculture at Montana State University. He is a past editor of the Journal of Agricultural and Resource Economics (previously the Western Journal of Agricultural Economics). He has taught a variety of classes, ranging from introductory economics and farm management to graduate economic theory. He is often asked to brief Congressmen, state legislators, and Governors. He has been appointed by the Governor of Montana to many state committees on topics from reforming Montana’s tax structure to school funding. Approximately 50 times a year, he fulfills outreach educational requests. During the 17 years of serving as Department Head, he fostered an academic environment in which research, resident instruction, and non-resident instruction were integral to the land grant university mission. He has advised the largest reinsurance corporations, and the USDA on various financial issues including crop insurance, the World Bank Group/IFC on international insurance development and financial regulation, and many other private and public entities. He is the Chairman of the Board and lead instructor for the International Institute for Agricultural Risk Management, whose objective is to build agricultural insurance expertise so that crop insurance development efforts are sustainable. Many efforts have focused on public-private partnerships including international projects (Ukraine, India, Brazil, Mexico, and Canada). He has been involved in over a hundred crop insurance efforts. In 2010, he was recommended by Senator McConnell, nominated by President Obama, and confirmed by the Senate for appointment to the Board of Directors of FarmerMac and is currently serving as vice chairman. He remains involved in the family ranch where he grew up in southeastern Montana.
Faculty Spotlight, cont’d.

Myles Watts

What is your favorite class to teach and why?

During my career I have taught many classes. Recently I have enjoyed, along with several colleagues, developing the financial engineering program and teaching one of the classes. Eventually this program will produce graduates that will directly use rigorous economics and quantitative skills in rewarding careers. However, the class I most enjoy is Farm and Ranch Management. This class gives me the opportunity to bridge between my ranching background and economics. Furthermore, it is easy for me to identify with the students in the class (and hopefully them with me).

What do you like to do in your spare time?

My non-economist friends would tell you that in my spare time I like to think and talk about economics. Beyond that, I enjoy baseball, golf, deep sea fishing, and hiking. I remain involved in the family ranch. Being on the Board of Directors of FarmerMac has been a marvelous learning experience, complementing both my teaching and research at MSU. Similarly, my involvement with the International Finance Corporation (World Bank Group) has broadened my knowledge and made me a better economist.

Final Note

I am approaching the end of my career at MSU. One of the primary reasons I came to MSU was the quality and reputation of the departmental faculty. The faculty and staff of the department have made this a fulfilling and stimulating work environment. I also appreciate the support of my family, particularly my wife Gayle. Finally, I thank the people of Montana for letting me teach their children and providing this wonderful career opportunity.

Myles with students in the Follow the Grain course in 2011-Ukraine
Outreach/Presentations

Gary Brester’s Outreach Presentations

Gary Brester presented the following presentations across Montana:


- "The Changing Grains Landscape," to the CHS Nutrition Dealer Awards Event in Anaconda in June and to the Montana Feed Association in Red Lodge in August.


- "U.S. Farm Policy: History, Rationale & Current Situation" and "The Structure of U.S./ Montana Agriculture & Trade Issues" to the REAL Montana Seminar in Great Falls in November.

Southern Economic Association Annual Meeting: Tampa, FL

At the Southern Economic Association Annual Meeting in November in Tampa, FL the following faculty presented:

Mark Anderson presented, "Medical Marijuana Laws and Teen Marijuana Use," (with Benjamin Hansen and Daniel Rees).

Isaac Swensen presented his research on the efficacy of treatment in reducing fatal drug overdoses in the United States.

Fatal drug overdose deaths have more than doubled over the past decade—inclusive of 328,310 fatalities in the past 12 years. Though substance-abuse treatment may be an effective way to reduce drug abuse, evidence for a causal effect of treatment on drug-related mortality is lacking. I analyze the effect of substance-abuse treatment on mortality by exploiting county-level variation in treatment facilities driven by facility openings and closings.

The estimates indicate that a 10-percent increase in facilities lowers a county’s drug-induced mortality rate by 2 percent. Moreover, the benefits of treatment facilities persist across a range of individual and county characteristics and further indicate that spillovers of treatment reduce other causes of death related to drug abuse.

These findings have substantial policy-relevance as we continue to allocate resources in our ongoing war on drugs.

Moreover, it is a particularly relevant topic in light of changes brought about by the Affordable Care Act, which will require all health insurance sold on the exchanges to include services for substance-use disorders and will increase funding for these services.

Montana Council of Economic Education (MCEE)

Myles Watts, Randy Rucker, and Wendy Stock presented at the Montana Council of Economic Education conference in Bozeman in June to high school economic teachers.

Myles’s presentation topics were:
- Scarcity
- Opportunity Costs

Randy’s presentation topics were:
- Demand
- Supply
- Market Equilibrium

Wendy’s presentation topics were:
- How Much Money Does it Take to Be Rich in the U.S.?
- Why do Men Earn More than Women?

John Deere Ag. Expo/Montana FFA Conference

Outreach/Presentations, cont’d.

Agricultural and Applied Economics Association’s 2013 Annual Meeting

At the Agricultural and Applied Economics Association 2013 Annual Meeting in August in Washington, D.C. the following faculty presented:


When natural disasters strike in developing countries, households are often forced to choose between preserving assets or consumption: either can result in permanent consequences.

In this paper we ask: can insurance transfer risk in a way that reduces the need for households to rely on costly coping strategies that undermine their future productivity? Since 2010, pastoralists in northern Kenya have had access to a novel index-based drought insurance product. We analyze the impact of a drought-induced insurance payout on consumption smoothing and asset protection in this setting.

Our results show that insured households are on average 36 percentage points less likely to anticipate drawing down assets, and 25 percentage points less likely to anticipate reducing meals upon receipt of a payout. Empirical evidence of a poverty trap in this setting suggests that these average impacts may mask a heterogeneous behavioral response and subsequent heterogeneous impacts of insurance. For this reason we use Hansen’s (2000) threshold estimator to estimate a critical asset threshold around which optimal coping strategies bifurcate. Using this approach we find that that households holding assets above a critical asset threshold, who are also most likely to sell assets, are 64 percentage points less likely to anticipate doing so when an insurance payout is available. Households holding assets below the estimated threshold, who are likely to destabilize consumption, are 43 percentage points less likely to anticipate doing so with insurance. Together, these results suggest that insurance can help households to protect assets during crises, without having the deleterious effect on human capital investments.

Eric Belasco presented “The Spatio-temporal Impact of Drought on Local and Regional Feeder Cattle Inventories.”

Greg Gilpin’s Outreach Presentations/Grant

Greg Gilpin has presented his research at several conferences recently including:

- Enrollment responsiveness to changes in recent employment conditions at for-profit and community colleges, at the Midwest Economic Association Conference in Columbus, Ohio this past March.
- Estimating the effects of student racial composition on the use of severe punishment in cases of serious student misconduct, at the Western Economic International Association Meetings in Seattle in July.

Dr. Gilpin also received a Faculty Excellence Grant to present research at the Eastern Economic Association meetings in New York City this past May. The topic was whether compulsory schooling laws increase crime in schools.
Extension News

Beginning Farmer and Rancher Program

www.msuextension.org/beginningfarmer

The third year of the Beginning Farmers and Ranchers in Montana Education Program, sponsored by Montana State University – Bozeman, Fort Peck Community College, Montana Grain Growers Association (MGGA) and Montana Stockgrowers Association (MSGA), began November 6.

The first event was a mini 1/2 hour webinar on agricultural finance, entitled “Partial Budgeting.”

As part of this program George Haynes, Gary Brester, and Joe Janzen presented a series of workshops at the Montana Grain Growers Convention on December 2-4 in Great Falls.

George, Gary and Eric Belasco will also be presenting the same series of workshops at the Montana Stockgrowers Association Annual Convention on December 12-14.

New Educational Resource for Teachers and Students

Marsha A. Goetting, MSU Extension Family Economics Specialist and Keri Hayes, Publications Assistant, have developed an eXtension Moodle course, Montana $aves $cavenger Hunt that is designed for 14 to 19 year old students.

Students who complete the Montana $aves $cavenger Hunt will be eligible for a drawing for one of 31 cash awards of $100 each during America Saves week February 24 – March 1, 2014.

The cash awards are courtesy of The First Interstate BancSystem Foundation and Montana Credit Unions for Community Development.

The Montana $aves $cavenger Hunt can be used by teachers who want to incorporate learning about the benefits of saving into their classes in family and consumer sciences, economics, math, or social studies, or as an after-school activity.

The $cavenger Hunt could also be utilized as an extra credit opportunity for students to complete after hours at home or at the local library.

Students have between November 15, 2013 and February 15, 2014 to complete the Montana $aves $cavenger Hunt. The 10 activities do not have to be completed all at one time.

Check out the site at www.msuextension.org/ montanasavesscavengerhunt

Marsha Goetting

Keri Hayes
Montana Manufacturing Study Report

www.mtmanufacturingcenter.com

George Haynes, MSU Extension Economics, and Steve Holland, Montana Manufacturing Extension Center, have just completed a study of small manufacturers in Montana. This study explores the concerns of small manufacturers; develops a profile of them (products, employment, sales, input suppliers, access to credit and other factors), assesses their plans for next year (employment, capital purchases, inventory and other); evaluates current and possible future constraints to growth faced by their small businesses; and forecasts the demand for services from MMEC and MSU Extension. The study utilized focus groups and a quantitative survey of over 400 small manufacturers. Here’s a brief summary of the findings:

1) **Growth**: Twenty-five percent of manufacturers expected to make major capital expenditures in 2013. Over 35 percent of these manufacturers indicated that 2013 was a good time to expand their business. Only 14 percent of the manufacturers indicated that they had immediate job openings.

2) **Major obstacles**: The most important challenges/obstacles to growth were demand for their product (sales), and several supply-related issues, including production costs, availability of resources, labor costs, government regulations, and taxation.

3) **Primary cost concerns**: Based on focus group interviews, manufacturers identified seven primary costs facing them: health insurance, workers compensation, energy, hiring (and training) qualified employees, responding to foreign competition, raw materials, and business equipment taxes.

4) **Training demands**: The top five training topics were: (1) marketing (40 percent), (2) efficiency (38 percent), (3) access to financial capital (33 percent), (4) sales (31 percent), and (5) finding qualified employees (30 percent). Firms with younger owners had significantly higher training demands than other firms.

5) **Most Optimistic**: Food manufacturers, larger firms, and firms owned by younger owners had significantly higher level of optimism about the future than other manufacturers.

If you would like additional hard copies of the summary report, please contact Keri Hayes at khayes@montana.edu. You also can download a copy of the summary report at: www.mtmanufacturingcenter.com

Goetting invited speaker at several Statewide meetings

Marsha Goetting was an invited speaker for several statewide meetings in 2013 including:

- Montana Department of Agriculture’s 33rd Young Agricultural Couples Conference (Helena)
- Rocky Mountain College’s Passing on the Farm (Billings)
- Montana Gerontology Society 31st Annual Conference (Bozeman)

Marsha was also the keynote speaker for “Families, Legacies and Estate Planning” at the Montana Governor’s Conferences on Aging in Glasgow and Great Falls in May 2013. The conference was attended by 300 Montanans.
Extension News, cont’d.

Farm Services Agency (FSA) Production and Financial Management Training

www.msuextension.org/fsa

George Haynes, in collaboration with the Farm Service Agency, is offering FSA Borrower Training Workshops again this year as continuing education sessions on financial and production agriculture. The series of six one-day training webinar sessions began November 4, 2013 and will run through December 9, 2013. These sessions covered:

- Record keeping
- Financial analysis
- Marketing
- Public policy issues (Farm Bill)
- Estate planning
- Family business issues
- Retirement planning
- Crop and livestock production

New this year is utilizing an eXtension Moodle program to allow for more interactive testing of the all the quizzes. The new Moodle course also allows for more feedback to the participants on the grading of the quizzes.

This course also meets the requirements for production and financial management training for FSA loan recipients.

Other News

MSU’s Engineers Without Borders (EWB) Faculty Advisor

Sarah Janzen is working with MSU’s Engineers Without Borders (EWB) chapter as a faculty adviser. Specifically, she is working with a small group of students to develop a research methodology for evaluating the impacts of various EWB projects in Khwisero, Kenya.

EWB has been working in Khwisero (western Kenya) since 2005. The student organization’s primary goals are twofold: 1) to provide cleaner and more accessible water to schools and communities and 2) provide sanitation facilities at schools that are safe for the user while protecting local surface and groundwater sources.

Dr. Janzen will be working with the students to help them evaluate the impacts of these projects on various outcomes including health, education, time savings, livelihoods, agricultural productivity, knowledge, attitudes, and women’s empowerment.
The DAEE celebrated our 2013-2014 Departmental Scholarship recipients at the annual College of Agriculture Scholarship banquet this fall.

- **Gilbert Giebink Memorial Scholarship**: Mick Mosher
- **The Myrick Scholarship**: Kendall Green
- **Joe Somers Memorial Scholarship**: Katelyn Dynneson
- **Steve Stauber Scholarship**: Anna Merchen
- **Ag. Econ Opportunity Scholarship**: Amy Goebel, Tyler Hicks, Damon Alm

In addition, several DAEE majors received scholarships from the College of Agriculture, including:

- Rachel Andersen
- Hayley Barker
- Weston Brown
- Mark Boyd
- Holly Coville
- Cassie Diefenderfer
- Addie Fiedler
- Jana Haynie
- Nicholas Metcalfe
- Austin Reyher
- Kayla Sargent

Hayley Siroky
- Jordan Stilson
- Jana Tihista
- Brandon Udelhoven
- Amanda Wiley
- Charsi Workman

In honor of the 25th anniversary of the Federal Agricultural Mortgage Corporation (Farmer Mac), **Myles Watts**, along with Tim Buzby (president and CEO of Farmer Mac), rang the closing bell of the New York Stock Exchange this past July 9.

Myles was appointed to the Farmer Mac board in 2010 by President Obama and is now vice-chairman of the board of directors of Farmer Mac.


**Interviews by Several News Organizations**

Vince Smith has been interviewed by several news organizations, including National Public Radio's "To the Point," and U.S. News and World Report to discuss his research on crop insurance and other agricultural policies related to the 2012 Farm Bill.
Student News, cont’d.

Spring 2014 Peer Leadership Group

Congratulations to next spring’s Peer Leadership group, who will be leading our ECNS 105: Study Economic Way of Thinking and ECNS 206: Study Principles of Macroeconomics classes. ECNS 105 and 206 students meet weekly in small groups to review ECNS 101 and ECNS 202 concepts, gain additional practice with economic problems, and complete in-class problem sets.

ECNS 105 Peer Leaders: Josh Allen, Scott Phelan, Stephen Riggs, Amber Stenson, Holly Watson

ECNS 206 Peer Leaders: Emily Allen, Jacob Ebersole, Emery Gaylord, Rebekah Mohr, Jake Weimer

Dave Buschena Memorial Scholarship Winners

Congratulations to Emery Gaylord, Rebekah Mohr, and Scott Phelan, who were winners of this year’s Dave Buschena Memorial Scholarship.

This scholarship is awarded based on the results of the DAEE undergraduate scholarship examination.

Travel Grant from the AAEA Travel Grant Program

Heidi Schweizer (Master’s Applied Economics, 2013) was awarded a $500 Travel Grant from the AAEA Travel Grant Program to attend the 2013 AAEA & CAES Joint Annual Meeting in Washington, D.C.

Heidi presented on joint research with Anton Bekkerman and Vincent Smith, entitled “The Economic Impacts of the Canadian Wheat Board Ruling on U.S.-Canada Malt Barley Markets.”

The work models contracting opportunities between Canadian malt barley farmers and U.S. beer brewers and uses simulation analyses to understand the empirical impacts on these opportunities resulting from changes in a number of Canadian agricultural policies, including the termination of the 70-year old Canadian Wheat Board.

Students “model” their professor on Oct. 31st

AGBE 451 students John Beardsley (left) and Mick Mosher (right) dressed up as professor Randy Rucker for Halloween.
Student News, cont’d.

Congratulations Fall 2013 Graduating Students

Economics

- Dillon Gruber
- Rachael Johnson
- Brittany Means
- Alexandra Walcher
- Eli Weiner

Ag Business

- Logan Butcher
- Megan Cremer
- Cassidie Diefenderfer
- Zachary Kayon
- Taylor Richter
- Julie Wichman

Master’s Degree

- Rebecca Mondics

Help Support Agricultural Economics & Economics

A gift to the department is a great way to support student and faculty endeavors. Donations can be earmarked for student scholarship funds, faculty research, the M.L. Wilson lecture series, and more.

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