Spring has sprung once again in Bozeman. As we make our preparations for the end of the 2012-2013 academic year, I am pleased to share Department of Agricultural Economics and Economics (DAEE) news with you. It has been another busy year for the faculty, staff, and students in the DAEE.

DAEE teaching highlights this spring included an offering of the second course in our Engineering & Economic Financial Management sequence. This course is a part of a new interdisciplinary major in Financial Engineering to be offered by the DAEE and the Department of Mechanical and Industrial Engineering. We anticipate the major will be approved by the Board of Regents this spring.

Research output continues to be strong in the DAEE, and several faculty members have had their work published or accepted for publication in the past few months. Recent DAEE research focuses on topics ranging from the unintended consequences of raising minimum high school dropout ages, to the policy implications of marijuana legalization, to the impacts of crop insurance subsidies, to examining the effects of increasing Internet access on public libraries’ effectiveness as information providers.

The department conducted faculty searches again this year, and we are pleased to welcome Drs. Isaac Swensen, Sarah Janzen, and Joe Janzen to the department. They will join us as assistant professors this fall, bringing the DAEE to 19 tenured or tenure-track faculty members. With our faculty numbers up over recent years, we anticipate being able to offer a full contingent of our courses next academic year.

We have a class of 28 undergraduate and six graduate students completing their degrees in the department this spring. Many have landed attractive jobs and prestigious graduate school placements, despite a continuing tough job market. Congratulations to all our graduates!
Student News

Outstanding Senior Awards

Each year the DAEE faculty members choose an outstanding graduate from among the graduating seniors in each of our majors. The outstanding senior in Agricultural Business this year is Jessica Lacey. The outstanding senior in Economics this year is a tie between Bryan Vadheim and Weston Kimm.

- **Jessi Lacey** completed her degree in Agricultural Business in December with highest honors. Jessi transferred to Montana State in 2010 from Sierra College in Rocklin, California and immediately began the Agricultural Business program, with a minor in economics. After graduation, Jessi headed to Washington D.C. to begin a job at The Federal Agricultural Mortgage Corporation, commonly known as Farmer Mac. Farmer Mac facilitates the secondary market for agricultural mortgage and rural utilities loans in order to increase the availability of long-term credit at stable interest rates to segments of rural America. Congratulations Jessi!

- **Weston Kimm** is graduating this spring in Economics. Weston came to MSU with 18 AP credits completed and an intention to study mechanical and industrial engineering. After economics sparked his interest, Weston changed majors to economics, but also continued to pursue higher level mathematics courses and combined the economics major with a minor in mathematics. His interest in engineering led him to be among the first cohort of students to enroll in the new DAEE Financial Engineering courses, which he completed this spring. He also completed the DAEE graduate-level sequence of courses in econometrics. Congratulations Weston!

- **Bryan Vadheim** is graduating this spring with a degree in economics, a degree in chemical engineering, and minors in statistics, mathematics, and business administration. Bryan came to MSU from Miles Community College with an intention to study chemical engineering. After enrolling in the DAEE honors economics course, he added the economics toolkit to his set of skills. Always hardworking, Bryan enrolled in courses each summer while he was here and often took 18-20 credits during the fall and spring semesters. In 2012, Bryan completed a remarkable 24 credits during the spring semester and 27 credits during the fall semester, with almost all of those classes were the 300-400 level. Not surprisingly, Bryan earned A-level grades in all of those courses. Bryan is MSU's first Marshall Scholar and will use the prestigious award to study economics at the London School of Economics and engineering at King's College in London. Congratulations Bryan!
Financial Engineering is fundamentally a multidisciplinary field that emphasizes the creation of new financial economic instruments as well as the combining of existing instruments to manage risk, create strategic business opportunities, lower costs, and access new markets. The management of risk is essential in today’s highly leveraged domestic markets and the global business environment. Successful market, credit, and production risk management requires complex financial economic modeling and analysis.

Our program provides students an excellent opportunity to enter this relatively new profession. The goal of the Financial Engineering program is to produce highly-skilled graduates that are readily employable in sophisticated financial and credit management markets. These graduates will have rigorous training in financial economics, engineering mathematics, and actuarial methods, including:

- Mathematics similar to many engineering fields, further expanded to include more statistics and probability theory
- Financial economics with a solid background in classical economic theory and training in the operations of capital, commodity, and derivative markets
- Software engineering and modeling

The program will produce graduates that have the skills demanded by firms using complex financial instruments and strategies. The use of financial engineering techniques is relatively new and, until recently, was limited to financial centers. However, the use of financial engineering techniques is now pervasive in regional firms. Regional firms require these skills to compete in the larger and more complex nationwide and international markets.

Financial engineers are commonly employed in banking, corporate finance, insurance companies, securities, mining, agricultural businesses, and other industries that require sophisticated financial management skills. Because of the increased complexity and sophistication of business risk management, and to remain competitive, regional industries as well as national and international firms will employ financial engineers.

The DAEE continued to offer its ECNS 105: Study Economic Way of Thinking and ECNS 206: Study Principles of Macroeconomics classes this year, reaching nearly 200 students each semester to provide directed study in a small group setting for students in the DAEE large-enrollment courses ECNS 101: The Economic Way of Thinking and ECNS 202: Principles of Macroeconomics.

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.

DAEE research shows that students who enroll in the 105/206 courses earn higher grades and dropout of the 101/202 courses at lower rates than their counterparts. The 105/206 courses are led by undergraduate students who gain leadership and organization skills while they hone their economics knowledge by teaching others.
Record Enrollment in Capstone Courses

This year has seen record enrollment in the DAEE capstone courses, which require seniors to integrate principles, theories, and methods learned in courses required throughout the major. Nearly 75 students completed one of the three DAEE capstone courses this academic year, where students creatively analyze, synthesize, and evaluate learned knowledge in projects having a professional focus and communicate the results of the projects effectively at a professional level.

In Randy Rucker’s AGBE 451: Economics of Agricultural Policy course this fall, student research topics included:

- Tomato wars between the United States and Mexico
- Immigration policy and agriculture
- The Food Stamp Program in MT
- Tariffs on Chinese solar panels
- The economic impacts of food aid

In Mark Anderson’s ECNS 432: Benefit-Cost Analysis course, student research topics included:

- An examination of the spatial relationship between medical marijuana dispensaries and crime
- The demand for the bus that provides students rides home from bars on weekend nights
- The demand for the MSU math learning center
- The effects of MSU campus smoking ban
- The demand for heli-skiing in MT

In Carly Urban’s ECNS 403: Introduction to Econometrics course, students used their newly-acquired econometrics knowledge combined with Stata statistical software to examine topics including:

- How does the availability of substance abuse treatment centers affect labor force participation?
- Did the introduction of women’s suffrage increase female labor force participation rates?
- Do container deposit laws impact recycling rates? Evidence using data from college Game Day Challenges
- How important is water fluoridation for dental health?
- Do gaming laws increase crime rates in Native American communities?
- What is the effect of wolf hunting legislation on moose harvest?

Alumni Spotlight

Ty McDonald, Verified Beef

DAEE Alum Ty McDonald (Masters Applied Economics, 2010) is the Quality Control Manager for Verified Beef which delivers verification services for beef cattle in the United States. Many of these verification services are needed to comply with trade agreements for U.S. beef exports. Recently, Verified Beef has unveiled a new Reputation Feeder Cattle program that will predict the value of a producer’s calves based on the genetics in the herd. This program will help producers get paid for the true value of their calves. Ty has been at the helm since August of 2011. Many of his job responsibilities include conducting on site audits around the country, managing the day to day aspects of the business, and marketing to producers, buyers, and feedlots.
Congratulations Graduates

Graduating Seniors

Economics
- Noelle Carpenter
- Mingwei Chen
- Yueyang Chen
- Kurt Fredenberg
- Alberto Fuentes Vega
- Mary Harvey
- Charles Heery
- David Howland
- Weston Kimm
- John McGlenn
- Kevin Moyer
- Molly Neale
- Derek Nickelson
- Bradley Penoyer
- Bryan Vadheim
- Ross Wardrop
- Nathan Weidenaar

Agricultural Business
- Karli Clark
- Evan Derks
- Nick Hall
- Brendon Jerke
- Kevin Johnson
- William Lee
- Tyrel Obrecht
- Sarah Walter
- Chase Young

Graduating Master’s Students

- **Shawn Regan**: *Chair*: Randy Rucker, *Thesis*: “Does Wilderness Matter? An Examination of the Political Causes and Economic Consequences of Wilderness Designation”
- **Joseph Saunders**: *Chair*: Greg Gilpin, *Thesis*: “Enrollment Responsiveness to Changes in Recent Employment Conditions at For-profit and Community Colleges”
- **Laura Villegas**: *Chair*: Vincent Smith, *Thesis*: “Does Participation in Public Works Encourage Fertilizer Use in Rural Ethiopia?”

Congratulations to the upcoming Fall 2013 peer leaders for ECNS 105: Mark Boyd, Jacob Ezell, Emery Gaylord, Chait Johar, Brittany Means, and Stephen Riggs and for ECNS 206: Emily Allen, Jacob Ebersole, Alexandra Walcher, and Jake Weimer.

Students interested in serving as peer leaders during Spring 2014 should watch for a call for applications toward the end of fall semester.
Publications

“Arriving in Time: Estimation of English Auctions with a Stochastic Number of Bidders”


In the paper, Pearcy and his co-author develop a new econometric approach for estimation of second-price ascending-bid auctions with a stochastic number of bidders and missing data. The empirical framework considers the arrival process of new bidders as well as the distribution of bidders’ valuations for objects being auctioned. They show that by observing the timing of bidder arrival, the model is identified when the number of potential bidders is stochastic and unknown. The relevance of the approach is illustrated with an empirical application using a unique dataset of art auctions on eBay.

The results suggest a higher impact of sellers’ reputation on bidders’ valuations than previously reported in cross-sectional studies, but the impact of reputation on bidder arrival is largely insignificant. Interestingly, a seller’s reputation impacts not only the actions of the bidders but the actions of the seller as well. In particular, experience and a good reputation increase the probability of a seller posting items for sale on longer-lasting auctions which the research finds increases the expected revenue for the seller.

“The Minimum Dropout Age and Student Victimization”


Mark Anderson’s paper, “The Minimum Dropout Age and Student Victimization,” with Benjamin Hansen and Mary Beth Walker, is forthcoming in the Economics of Education Review.

Over the years, the minimum dropout age has been raised to 18 in 21 states. Although these policy changes are promoted for their educational benefits, they have been shown to reduce crimes committed by youths in the affected age groups.

However, an unintended consequence of increasing the minimum dropout age could be the displacement of crime from the streets to schools.

Anderson and his co-authors use data from the Youth Risk Behavior Surveys to estimate the relationship between minimum dropout age laws and student victimization. The results suggest that higher minimum dropout ages increase the likelihood that females and younger students report missing school for fear of their safety. In addition, younger students are more likely to report being threatened or injured with a weapon on school property. The results also yield some evidence that students are more likely to report being victims of in-school theft when the minimum dropout age is higher.
Publications, cont’d.

“Farm Policy and Disaster Aid Programs: The Path Looking Forward”

Vincent H. Smith and John P. Hewlett have recently published “Farm Policy and Disaster Aid Programs: The Path Looking Forward,” in Choices.

Smith and Hewlett explore the likely structure of the 2013 Farm Bill by examining the various farm bill proposals that have been developed by the House and Senate Agricultural Committees and the 2008 Farm Bill “fiscal cliff” extension compromise crafted by Vice President Joe Biden and Senator Mitch McConnell in early January.

In the current federal fiscal environment, reductions in the order of $2.5 to $3.4 billion in total federal farm subsidies may be implemented. While disaster aid programs for livestock producers seem likely to be renewed and continued, the SURE disaster aid program for crops is not likely to be extended. In addition, the Direct Payments program is likely to be terminated.

“Natural Resource Production Under Divided Ownership: Evidence from Coalbed Methane”


Divided ownership has been shown to dilute economic incentives in a variety of contexts. Split estate, or severed mineral rights, is a widely-held form of divided ownership and has been a topic of recent policy interest.

Fitzgerald studies a natural experiment created by federal mineral ownership established due to forces unrelated to the natural resource being exploited. This method avoids the endogeneity problems found when examining privately-held minerals. Using well-level production data from coalbed methane wells in Wyoming during the years 1987-2006, Fitzgerald compares the development and production of wells on federal minerals with private surface rights (split-estates) against those rights.

He finds that development on split-estate properties are delayed relative to non-split properties. In addition, maximum production is somewhat lower, but cumulative production is higher. Some support is found for strategic incentives firms face regarding property rights.


Tim Fitzgerald
Publications, cont’d.

“Protecting Minority Homeowners: Race, Foreclosure Counseling, and Mortgage Modifications”


Millions of minority homeowners are at risk of losing their homes as a result of the housing crisis due to mortgage foreclosure and home repossession. One consumer-oriented policy response to this crisis is mortgage default counseling for borrowers.

Dr. Urban’s study examines the rate at which minority borrowers seek default counseling and the resulting correlation between counseling and the probability that a borrower obtains a modification of his/her original mortgage contract terms. The results suggest that African Americans are more likely to be counseled, relative to whites. However, Latinos or other non-white groups are no more or less likely to be counseled.

The probability of loan modifications among counseled African Americans is also higher than other counseled borrowers. These results suggest that counseling policies and the public subsidy of default counseling may be one approach for promoting consumer financial well-being of these households, but also suggests counseling efforts might be better designed for other minority groups. These results also have implications for the application of counseling to other mortgage decisions, such as refinance.

“Policy Implications of Legalizing Marijuana for Medicinal and Recreational Purpose”

Mark Anderson has received a special invitation to publish a paper on the policy implications of legalizing marijuana for medicinal and recreational purposes in the Journal of Policy Analysis and Management. The paper will come out in the fall.

The article will address the following three questions:

1. In states that have legalized medical marijuana, what have been the most salient positive and negative impacts? Were there unexpected outcomes?

2. As states like Colorado and Washington move towards more general legalization, how do the policy issues broaden? What do we know from research about likely impacts in these areas?

3. Is the move towards medical and recreational legalization of marijuana beneficial or are there policy modifications that might be recommended to help reduce associated negative outcomes?

This paper will be part of Dr. Anderson’s broader set of research that examines the economics of risky behaviors.
Publications, cont’d.

“Using Quantile Regression to Measure Differential Impact of Economic Variables on Obesity”

Eric Belasco’s paper, “Using Quantile Regression to Measure the Differential Impact of Economic and Demographic Variables on Obesity” (with Benaissa Chidmi, Conrad Lyford, and Margil Funtanilla), recently appeared in the Journal of Health Behavior and Public Health.

The fight against obesity in the United States has become a pressing priority for policy makers due to many undesirable outcomes including escalating health care costs, reduced quality of life, and increased mortality.

This analysis uses data from the 2007 Behavioral Risk Factor Surveillance System to evaluate the relationship between behavioral, economic, and demographic factors with body mass index (BMI) while explicitly accounting for systematic heterogeneity using a quantile regression. The results suggest that the effect of exercise, smoking, occupation, and race vary by sizeable amounts from high to low BMI-quantiles.

This strongly indicates that future modeling efforts and policy responses to obesity need to account for these differences in order to both model these relationships more effectively and to develop more appropriate policies.

www.asciencejournal.net/asj/index.php/HBPH/article/viewArticle/275

In January, Barry Goodwin and Vincent Smith published, “What Harm is Done by Subsidizing Crop Insurance?,” in the American Journal of Agricultural Economics.

In this paper, Smith and Goodwin, professor of agricultural economics at North Carolina State University and Vince’s long-time research collaborator, examine the economic welfare consequences of crop insurance subsidies.

They conclude that, apart from transferring income to farmers in a politically acceptable way, there is no economic welfare rationale for the subsidies, which encourage increased risk taking by farmers. Further, because private crop insurance companies receive between $2.5 billion and $3 billion a year in federal funds to deliver an average of $7 billion in farm subsidies, the crop insurance program is an administratively expensive way of providing those subsidies.

www4.ncsu.edu/~bkgoodwi/papers/goodwin_final.pdf

Eric Belasco

Vince Smith

Barry Goodwin
Faculty Spotlight

Marsha A. Goetting
Professor and Extension Family Economics Specialist

Marsha grew up in the southwest corner of Kansas – the area featured in Ken Burns’ recent documentary “Dust Bowl.” Of course, Marsha is much too young to have experienced the blowing sand, crop failures, and bankruptcies of the Great Depression and the rationing of World War II, but these experiences had profound impacts on her parents. Marsha’s mother made all of her three children’s clothes, sometimes utilizing flour sacks for dress material. Her father always worked two jobs, and one of these was how Marsha learned to drive: Her father walked the edge of a field with a surveyor’s wheel measuring the acres planted to various crops, while Marsha learned to manipulate the clutch, brake, gas pedal, and of course, the shift lever. During high school, participation in band, debate and 4-H kept her too busy to get into trouble.

As an undergraduate at Kansas State University, Marsha studied Home Economics, dropped out of school for a year, and finally graduated with a B.S. in 1971. After writing an undergraduate paper, “Let’s Put Consumer Education in Prisons,” she spent a summer as a volunteer teacher in the Illinois State Prison at Menard. Undergraduates: Be careful what you write!

Marsha eventually returned to Kansas State to earn Master’s degrees in both Home Economics and Education in 1973, supported by an assistantship under the Education Professions Development Act that targeted women for Master’s degrees. She worked as an Area Consumer Education Specialist for the Kansas Extension Service from 1974 to 1977, including one summer as an Instructor at the Kansas State Industrial Reformatory. Again, students, be careful what you write!

Marsha came to Montana’s Cooperative Extension Service in 1977, ready to deliver the highly successful food buying (“Foodini”) and “Get a Grip on Your Money” study-at-home courses she had developed in Kansas. But responding to recent changes in federal and state law, Montanans said, “That’s great. Now tell us about Estate Planning.” Marsha knew nothing about Estate Planning, but Extension Director Carl Hoffman said, “Take the time to learn about it.” Following orders, Marsha “hid” in the SUB for several hours a day downing Cheetos and Cokes, until she had developed a 13 lesson home study course on estate planning.

In what turned out to be a trademark of Marsha’s career, she took her draft course to the State Bar Association of Montana and asked for reviewers. The result was a great relationship that continues to this day. The State Bar appointed a special review committee that helped refine the material and applied the Bar’s “stamp of approval.” Marsha also collaborates with the Internal Revenue Service, Montana Society of Certified Public Accountants, the Montana Insurance Association, the Montana Attorney General’s office, the Bureau of Indian Affairs, and many other state and federal agencies. As she puts it, “It makes sense to have reviews by practitioners in the field who deal with these issues on a daily basis.”

Marsha’s programs have enjoyed enormous success. The Extension Service printed 3,000 copies of the original Estate Planning course but had to print more when requests in the first three months totaled 6,000. The Bar Association helped cover the additional costs. Marsha’s Estate Planning website can be found at www.montana.edu/estateplanning

Marsha’s other programs include “Get a Grip on Your Money” which was delivered through newspapers, “Montana Medical Care Savings Accounts,” “First Time Home Buyer’s Accounts,” and “Financial Aspects of Caring for Aging Parents with Alzheimer’s Disease.” Her budgeting system program was mentioned in Good Housekeeping magazine – resulting in 10,000 orders at $1 each, much to the consternation of the Extension Service, because only 500 had been printed.

Another major effort was a series of 14 fact sheets related to the American Indian Probate Reform Act (AIPRA) and fractionalization (split ownership) of Indian trust lands. Some parcels of land had as many as 300 owners, each with an undivided interest. Not surprisingly, this resulted in some extremely complicated estates and difficulties in day to day management of the land. The AIPRA website is at: www.montana.edu/indianland

Marsha’s program delivery has evolved along with technology. From weekly study courses delivered by mail and newspapers – not to mention driving 500 miles to Culbertson - to online, interactive websites such as “Dying Without a Will” which is delivered simultaneously to many locations in the state, to podcasts that can be downloaded at the viewer’s convenience, Marsha has adapted her delivery methods to reach even more learners in a timely and efficient manner.
**Faculty Spotlight, cont’d.**

**Marsha Goetting**

She credits former grad student and now colleague, Joel Schumacher, for getting her to experience response clickers, and Keri Hayes for assisting with the PowerPoint technology. Now she won’t offer a presentation without utilizing response clickers.

Joel also developed the recent series, “Solid Finances,” and enlisted Marsha to teach the money management and estate planning sessions. Solid Finances is currently in its fourth year. In 2012, the 16 sessions had an average attendance (on-line and in-person) of 114 per session, and the average number of hits on recordings was 111 per session. For more information visit the website at: [www.msue.xextension.org/solidfinances](http://www.msue.xextension.org/solidfinances)

Marsha’s job has turned out to be much more challenging, exciting, and rewarding than expected when she moved here. She “loves it.” Her programs have been recognized by three dozen awards at the national, regional, and state level. Her favorites are the MSU President’s Excellence in Outreach award (2006) and the Excellence in Extension Award (2005), also known as the “Silver Buffalo,” because it comes from the County Extension Agents themselves. Most recently, Marsha has been appointed to the Board of Directors of the Helena Branch of the Federal Reserve Bank of Minneapolis.

Marsha came to Montana for the new job and a promotion, but also because she loves the mountains and the outdoor recreation they offer, including horseback riding (until a horse rolled over her), hiking, downhill and cross country skiing, and snowshoeing.

Over the past few years, she and her husband, Gary Peterson, have developed a passion for wildflower photography and as with most of Marsha’s endeavors, the results are top notch. The Bozeman Public Library will feature their “Wildflower Adventure Program” on Saturday, May 4 at 10 a.m.

We are proud to have Marsha a part of the DAEE family!
Outreach/Presentations

Young Ag Couples Conference


The Young Ag Couples Conference (YACC) is designed to encourage and assist young agriculture couples in enhancing their leadership qualities and increasing the awareness of the common bonds they have with other young couples in agriculture.

YACC, hosted annually in early January, is sponsored by the Montana Department of Agriculture in cooperation with Montana agriculture organizations. Sponsors are recognized at a Sponsor Appreciation Luncheon during the conference, at which couples can network with agriculture organization leadership and thank them for their support of YACC.

Each year, the Young Ag Couples Conference is attended by 30 to 40 couples, plus five steering committee couples that help plan and facilitate the conference. The steering committee couples are selected from prior year conference participants.

Montana Bankers Association

Gary Brester and Anton Bekkerman each presented a talk to the Montana Bankers Association.

One of the major objectives of the Montana Bankers Association is to identify the educational needs of bankers within Montana.

They provide a multi-day conference for specific banking needs. The Montana Ag Banker conference is held in March each year.

International Society for the Study of Drug Policy’s Annual meeting

Mark Anderson will be attending the International Society for the Study of Drug Policy’s annual meeting in Bogota, Colombia in May.

This event brings together many of the best known academics in the drug policy field but also includes policy-makers.

Mark will be presenting results from several papers on his research agenda that focus on medical marijuana laws in the United States.

Seminars in Australia

In early February, Vince Smith presented three seminars on agricultural crop insurance subsidy programs and U.S. farm policy to senior staff at the Australian Bureau of Agricultural and Resource Economics Sciences and to the Australian Department of Foreign Affairs and Trade in Canberra.
Outreach/Presentations, cont’d.

Racial Disparities in Punishment Administered in U.S. Public Schools

Gregory Gilpin presented findings on racial disparities in punishment administered in U.S. public schools and whether sentencing mandates reduce these disparities at the Southern Economic Association meetings in New Orleans this last November.

The results of this research provide evidence that schools with higher proportions of black or Hispanic students impose more severe punishments, but disparities are significantly dampened and fewer punishments are administered in states that legislate more serious sentencing guidelines.

Sentencing guidelines for less harmful misconduct, however, tend to increase race-based disciplinary disparities for serious offenses. These outcomes are important for assessing existing sentencing guidelines and effectively crafting future policies.

Importance and Value of ARMS and Census of Agriculture data to Conducting Research

The USDA National Agricultural Statistical Service (NASS) oversees the collection of data from the annual Agricultural Resource Management Survey (ARMS) and the Census of Agriculture. While much of the information is collected using electronic and paper surveys or phone interviews, the Montana NASS field office also has field interviewers who conduct face-to-face meetings to help procure valuable survey responses.

As part of the February 5th training workshop for Montana field interviewers, Steve Anderson, the director of the Montana NASS field office, invited Anton Bekkerman to speak to the group about the importance and value of the ARMS and Census of Agriculture data to conducting relevant research.

Anton shared information about past and current work conducted by DAEE faculty using these data and how this research has contributed to better understanding and evaluation of farm management decisions, agricultural markets, and policies at the state, regional, and national levels. Furthermore, the workshop participants were able to learn how the DAEE incorporates insights from such research into classroom and outreach activities, providing timely and significant information to current and future members of Montana’s agricultural communities.
Anton Bekkerman and Gary Brester have worked together to produce a new forecasting tool for producers. WheatBasis.Montana.edu is an interactive tool intended to provide daily forecasts of harvest-time basis and cash wheat prices for over 50 locations in Montana and Washington. The web tool requests that users supply basic information about their marketing location, wheat class, and protein level, and then uses an economic model to predict a cash price based on those specifications.

The economic model and website were developed in a collaborative effort by economists at Montana State University (Dr. Anton Bekkerman and Dr. Gary W. Brester) and Kansas State University (Dr. Mykel Taylor, 2002 DAEE MS graduate).

The project was supported by a grant from the Federal-State Marketing Improvement Program (FSMIP), administered by the USDA Agricultural Marketing Service.

Understanding the unique grain price behavior and making accurate predictions for markets in the Northern Great Plains is challenging for several reasons. Nearly all wheat is shipped to export terminals in the Pacific Northwest, protein considerations are critical, and harvests occur several weeks after wheat is harvested in the Midwest—a major U.S. wheat production region. Predictions provided by the web tool take these distinctive factors into account and dynamically incorporate daily market information using automated data-collection scripts.

As market conditions change, so will the web tool output. As a result, WheatBasis.Montana.edu offers relevant, timely, and useful knowledge that can improve Northern Great Plains grain producers’ ability to be more competitive, efficient, and effective in marketing their products.
Extension Update

Beginning Farmer and Rancher Program News

www.msuextension.org/beginningfarmer

George Haynes and Gary Brester are presenting a weekly newsletter to their Beginning Farmers and Ranchers group.

The Beginning Farmer-Rancher Program (BFRP), a joint project of Montana State University, Fort Peck Community College and the United States Department of Agriculture, began its second year in the fall of 2012. The BFRP provides financial, farm program, crop and livestock insurance, and commodity marketing education to beginning farmers and ranchers throughout Montana.

The project supplies this education in face-to-face workshops and webinar presentations on financial, management, marketing, and production topics and mentorship from experienced producers. The face-to-face workshops are presented at the Montana Grain Growers Association (MGGA) and Montana Stock Growers Association (MSGA) meetings in November and December. Webinar presentations are made available November through March.

The MGGA and MSGA meetings enable participants to attend several educational sessions and meet with their mentors.

Most recently, the BFRP initiated a weekly on-line newsletter, which addresses current news on the agricultural front and reminds producers of educational opportunities available throughout the College of Agriculture.

The BFRP targets younger, inexperienced farmers and ranchers. However, anyone interested in these educational programs is welcome to attend the face-to-face and webinar sessions.

The webinars are completed for this year, but you can view the recordings at the website.

The first webinar for next year will occur on November 6, 2013 and will discuss financial management issues. You can join the webinar at: msuextensionconnect.org/bfrp

If you’d like more information on this educational program, please visit the website for contact information.

New Marriage and Family Finance MontGuides

Did you know thirty-eight percent of all marriages today are second marriages for one or both partners. More than half of all remarriages involve minor stepchildren living in the household.

A new MontGuide titled “Remarried Families: Making Financial Decisions” explains how to develop spending plans and successfully communicate about financial goals within a remarried family.

Aspects” lists items to consider and highlights some of the financial and legal aspects of a premarital agreement.

A premarital agreement contract can help couples resolve concerns over money, work, children, the home, and other mutual concerns. This new MontGuide “Premarital Agreement Contracts in Montana: Financial and Legal Aspects” lists items to consider and highlights some of the financial and legal aspects of a premarital agreement.

To download online go to www.msuextension.org and search by title. Or pick up a free hard copy at any local county extension office.

Solid Finances

The financial education webinar series “Solid Finances” ended in March for the 2012 - 2103 year. There have been over 6,000 visits to the Solid Finances Website since September. Recordings of past sessions can be viewed at www.msuextension.org/solidfinances. Solid Finances will continue in September 2013 with some new personal finance topics and some updates on topics presented in the past.
Extension Update, cont’d.

Goetting Appointed to Federal Reserve Branch Board of Directors

Marsha Goetting, professor and extension family economics specialist in the agricultural economics and economics department at Montana State University, has been appointed by the Board of Governors of the Federal Reserve System to the board of directors of the Helena Branch of the Federal Reserve Bank of Minneapolis.

Branch directors help oversee the operations of the Helena office and contribute their perspectives on regional economic conditions.

This information helps prepare the Minneapolis Fed president for participation in Federal Open Market Committee meetings, where decisions are made about monetary policy.

Estate Planning Presentations Impacts

www.montana.edu/estateplanning

Marsha Goetting has made estate planning presentations in 54 communities in Montana reaching over 1,900 residents during the past year.

She emphasizes the need for estate planning as seven out of 10 Montanans die without writing a will.

She also briefly describes the impact of the American Taxpayer Relief Act of 2012 on federal estate taxes. In 2011 less than 1 percent of Montana's deceased persons' estates paid taxes because of the exemption amount of $5 million. With the inflation adjustment for 2013 the exemption is $5.25 million for a single person and $10.5 million for a married couple.

Montana Manufacturing Center Study

George Haynes is collaborating with Steve Holland, Director of the Montana Manufacturing Center, to study small manufacturers in Montana.

This study will explore the concerns of small manufacturers; develop a profile of them (products, employment, sales, input suppliers, access to credit and other factors), assess their plans for next year (employment, capital purchases, inventory and other), evaluate current and possible future constraints to growth faced by their small businesses, and forecast the demand for services from MMEC and MSU Extension.

The study team has been conducting focus groups this winter throughout Montana with small manufacturers. The focus group data collection effort will be followed by a quantitative survey of 1,000 small manufacturers being implemented by the Bureau of Business and Economic Research at the University of Montana.

The data collection efforts will be completed this summer and a final report will be available by the end of Fall Semester 2013.

If you’d like to know more, please email George Haynes at haynes@montana.edu.

If you’d like to know more, please email George Haynes at haynes@montana.edu.
Awards and Accomplishments

Visiting Research Scholar at the International Food Policy Research Institute (IFPRI)

From mid-February to mid-April of this year, **Vince Smith** served as a visiting research scholar at the International Food Policy Research Institute (IFPRI) in Washington, D.C.

There he was asked to develop a framework for estimating the economic and food security effects of climate change on small holder farm households in some of the poorest countries in the world. These farm households have per capita incomes of less than $2 a day and are some of the most food insecure families in the world today. Vince also is working with colleagues at IFPRI on a set of projects investigating the efficiency of different policy incentives in encouraging very poor farmers in countries like Malawi and Mozambique to adopt soil conservation and soil enrichment practices. These practices can substantially improve crop yields and the long-run productivity of the land they farm.

31st Awards for Excellence

**Gary Brester** was honored at the 31st Awards for Excellence that was organized by the MSU Foundation and the Bozeman Montana Area Chamber of Commerce.

Student honoree Chisholm Christensen (Agricultural Education) was asked to select a faculty or staff member who had been most inspirational and influential in his development at MSU, to also receive an Award for Excellence.

Chisholm chose Dr. Brester and this is what he had to say about him,

“Professor Gary Brester is energetic, because he is passionate. It really shows in his teaching and he has inspired me. In the single class I took from him, Mr. Brester motivated me to change my future goals from teaching after college to immediately going back to the family ranch. I hope to use his influential enthusiasm to go work on our family ranch and make economic and management choices with impact that will make me profitable and above all else, passionate in that venture.”

Joe Atwood Celebrates 25 Years at MSU

The DAEE was proud to help celebrate Joe Atwood’s 25th anniversary at MSU this January with a surprise presentation of balloons and treats. Joe joined the DAEE after completing his Ph.D. at the University of Nebraska.

In his time at MSU, Joe has conducted research on topics ranging from financial risk, crop insurance, country-of-origin labeling in the U.S. meat industry, and the Farmer’s-Share-of-the-Retail-Dollar. Joe has taught courses in microeconomics, agricultural finance, quantitative methods in economics, and farm and ranch management. He began teaching in the financial engineering course sequence this year.

Students consistently praise Joe for the degree of concern he shows for students and his willingness to go out of his way to help them succeed.

Congratulations on 25 years at MSU, Joe! We’re glad you’re part of the DAEE family.
Welcome New Faculty Members

The DAEE will welcome three new faculty members to the department this fall.

**Dr. Joseph Janzen** earned his Ph.D. in agricultural and resource economics from the University of California Davis, His M.Sc. in agricultural economics and his B.Sc. in agribusiness are from the University of Manitoba.

His research focuses on agricultural insurance, agricultural futures market price discovery, and farmland rental markets. His publication, “Subsidy Incidence and Inertia in Farmland Rental Markets: Estimates from a Dynamic Panel,” appeared in the *Journal of Agricultural and Resource Economics*. The paper notes that recent studies indicate that the effect of government farm subsidies on farmland rental rates may be smaller than once thought and has corrected for bias due to expectation error in measured subsidy payments. Joe and his co-authors suggest two additional sources of bias inertia and tenancy arrangements that may explain the discrepancy between theoretical predictions and empirical estimates of subsidy incidence. They identify a model that accounts for these issues, employ panel data from Kansas to estimate it, and find that an additional dollar per acre of government subsidy increases rental rates by $0.12 per acre in the short run and $0.37 per acre in the long run.

Joe’s family runs a large wheat farm in Manitoba, and he has used his graduate education to apply his skills in agricultural price analysis to issues that are relevant to “real world” commercial crop producers and agribusinesses. His combination of technical research ability, teaching experience in agribusiness, and real world experience in wheat production give Joe an exceptionally rare skill set that will be highly valuable to students, to other faculty members in the College of Agriculture, and to producers in Montana.

**Dr. Isaac Swensen** earned his Ph.D. in economics from the University of Oregon and his B.A. in economics from Brigham Young University Idaho.

His research focuses on labor economics, health economics, public economics, and applied econometrics. His paper, “Alcohol and Student Performance: Estimating the Effect of Legal Access,” forthcoming at the *Journal of Health Economics* considers the effect of legal access to alcohol on student achievement. Using the 1997 National Longitudinal Survey of Youth, the research shows that students drink more often after legal access but do not consume more drinks on days on which they drink. Another of his publications, “Are Big-Time Sports a Threat to Student Achievement?” which appeared in the *American Economic Journal: Applied Economics* considers the relationship between collegiate-football success and non-athlete student performance. Using survey data, the paper finds that males are more likely than females to increase alcohol consumption, decrease studying, and increase partying in response to the success of their school’s football team. Females also report that their behavior is affected by athletic success, suggesting that their performance is likely impaired but that this effect is masked by the practice of grade curving. This phenomenon is only present in fall quarters, which coincides with the football season.

Originally from Fairfield (near Great Falls), Dr. Swensen is looking forward to returning to his home state of Montana.
Dr. Sarah Janzen earned her Ph.D. in agricultural and resource economics from the University of California Davis, her M.A. in international and development economics from the University of San Francisco, and her B.A. in economics and international studies from the University of Nebraska.

Her research focuses on development economics, natural resource and environmental economics, and econometrics. Her current research includes, “Valuing Asset Insurance in the Presence of Poverty Traps.” It fits into a growing literature on poverty traps that advocates that social protection can be more effective in addressing poverty dynamics if it accounts for a critical threshold, around which both equilibrium outcomes and optimal behavior bifurcate. The paper accounts for this type of threshold, and asks whether insurance can achieve the goals of social protection. Unlike traditional publicly-provided social protection, insurance is a market-based risk management tool that protects households only if they self-select into purchasing an insurance contract. Using stochastic dynamic programming methods, Janzen’s research shows that market-valued insurance usage by vulnerable households near a critical asset threshold will be low, because the opportunity cost of insurance to those households is particularly high. Paradoxically, these same households have the most to gain from protection of this kind. Because of the potential gains from insurance to vulnerable households, the research analyzes the benefits that can result from crowding-in additional insurance purchases by subsidizing insurance and considers what these benefits mean for poverty dynamics in the northern Kenyan rangelands. This is an area where evidence of a poverty trap exists and an existing insurance contract provides pastoralists the opportunity to insure livestock against drought losses. The paper finds that providing insurance subsidies may be a more cost-effective way of altering poverty dynamics than traditional social protection policies. The findings suggest that a public-private partnership between governments and insurance companies may be a useful avenue of social protection provision.
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.