

Minutes of NC-1014

Agricultural and Rural Finance Markets in Transition

The final annual meeting of NC-1014 was held on October 1-2, 2009 in Chicago, IL at the Federal Reserve Bank of Chicago. The meeting was held in conjunction with a meeting of the National Agricultural Credit Committee organized by the Federal Reserve Bank of Kansas City. A copy of the meeting agenda follows the minutes. The meeting was called to order at 8:00 A.M. by Vice Chairman Brian Briggeman. The morning sessions focused on issues related to the project's first two objectives. In each session a series of papers on the topic were presented and were followed by discussions related to the future work that the group intends to complete under each project.

A series of projects were discussed under objective 1. These projects included discussions related to identifying the most important data necessary to evaluate how fluctuations in capital and credit markets are impacting agriculture. This discussion led to the formation of a group that will lead an effort to place improved questions in the USDA's ARMS survey as well as hopefully positioning for a question on the U.S. census of Agriculture. This effort will be lead by Allen Featherstone, Christine Wilson, and Bruce Sherrick. Additionally, a group lead by Brian Briggeman will address the impact of new regulatory reforms on the financial health of community, regional, and agricultural banks.

The discussion for objective 2 followed two presentations related to issues associated with how policy impacts the capital needs and decisions of agricultural producers. The group also discussed a variety of projects that could be undertaken to address the objective of evaluating the management strategies, capital needs, and policy impacting the financial performance of agricultural producers. Michael Gunderson agreed to lead an effort associated with evaluating the financial training the students receive as well as the training that agribusiness employers desire. Nick Paulson agreed to lead an effort to better understand and evaluate the counter-party risk that agricultural producers, processors, and input suppliers face. Brent Gloy agreed to lead an effort to catalog and characterize the financial management curriculum and extension programming in the area of agricultural finance. Finally, Charles Moss agreed to lead an effort related to evaluating farm programs and how they impact credit demand.

Following the morning session the group met with members of the National Agricultural Credit Committee. The group heard from speakers from a group of speakers that discussed the current status of the national economy, the Farm Credit Funding Corporation, the regulatory environment facing agricultural banks, and how environmental regulations might impact farmers.

The second day of the meeting began at 8:00 A.M. and featured discussions of objectives three and four. The third objective addresses financial institutions and services that benefit agricultural producers, with a special focus on young and beginning and socially disadvantaged farmers. Ani Katchova agreed to lead an effort related to understanding the financial needs of small farmers. Bruce Ahrendson agreed to lead an effort to examine issues related to Farm Service Agency programs targeted toward these groups. Allan Featherstone, Christine Wilson, and Ken Erickson agreed to receive input from the group and develop a set of questions that the group feels would add value to the ARMS survey and Census of Agriculture Survey.

Additionally, the data group identified in objective 1 will also work on issues relevant to this objective.

The final objective of the group is to investigate issues related to capital structure, financial performance, and investment strategies of firms engaged in bio-energy production. Here, work is planned related to understanding the capital needs of the sector as it transitions to new technologies. This work will be led by Cole Gustafson. The group also decided to work on issues related to understanding the economics of obtaining and processing cellulosic feedstocks such as corn-cobs. Regional participation is important here because these feedstocks will likely differ by region. The group also agreed to work on an invited paper session for the AAEA meetings related to carbon regulation and its impacts on farmers.

The group then held its business meeting. The group received a report from the administrative advisor, Steven Hanson. We were told of the need to collect the accomplishment information necessary to complete the annual report of NC-1014. Additionally, the group must file a termination report for NC-1014. These reports will be completed by Brian Briggeman. Next, the group heard from CSREES representative Jane Schuchardt. She told us of some of the changes underway at CSREES and the transition to NIFA which was taking place as we met. Calum Turvey also spoke as editor of the *Agricultural Finance Review*. He encouraged submissions to the journal and also encouraged members to consider developing special issues of the journal.

The business meeting concluded with the election of the incoming executive committee. The chair will be Brian Briggeman, Vice-Chair is Brent Gloy, and secretary is Nick Paulson. Brent Gloy will be in charge of setting the agenda and organization of the next annual meeting. The group decided to again have its meeting jointly with the National Agricultural Credit Committee. The meeting will be held at either the Denver Branch of the Kansas City Federal Reserve Bank or the Kansas City Federal Reserve Bank. The dates of the meeting will roughly correspond to the same dates as this year's meeting and will be finalized by the executive committee.

Respectfully Submitted,

Brent Gloy
Secretary, NC-1014

2009 Annual Meeting Attendees:

Allen Featherstone, Kansas State University
Ani Katchova, University of Kentucky
Barrett Kirwan, University of Maryland
Brandon McFadden, University of Arkansas
Brent Gloy, Cornell University
Brian Briggeman, Federal Reserve Bank Omaha Branch
Bruce Ahrendsen, University of Arkansas
Bruce Dixon, University of Arkansas
Calum Turvey, Cornell University
Charles Moss, University of Florida
Christine Wilson, Kansas State University
Cole Gustafson, North Dakota State University
Eric Micheels, University of Illinois
Feng Wu, Michigan State University
Gabriela Salazar, Cornell University
Gregg Ibendahl, Mississippi State University
Jaclyn Kropp, Clemson University
Joshua Woodard, Texas A&M University
Kenneth Erickson, USDA-Economic Research Service
Larry Janssen, South Dakota State University
Michael Gunderson, University of Florida
Nicholas Paulson, University of Illinois
Paul Ellinger, University of Illinois
Sergio Lence, Iowa State University
Sharon Bard, Centrec Consulting Group
Uthra Raghunathan, Purdue University
XinXin Zhang, University of Florida
Zhengfei Guan, Michigan State University

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Annual Meeting Schedule
October 1-2, 2009
Federal Reserve Bank of Chicago
230 South LaSalle St.
Chicago, IL 60604

Thursday, October 1, 2009

8:00 to 8:15 am Introductory Remarks

Opening Remarks

Brian C. Briggeman, Federal Reserve Bank of Kansas City, Omaha Branch

Welcome

David Oppedahl, Federal Reserve Bank of Chicago

8:15 to 9:45 am Papers related to Objective 1: *Examine the impact of recent fluctuations in capital and commodity markets on the performance, management, and regulation of agricultural financial institutions*

“The Elasticity of Demand for Credit” *Gabriela Salazar and Calum G. Turvey, Cornell University*

“Specification and Estimation of Heterogeneous Risk Preference with Panel Data” *Zhengfei Guan and Feng Wu, Michigan State University*

Objective 1 Discussant – Brian C. Briggeman, Federal Reserve Bank of Kansas City, Omaha Branch

The discussants will lead the NC-1177 membership in a discussion of how we will meet our objectives. Points to discuss: projects the group is working on, possible extensions of the presented papers, future collaborations between members, etc.

9:45 to 10:00 am Break

10:00 to 11:45 am Papers related to Objective 2: *Evaluate the management strategies, capital needs, and policy impacting the financial performance and long-term sustainability of firms in the food and agribusiness sector*

“Impact of Credit Limits on Farm Asset Prices” *Barrett E. Kirwan, University of Maryland*

“The Impact of Decoupled Payments on the Cost of Operating Capital” *Jaclyn D. Kropp, Clemson University, James B. Whitaker, U.S. Agency for International Development*

“The Potential Costs of Extending ACRE to Florida Tomatoes” *Xinxin Zhang, Charles Moss, and Michael Gunderson, University of Florida*

Objective 2 Discussant – Brent A. Gloy, Cornell University

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Joint Sessions with National Agricultural Credit Committee

Noon to 1:30 pm *Luncheon and Keynote Speaker*
Spencer Krane, Senior Vice President
Federal Reserve Bank of Chicago

2:00 pm to 2:45 pm *Funding Challenges for Agricultural Finance Institutions*
Jamie Stewart, President and CEO
Federal Farm Credit Bank Funding Corp.

3:15 pm to 4:00 pm *Regulatory Restructuring: Implications for Ag Banks*
Kevin Moore, Senior Vice President
Supervision and Risk Management
Federal Reserve Bank of Kansas City

4:30 pm to 5:15 pm *Financial Implications of Environmental Regulations*
Brent Gloy, Associate Professor
Cornell University

5:30 pm to 7:00 pm **Reception**

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Friday, October 2, 2009

8:00 to 9:45 am Papers related to Objective 3: *Identify financial institutions and services that benefit agricultural producers and rural communities and expand agricultural markets, especially those producers that are beginning, young, from socially disadvantaged groups, and/or involved in producing specialty crops*

“Impact of Time to Default and Post Origination Events on FSA Direct Loan Losses” *Brandon R. McFadden, Bruce L. Dixon, Bruce L. Ahrendsen, Diana M. Danforth, and Sandy H. Martini, University of Arkansas*

“Microfinance, Borrowing Groups, and Agriculture” *Uthra Raghunathan, Cesar Escalante, Jeffery Dorfman, Jack Houston, and Glenn Ames, University of Georgia*

Objective 3 Discussant – Michael A. Gunderson, University of Florida

9:45 to 10:00 am Break

10:00 to 11:15 am Papers related to Objective 4: *Investigate capital structure, financial performance, and investment strategies of firms producing renewable energy in context of long term climate change. Implications of these findings for agriculture and rural communities will be delineated*

“Land Rental Arrangements in U.S. Agriculture: Evidence from a National Survey” *Sergio H. Lence, Iowa State University, and Ashok K. Mishra, Louisiana State University*

“Valuing State Biofuel Incentives” *Cole Gustafson, North Dakota State University*

Objective 4 Discussant – Cole Gustafson, North Dakota State University

11:15 to Noon **NC-1014 Business Meeting**
Remarks from Steven Hanson, Administrative Advisor of NC-1014
Remarks from Jane Schuchardt, CSREES Representative for NC-1014
Remarks from Calum Turvey, Editor of *Agricultural Finance Review*
Decide on 2010 meeting site
Election of incoming Secretary

Noon **Adjourn**