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Economics Commentator

Department of Economics

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Theses & Papers by Master's Degree Students in the Department of Economics: 2005


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ECONOMICS COMMENTATOR

South Dakota State University

No. 470

January 19, 2006

**THESES & PAPERS
BY MASTER'S DEGREE STUDENTS
IN THE DEPARTMENT OF ECONOMICS
2005**

Compiled and edited by
Matthew Diersen and Larry Janssen

Department of Economics faculty and graduate students conduct research activities to help solve economic and business problems, increase income, and improve the quality of life for the people of South Dakota and the global community. Graduate students are required to complete a thesis or research paper as a component of their Master of Science program. Seven graduate students completed their Master's degree in Economics from SDSU in 2005.

In the rest of this *Commentator*, a summary of each graduate student's thesis or research paper is presented. Contemporary issues in farm management, agricultural policy, labor markets, and economic development are addressed. Topics are selected by the students under the direction of their faculty advisor. These research papers and theses are used to help prepare research reports, journal articles, Extension articles, *Commentator* articles, and other reports for a variety of audiences. If you would like more information about a paper or thesis, please contact the advisor.

Airline Labor Relations and the Wage Effects of Deregulation

Jonathan A. Myers April 2005
Research Paper Advisor: *Jason Zimmerman*

This paper attempts to give the reader background on the airline industry and deregulation with an analysis of the economic theories surrounding deregulation. Theories surrounding the wage effects

of deregulation would suggest that wages could have increased or decreased depending on which effect is dominant. The increased competition in the industry and emergence of new non-unionized air carriers should have reduced wages. On the other hand, the demise of the mutual aid pact, the establishment of the hub and spoke system and local monopolies should have increased wages. The conclusions of this paper were that wages did in fact decline after deregulation of the airline industry. This can be seen most clearly by looking at longer range trends and observing wages by craft. Cremieux (1996) found that pilot wages were reduced 22 percent and flight attendants wages 39 percent.

Impact of the 'Big Box' Retailer – Wal-Mart

Sherri Jensen April 2005
Research Paper Advisor: *John Sondey*

Wal-Mart is the world's largest firm in terms of sales and has now become the largest grocer in the United States. Wal-Mart has branched out and expanded into warehouse clubs, neighborhood markets, gasoline stations, and is now contemplating a move into the banking industry. As Wal-Mart continues to expand and grow, will it succeed as it has in the first 40 years of its operations?

Potential for Including a Sustainable Rural Development Function in the Conservation Security Program

Jean Micheal Basquin February 2005
Thesis Advisor: *Thomas Dobbs*

Agri-environmental policy and rural development efforts in the United States do not always seem to operate on one common ground, although the United States Department of

Agriculture oversees some aspects of both of them. Both efforts target activities taking place in rural communities. The primary aim of this thesis is to see how the Conservation Security Program (CSP) of the 2002 Farm Bill might foster sustainable rural development by using specific strategies. The CSP is compared to France's Contrat Territorial d'Exploitation. Based on the findings of this analysis, tentative guidelines are suggested for implementation of the CSP in South Dakota's Big Sioux River Basin area.

Economic Impacts of Alternative Sized Dairies in South Dakota

Erik Gerlach
Thesis

December 2005

Advisors: Larry Janssen
Gary Taylor

South Dakota dairy production is declining in terms of number of dairy farms, number of dairy cows, and volume of milk production. To reverse the decline, state policy makers and local action groups have worked to encourage dairy development, which has emerged primarily in South Dakota's Interstate-29 (I-29) corridor. The milk production industry is trending towards larger units leading to a struggle between producers, local policy makers, and residents regarding locating larger dairy operations in eastern South Dakota. Therefore, it is important to know the economic impact of the dairy industry within South Dakota so informed decisions regarding the future of dairy within the state are made.

Separate production functions were developed for a "representative" 150 head dairy farm and 1000 head dairy farm in eastern South Dakota from farm data collected from both primary and secondary sources. The IMPLAN, Input-Output Model for Planning, was used to evaluate dairy expansion and contraction scenarios for a local, six-county study area as well as the state of South Dakota.

The economic impact of both the 150 head and 1000 head dairy model was positive. The 1000 head dairy generally had higher multipliers resulting from increased feed and wholesale purchases. The 150 head dairy mode, which internalized the production of feedstuffs, demonstrated higher value-added multipliers than the 1000 head dairy model.

Output, employment, and value-added multipliers were developed for the cheese manufacturing industry, a forward linked industry of dairy production, to determine the impact of a hypothetical increase in cheese production associated with an increase in dairy production. The cheese manufacturing multipliers were higher than that of either dairy model, suggesting the need to maintain a certain level of dairy production within the state, which will in turn maintain processing capacity.

Survivability and Growth of Grain Farms in North Central and Northeast South Dakota

Nalini Pattanaik
Thesis

July 2005

Advisor: Larry Janssen

The purpose of this thesis was to evaluate the profitability, financial growth, and survival of a representative cash grain/beef cow calf farm with various ownership levels, debt levels and with different lease agreements in the northeast and north central region of South Dakota. A "representative" farm operating 2500 acres was developed for a five-county study region, from detailed farm data collected from numerous secondary sources. A total of 18 scenarios with different land ownership, different debt level and with cash/share agreements are studied in this research. The Farm Level Income and Policy Simulation Model were used to project future financial viability of the representative farm under different scenarios.

The simulation results classified the overall financial position for all scenarios with 5% and 25% debt level are good, and scenarios with 45% debt level are marginal. The probability of farm firm survival is very high (99%) for all the 18 scenarios considered. However, the level of profitability varies across the scenarios.

In this research a positive relationship between land ownership level and net worth is expressed and an inverse relationship is shown between the debt level and level of net farm income.

The deterministic result shows, the ending financial situations are much improved for most of the scenarios in the simulation period of 2003 to

Economics Faculty and Their Areas of Interest:

- Bill Adamson - rural economics, labor economics, macroeconomics, applied econometrics
Agustin Arzeno - farm management
Marty Beutler - range economics, pastureland, & agri-tourism
Carol Cumber - strategic analysis, organizational & human resource management, intercultural & international issues
David Davis - industrial organization & market structure, economics of food manufacturing & pricing
Jack Davis - farm management
Matthew Diersen - risk & business management, livestock marketing
Thomas Dobbs - agricultural and environmental policy, sustainable agriculture
Ding Du - empirical asset pricing, behavioral finance, financial econometrics.
Wayne Ellingson - statistical methods, supply & demand analysis
Scott Fausti - livestock marketing, international trade & finance
Doug Franklin - farm management, production economics, resource economics
Curt Gustafson - accounting
Larry Janssen - land values & use, rental rates, ag finance, economic development
Han Kim - statistical methods, econometrics
Nicole Klein - livestock marketing, commodity markets, livestock pricing
George Langelett - international trade & finance, economics of education, economics of sports, economic institutions
Pat Lyons - business law, personal finance, personal selling
Alan May - grain marketing, risk management
Jamie O'Brien - agricultural law, finance, accounting
Burton Pflueger - farm management, agricultural finance, cooperatives
Bashier Qasmi - ag marketing, international trade, livestock marketing
Chris Rasmussen - accounting, taxation
Joe Santos - monetary and financial history, macroeconomics, economic pedagogy
Dick Shane - management, marketing, business planning
John Sondey - investments, public economics, marketing
Larry Swain - entrepreneurship
Gary Taylor - value-added agriculture, ag policy, ethanol issues
Evert Van der Sluis - value-added agriculture, rural economic issues, economics of biotechnology, international economics
Jason Zimmerman - microeconomic theory, industrial organization



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