1-19-2006

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

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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 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*  
**December 2005**  
**Thesis**  
**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.

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

*Nalini Pattanaik*  
**July 2005**  
**Thesis**  
**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
2011. In the 25% and 45% debt level scenarios, there is considerable reduction in the dollar value of total ending debt. The result also shows participation in federal commodity program stabilizes the cash receipts, and reduces the magnitude of business risk for farms.

The simulation result shows, under the similar level of land ownership and debt level the share lease agreements have more negative effect on net farm income, ending cash reserves, and net worth than in comparison with cash lease agreements. The ratios for cost to receipts and return to equity are also slightly lower for the share lease scenarios.

**Schadé Vineyard: A Business Plan and Analysis**

*Kristin Schwebach*  
*July 2005*  
*Thesis*  
*Advisor: Richard Shane*

Schadé Vineyard is a small, family-owned and operated vineyard and winery located one mile west of Volga, South Dakota. The company was organized in 1999 and commercialized in 2001. Having witnessed significant exponential growth in recent years, Schadé Vineyard and the market for South Dakota produced wine are expected to enjoy continued growth.

A business assessment including a feasibility study, a complete business plan, and a financial analysis for Schadé Vineyard is presented in this thesis. While writing the business plan involved primarily examining the company and its components, the wine industry and statewide market were also reviewed. By examining these three elements, an objective assessment and evaluation of the company and its competitive position was accurately determined. Utilizing these findings, the current position of Schadé Vineyard in the market and a strategic avenue regarding future positioning and growth potential was outlined.

**The Determinants of U.S. Agricultural Labor Out-Migration: 1939-2004**

*XinXin Zhang*  
*July 2005*  
*Thesis*  
*Advisor: Evert Van der Sluis*

This thesis focuses on the economic determinants of the occupational out-migration of labor from agriculture in the United States. An individual’s decision to move out of the agricultural sector is primarily based on a comparison between the expected returns in the agricultural and nonagricultural sectors. Using annual time series data spanning the period from 1939 to 2004, an OLS regression model is estimated to evaluate the effects of economic and demographic variable on occupational out-migration from the agricultural sector. The determining factors investigated in the study are sectoral income differentials, off-farm income acquired by farm households, federal government payments to the agricultural sector, agricultural land values, and the unemployment rate in the U.S. economy at large. Three groups of agricultural labor migrants are considered: hired farm workers, farm operators, and total agricultural labor.

The results suggest that high economic returns in a composite nonfarm sector relative to those attained in agriculture increase agricultural labor out-migration. On the other hand, increased levels of off-farm income are associated with halting total agricultural labor out-migration. Further, agricultural land values have a mixed effect on immigration. In particular, higher land values are found to decrease farm operator out-migration, but increase hired farm workers out-migration. Farm program payments were shown to be ineffective in staving off agricultural labor out-migration. The unemployment rate in the economy as a whole did not significantly effect off-farm migration.
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