
Policy Change and Adjustment: Discussion Comments

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General Comments:

- Adjustment is a dynamic concept—we need micro/panel data to adequately evaluate
- “Shocks” in a single year may be normal random variation about a stationary mean
- Innovation and adoption of new technologies important—policy plays a role in development (R&D) and adoption (outreach) of innovations
- When considering policy—keep in mind the full constituency of benefits—45% of land rented
- Changes in marketing practices (contracting) is also a key element of adjustment

Poppe and van Meijl:

- We must consider the entire farm household and not just farm earnings
 - What happens to farm output as a farm devotes more labor to off-farm employment?
 - By any measure, off-farm earnings are very significant
 - How one values household labor (as compared to hired labor) may influence empirical profit and efficiency measures
- Competitive advantage arguments may not fit farm businesses (no product differentiation, non-unique resources, etc.)

Poppe and van Meijl:

- In considering efficiency/performance, a number of factors may be relevant:
 - Differences in tastes and preferences (risk aversion)
 - Farm and non-farm experience and abilities
 - General equilibrium effects
 - External costs
 - Perspective—what's efficient for a farm may not be efficient for society
 - In empirical analyses, it is always hard to separate operator characteristics from operation characteristics

Hopkins et al.

- Careful to note importance of non-farm income
- Note that farm structure is a “complex system of inter-relationships among endogenous variables”
- We need to be careful with “farm” statistics—Only 1/3 of U.S. farms participate in programs?
- Such statistics should be weighted by scale
- Argument is made that gradual decline in prices has driven adjustment in agriculture—equally persuasive to consider this in opposite direction

Hopkins et al.

- Comments on empirical analysis:
 - No reason to censor data to construct a binary variable—this throws away useful information
 - Point raised above—potential endogeneity of regressors—perhaps operator's actions driven by their income relative to MINFL
 - Estimates based on a single year may be influenced by systemic volatility of farm earnings
 - A measure of wealth relative to MINFL might be more meaningful in a permanent income sense