U.S. Department of Agriculture **Work Unit Description AD-416** U.S. Dept. of Agriculture, State Agricultural Experiment Stations and Other Institutions			Date (Month/Day/Year) 09/04/2012

1. Accession No.	Agency Identifiers		5. Work Unit/Project No.	6. Status
	2. NIFA	3. LA.B	LAB94163	A = New Project

7. Title **Assessing the Impact of Agricultural Policy and Household Decisions on Economic and Long-Term Sustainability of Farm Firms**	

8. Performing Organization 0016 - 2010 Agri Economics & Agribusiness Agricultural Experiment Sta, Louisiana State Univ	9. Cooperating Departments within State Performing Institution

10. Multistate Project No.	11. Cooperating States

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14. Project Type Hatch	15. Contract/Grant/Agreement No.	16. Amount	17. FY

18. Award Date (Month/Day/Year)	19. Start Date (Month/Day/Year) 10/01/2012	20. Termination Date (Month/Day/Year) 09/30/2016

Goals/Objectives/Expected Outputs

The overall objective of this research is to evaluate the impact of farm policies on the economic decisions made by farmers and their households. In particular, the research will address the issue of how policy decisions impact farm household labor allocation, occupational choice, participation in programs, income diversification, technology adoption, farmland values, and financial performance of farms. The specific objectives described below will be addressed from both a local (Louisiana) and national perspective. Specific objectives are to: 1. Evaluate the impact of off-farm income on farmland values. 2. Identify and analyze the importance of commodity program payments and off-farm work on farm exits. 3. Assess participation in agritourism and its impact on farm business income and economic well-being of farm families. 4. Investigate the impact of education on both the adoption of time saving and management intensive technologies as well as off-farm labor supply decisions of the farm household. 5. Analyze the heterogeneous impacts of income risk on household wealth accumulation. 6. Assess the impact of farm succession decisions on the financial performance of the farm. 7. Investigate the impact of agricultural policy on occupational choice.

Methods

The procedure for objectives 1 will use the quantile regression to address the issue of heterogeneity. Koenker and Bassett (1978) argue that covariates may influence the conditional distribution of the response in a number of other ways, for example, stretching one tail of the distribution, compressing the other tails, or inducing multimodality. The procedure for objectives 2 will involve extensive economic modeling, where the effect of commodity program payments and off-farm work decisions on farm exits. In the empirical analysis we use data on the intension of exits as a proxy for the unobserved tendency to exit. The logit analysis is applied to data obtained from the ARMS. Analysis is conducted using individual farm data collected under the Agricultural Resource Management Survey (ARMS). The procedure for objective 3 will involve estimation of the treatment effect under non-experimental settings has recently become increasingly popular in social science research. A conventional method to estimate the treatment effect is to utilize treatment status as a regressor in a standard regression model. The procedure for objectives 4 will involve extensive economic and econometric modeling. The econometric model proposed in this study is relatively innovative. The econometric model we consider here consists of two equations: adoption of management intensive and time saving technology. The proposed study utilizes the propensity score matching approach proposed by Mayen, et al. (2010) to address the sample selection issue. The procedure for objective 5 will involve quantile regression approach, originally developed by Koenker and Bassett (1978). The procedure for objective 6 will involve a two-step procedure. The first

hypothesis will be tested using a treatment effects regression model which allows us to evaluate the effect of a succession plan on financial performance measures. The second hypothesis will be tested using a Heckman sampling approach a dummy variable will be used to determine the effects of a family verses a non-family successor on financial performance measures. The procedure for objective 7 will involve ordered probit estimation method. The ordered response model used in the project follows the ordered probit model with self-selection as delineated by De Luca and Perotti (2011).

23. Non-Technical Summary

The above proposed objectives help in addressing the goals and mission of the U.S. Department of Agriculture (USDA), LSU Agricultural Center, and the Department of Agricultural Economics and Agribusiness. The strategic plan (FY 21010-2015) of the USDA, unveiled by the Secretary of Agriculture, notes that America's agricultural and rural communities face challenges that jeopardize the livelihoods and well-being of people working the land or living; the number one goal is to assist rural communities to create prosperity so that they are self-sustaining, re-populating, and economically thriving (see www.ocfo.usda.gov/usdasp/sp2010/sp2010.pdf). To support this goal National Institute of Food and Agriculture (NIFA) has created Agriculture and Food Research Initiative (AFRI) competitive grants program to fund research that addresses key problems of National, regional, and multi-state importance in sustaining all components of agriculture, including farm efficiency and profitability, rural communities and entrepreneurship (see http://www.nifa.usda.gov/funding/afri/afri_synopsis.html). Finally, the objectives proposed above addresses the goals of the LSU Agricultural Center as outlined in its "Strategic Plan" (see http://www.lsuagcenter.com/mcms/relatedfiles/%7Bf6ad69f8-4313-4745-86e6-58e11de56c2c%7D/strategicplan+10-11+to+14-15.pdf) by conducting research in farm profitability, productivity, and economic well-being or rural population.

24. Keywords

Agricultural policy; Fram households; Succession; Farm exits; Off-farm labor supply; Occupation choice; Income risk; Time saving technology; Management saving technology; Agritourism

**** The Original signed document is on file at this institution. ****		
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