



Ag Econogram



What's in a Name?

Effective January 1, we officially became the **Department of Agricultural and Resource Economics**. While this is, in one sense, a huge change, in another sense, it's simply the culmination of decades of gradual movement toward a greater commitment to natural resource allocation and environmental quality issues related to agriculture and rural communities. This change has been true across all three of our missions: research, extension and teaching.

The department's research and extension focus on resource-environmental issues dates back more than half a century to work on the economics of soil conservation. More generally, land economics has been a significant area of research/extension activity since the 1950s. As the range of resource-environmental challenges has expanded since the 1970s, so too have our research/extension efforts, addressing questions related to water quality and quantity, waste management, and recreational resources, to name a few. The department's recent push to become a national leader in biofuels research and extension programming is a natural step in this process.

A corollary trend has been taking place in our teaching programs. Our undergraduate and graduate courses in land economics, dating back to at least the 1950s, were broadened to natural resource economics courses in the late 1980s. In recent years, curricular options in the resource-environmental area have been established at both graduate and undergraduate levels.

About five years ago, we added a doctoral-level course in natural resource economics and began offering a natural resource economics concentration in conjunction with the natural resources Ph.D. program administered by the Department of Forestry, Wildlife and Fisheries. We have several Ph.D. students in this program at present.

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*Agricultural &
Resource Economics*

Department Head's Notes



After a long cold winter in Knoxville, a welcomed spring took my thoughts back to my favorite sport — baseball. Growing up in Oklahoma, I had to choose which baseball team to follow, since there were no major league franchises in the state. For some reason, at a very early age, I began to follow the Pittsburgh Pirates. They had a competitive team throughout the '60s and '70s. They won the World Series in 1971, with Roberto Clemente winning the MVP of the series. I loved to see Clemente play right field — deceptive speed, with a rifle for an arm.

I thought sure the Pirates would repeat in 1972, having basically the same lineup intact. But the Reds snuffed out that chance with a ninth inning comeback in the final game of the National League Championship Series that haunts me to this day. Worse, it was on my birthday. In my mind I can still see the wild pitch that scooted past the Pirate catcher, sending the winning run home.

What does this memory have to do with a department head's column? The wild pitch that lost the game is one of life's lessons — once thrown, the baseball could not be retrieved. Similarly, our choices have lasting impacts. Time runs only one way, and wish as we might, we cannot undo a bad decision. We can apologize, feel badly about or attempt to correct an unwise choice, but a "re-do" is impossible.

Certainly we are not perfect, and there are many times we have to "go back to the drawing board." But for some decisions, we get one chance to "get it right" or suffer significant and damaging consequences. Some of those "one-chance" decisions include hiring new staff or faculty members, admitting a potential graduate student, mentoring junior faculty

**we will
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through promotion and tenure, selecting the best departmental curriculum and spending departmental funds. Each of these decisions carries the possibility of a "wild pitch" that would surely bring negative consequences.

Fortunately, in 2010, we have excellent faculty and staff. The cooperativeness among our faculty and staff create confidence and help support decisions that must be made if we are to continue our effectiveness. Expanding our graduate programs and increasing our funding base would not be possible without a positive working relationship among faculty

and staff. The situation is a good one, but does not decrease the importance of making the necessary decisions right — the first time.

There is no crystal ball that comes with this appointment. But decisions must be made — and there are risks in all decisions. Not to take risks would likely be just as ruinous as making a bad decision. I have confidence that the department is heading in the right direction. With the help and support of faculty, staff and administration, we will continue to make headway — even with restricted budgets. Our departmental goals include increasing undergraduate enrollment, expanding our faculty base and developing new and innovative research and Extension programs. Getting there will take effective decision making and will carry some risk — but will be well worth the effort.

Delton C. Gerloff

Outstanding Agricultural and Resource Economics Student Awards

MS STUDENT AWARD

The department is pleased to announce that the winner of the Outstanding Agricultural and Resource Economics M.S. student award for 2010 is **Melissa Yeast**.

Melissa began her program in fall 2008, working with Drs. Daniel De La Torre Ugarte and Daryll Ray in the Agricultural Policy Analysis Center (APAC). She came to the department from Western Illinois University (WIU) at the suggestion of her faculty advisor, Dr. Danny Terry, who is a 1985 Ph.D. graduate from our department. Melissa received her B.S. in agriculture at WIU, graduating summa cum laude with a 3.9 grade point average. At WIU, she served as a student ambassador, worked in the Admissions Office from 2003

through 2008, and took time out in the summers to participate in two international internships: Direccion de Turismo de Guadalajara and National Community for Latino Leadership. She was awarded a Phi Kappa Phi Fellowship and became an Agricultural Department Scholar. Once here, it didn't take long for Melissa to get involved in our department either. She became president-elect of the Graduate Student Organization in 2009, and has worked on two APAC publications: "Foreign Investment in U.S. Industrial Animal Feeding Operations" and "CTGR Agent Survey."

Melissa is a member of the UT Knoxville chapter of Gamma Sigma Delta and has maintained a 4.0 grade point average throughout her graduate program. She currently is working on her thesis, entitled "Residual Supply Analysis of the United States Corn Export Market."



UNDERGRADUATE STUDENT AWARD

The Department of Agricultural and Resource Economics is proud to present the Outstanding Agricultural and Resource Economics Undergraduate Student Award to **Sarah McDonald**. Sarah first enrolled the department's undergraduate program in fall 2007. She is a McClanahan Scholar, a member of Phi Eta Sigma, Gamma Sigma

Delta, and Mortar Board. She serves as a CASNR Ambassador, is a member of the NAMA/Agribusiness Club and has served as the secretary for the Agribusiness Club. She is on the Executive Board of the Student Alumni Associates, treasurer for UT Student Livestock Association, and fundraising chair for Collegiate 4-H. Sarah is also a member of the Provost's Student Advisory Committee. In addition to her student organization activities, she volunteers with the Wesley House Community Center and is part of the Fellowship Church and Sevier Heights Baptist Church College Ministries. She

also volunteers tutoring children with the Ronald McDonald House. Each summer, Sarah works on her family farm, Catesa Farms, in Riddleton, Tennessee, where she markets, sells, delivers and picks strawberries and sweet corn.

Honorable Mention as Outstanding Undergraduate Student was awarded to **John Schultz**. John is a McClanahan Scholar who enrolled in the undergraduate program in fall 2008. He is active in the IFC Judiciary Board, UT Freshman Council, UT Student Livestock Association, UT Agribusiness Club, Collegiate FFA and Collegiate 4-H. He has also served as vice president of the Agribusiness Club. This summer, he will intern as a BASF field biology assistant.



Alumni Spotlight



DR. EMILY MCCLAIN TRADER

Emily McClain Trader graduated from UT in agribusiness during the recession of 1982, and with her friends only finding jobs in retail, staying in the department for a master's degree on an assistantship was not a bad gig. Three more years in Morgan Hall was a great investment, as she still depends on the skills developed through the master's program — scientific methodology, research, collecting primary information through interviews, and report writing.

Emily uses all these skills in her 15-year career as a transfer pricing economist, and they made getting a Ph.D. in food and resource economics at the University of Florida much easier. She is now director of transfer pricing at Lattimore Black Morgan & Cain, PC (LBMC), based in Brentwood, Tennessee. LBMC is the eighth largest accounting and tax firm in the Southeast. Her practice assists companies with transfer pricing compliance documentation, tax audits and

international tax planning. Prior to joining LBMC, she was a principal at Ernst & Young, LLP, and started her transfer pricing career as an industry economist at the Internal Revenue Service in Atlanta.

A transfer price is a price between related or “controlled” parties — so named to distinguish it from a true market price determined “at arm’s length” since a transfer price is, in essence, an assigned price. The U.S. and most of its trading partners have tax regulations that require intercompany prices to be consistent with market prices to prevent multinational companies from manipulating transfer prices to shift income and expenses between tax jurisdictions. Two-thirds of world trade is now intercompany trade (between members of a global group of companies) meaning that transfer pricing has big implications for a country’s revenue and tax base. To deal with this complexity, countries force taxpayers to document that their intercompany prices are fair and reasonable, i.e., “at arm’s length.”

One of Emily’s most notable projects was working on the largest IRS transfer pricing audit in U.S. history. The taxpayer was GlaxoSmithKline. The case resulted in a \$3.4 billion dollar settlement for the Treasury Department. A turning point in the examination was a presentation by Emily to local and national IRS officials, GlaxoSmithKline U.K. executives and the company’s attorneys. At the end of the day, an IRS official told her she “was the most underpaid person in the room.”

Before retooling herself as a business/financial analyst, Emily worked

as an agricultural economist for the USDA Economic Research Service and worked on analysis for the GATT and NAFTA as the Brazil country analyst. She was also an assistant professor of agricultural economics at Clemson. This role followed her doctorate work at the University of Florida, where her dissertation included a model of the world orange juice market. While she did not remain a practicing ag economist, that orange juice model changed the path of her life.

Emily was interviewed by an IRS transfer pricing economist on how orange juice markets worked. He had copied her dissertation page by page, feeding coins into a copy machine at the University of Florida. He contacted her at Clemson, where she then worked. He asked if he could call her if he had questions on some contracts and materials she loaned him, and Emily agreed. About two years later, they married, and Emily laughs that her husband was the only person outside of her graduate committee who read her dissertation. Even her mother just balanced it in her hand and said “Oh, that’s what took you so long!” before sticking it unopened on a bookshelf. Orange juice markets brought Emily a husband and best friend, a stepdaughter and a new career.

Emily was born in Maury County, Tennessee, in 1960, and grew up in Mt. Pleasant, a small, rural community that was then known for phosphate mining. She took vocational agriculture in high school, was floored by getting only two out of 50 questions right on the first exam on tool identification, and thus got pulled into wanting to learn more about

agriculture. She gardened with her father and grandmothers and raised bucket steers as a high school project. Now living on 15 acres outside of Columbia, Tennessee, Emily has a large garden and many fruit and nut trees, and is trying to satisfy the demand for gardening pent up from too many years in big cities. In high school she was voted “Most Likely to Succeed,” and was valedictorian, winning a scholarship to UT — and that’s how it all began.

Emily has visited the department many times since graduating. The visits amuse her with memories of many practical jokes, some at Emily’s expense. After being out for a while, Emily once found her desk buried under 6 feet of wadded-up paper behind a computer printout paper wall. She often napped in the graduate office in the afternoon, and was told repeatedly the water that was squirted on her came from fish in a nearby aquarium (when in reality it was a water pistol). She’ll probably not live down asking several guys to push-start her car down the hill when the battery died — not knowing she had to let the clutch engage to start it. Or the time she was spotted on the sidewalk picketing to get her money back from a shady car repair place.

Many of the friends she made in the department are friends for life, Emily says. “We hiked the mountains, went tubing in the summer and sold plasma to fund student parties.” Emily has generously supported the NAMA Marketing Team, served on the College Alumni Council and was a member of the Board of Directors for the UT Research Foundation. Thanks, Emily!

JEFF HUNT

This spring, Jeff Hunt, a 1992 B.S. graduate of the department and market risk manager/co-owner of Commodity Marketing Services of Owensboro, Kentucky, guest-lectured in AGECE 350, The Agricultural Marketing System. He also visited with students in the National Agribusiness Marketing Association (NAMA) Chapter. His lecture in AGECE 350 focused on managing marketing risk, while his talk to the NAMA chapter centered on professional development. In addition to generously contributing his time toward guest-lecturing and visiting with the students, Jeff also made a very generous \$1,000 donation toward this year’s activities for NAMA.

Jeff is a native of Union City, Tennessee. After graduating from UT, he worked for Cyanamid Australia, New South Wales, went on to BASF in Raleigh, North Carolina, then to Miles Farm Supply, Wholesale Ag. Chemicals and Ag Equipment in Owensboro, and eventually became part owner and market risk manager with Commodity Marketing Services. Commodity Marketing Services provides risk management services to more than 200 farmers covering approximately 600,000 acres in five states.

In his presentation to NAMA, Jeff highlighted the benefits of gaining experience through internships while completing undergraduate studies. According to Jeff, “My philosophy has always been that we are selling/marketing ourselves along with the products we represent to some degree in anything we do. People buy



from people, not businesses, especially in agricultural business. Personally, I can’t imagine entering into the workforce without having had some practical internship experience while in college. Those internships combined with certain key, core upper-level classes within my major and in the College of Business provided the foundation for me to ‘hit the ground running’ with a better sense of purpose and direction than the majority of my peers. In other words, during the internship, I was paid to figure out what I did and didn’t want to do.”

Dr. Kim Jensen, instructor for AGECE 350, said, “We really appreciate it when alumni come and visit with our students. Their visits provide a key dimension to the overall program experience of our undergraduate students. Mr. Hunt provided the students with some valuable insights about the journey toward becoming a successful agribusiness professional.”

Research Spotlight

AGRI-INDUSTRY MODELING & ANALYSIS GROUP

AIM-AG was established in 1998 as part of the Department of Agricultural and Resource Economics. The mission of AIM-AG is to assess and project the impacts of agri-industry development on the Tennessee economy and to analyze market opportunities for economically efficient agri-industry development.

AIM-AG conducts research in five main areas:

- Evaluating impacts that the agricultural and forest products industry have on the state's economy and the economies of regions within the state;
- Analyzing "what-if" scenarios designed to evaluate the impacts of development of selected value-added industries;
- Projecting the market growth opportunities for value-added or high-value agri-industry products;
- Appraising the feasibility for value-added or high-value items produced or processed within the state;
- Providing market information and prospectus studies to aid industrial recruitment and development.

AIM-AG uses IMPLAN, a regional input-output model, to estimate the impacts that new or expanded industries have on local jobs and income. Input-output analysis is a means of examining relationships within an economy both among businesses and between businesses and final consumers. It measures the direct, indirect and induced effects of a change in a region's economy. Output from the model includes

descriptive measures of the economy, including total industry output, employment and value-added for 509 industries.

Recently, the model has been used to estimate the impacts that development of a renewable energy industry would have on the Appalachian Region. The economic impacts from year-to-year operations within the region were estimated for wind energy, solar energy, ethanol conversion, biodiesel refining, co-firing wood residues with coal, using landfill gas, and retrofitting buildings for energy efficiency. Some of the findings indicate that for every million dollars of operating funds spent, co-firing switchgrass would create 10 additional jobs. Currently in the region, there are 35 electricity generating plants with a capacity of less than 200 MW per facility that are burning coal. If each of these were to convert to a 15 percent co-fire, more than 3,000 new jobs would be created, generating 8.7 billion kWh of electricity from renewable sources.

AIM-AG includes two faculty members, Dr. Kim Jensen and Dr. Burton English, and a staff economist, Jamey Menard. English came to UT in 1986 after receiving his Ph.D. at Iowa State and working for five years in the

Center for Agricultural and Rural Development. His research interests relate to economic potential of new crops and impacts these crops might have on farm income and the local, regional and national economy. His

current focus is on bioenergy crops as feedstocks to a renewable energy sector. In addition, he assesses market potential and feasibility for value-added or high-value products produced or processed in Tennessee, evaluates adoption of precision agricultural

technology and conducts research on impacts of industrial development in rural areas.

Jensen came to UT in 1986 after receiving her Ph.D. at Oklahoma State. Her research interests include analysis of emerging bioenergy/bio-fuels markets, market feasibility for value-added or high-value products produced or processed within the state, and economic impacts of agribusiness industry development.

Menard came to UT in 1999 after working in private industry. He received both his B.S. and M.S. degrees from UT. His research interests include economic modeling, regional economic impacts of agricultural and forest product industries, market potential/feasibility of value-added or high-valued products, bioenergy and alternative energy uses.

to analyze
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Direct effects are changes in the industries to which a final demand change is made.

Indirect effects are changes in inter-industry purchases in response to the new demands of the directly affected industries.

Induced effects are changes in spending of households as income.

Agricultural and Resource Economics Field Now a Choice in the Economics Ph.D. Program

The Department of Agricultural and Resource Economics has entered a new phase in its relationship with the Department of Economics in the UT Knoxville College of Business Administration. Over the past year, several of us have met with representatives from the Department of Economics to discuss the possibility of our department offering a new field within the east campus Ph.D. program in Economics. We are happy to announce that, beginning fall semester 2010, students in the Economics Ph.D. program will have the opportunity

advantages include the opportunity for our faculty to engage in advanced research with Ph.D. students

to choose an Agricultural and Resource Economics field as one of their two required fields. The new field will include two doctoral-level courses offered by faculty from our department. These courses will address advanced topics in production and supply, marketing and demand, and natural resource economics.

The first students to choose the new field will join the Economics Ph.D. program this fall semester (2010). They will spend a year taking core economic theory and quantitative methods courses and passing

qualifying exams. In fall semester 2011, they will begin taking courses in the Agricultural and Resource Economics field.

The dissertation research of students who choose the Agricultural and Resource Economics field can be directed by members of our faculty. We anticipate that the assistantships for most of these students will be funded through grants and contracts obtained by members of our department. The advantages of our participating in the Economics Ph.D. program include the opportunity for our faculty to engage in advanced research with Ph.D. students on important issues affecting our department's clientele within Tennessee, the U.S. and around the world.

[Continued from cover]

Three years ago, we added a natural resource economics concentration within our M.S. agricultural economics program, and it has attracted a number of students.

At the undergraduate level, we developed a new major titled Natural Resource and Environmental Economics, which received final approval from the Tennessee Higher Education Commission in August 2009. We already have about a dozen students in this major. To support this major, we added a 400-level course that focuses on policy analysis for natural resource and environmental management. And finally, to better convey the focus and breadth of our undergraduate major options, we changed the name of our B.S. degree to **Agricultural and Resource Economics**.

It should also be noted that our departmental name change is in line with a trend among traditional "Ag Econ" departments nationwide. At least 16 of our sister departments have changed their names over the past two or three decades to include either the word "resource" or the word "environmental." Our new departmental name is the one that is most common among these departments.

So, as you can see, while our departmental name change may appear abrupt to some, it is a change that, in reality, simply "catches up" with who we have gradually become over the past few decades.

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Grad Students Move!

“Hot in the summer, cold in the winter.” Since 1970, graduate students have been uttering this phrase when it comes to working on the fourth floor of Morgan Hall. Seemingly having an atmosphere similar to something from the “twilight zone,” the upper floor of Morgan Hall has seen many graduate students come and go. Now, a recent reshuffling by the department has graduate students moving to the third floor to areas with larger desks, brighter working areas and better regulated temperatures (although some would still debate this).

The one-story move occurred over several months from early October to December 2009, with much of the coordination and effort coming from Dr. Harwood Schaffer, Julie Goldman and Melissa Yeast. Planning was spearheaded by Dr. Delton Gerloff, whose persistence synchronized the whole procedure with faculty members and UT maintenance workers. The now student-less fourth floor is being used as storage space, freeing up a

new room on a lower floor for students to use for studying and group projects. The fourth floor is still open to visitors, faculty, students and alumni, though. So any former students wishing to reminisce about their time sweating and freezing on the fourth floor can still visit.

