

Economic Influences of Decision Making

Agriculture and Environment
Conference

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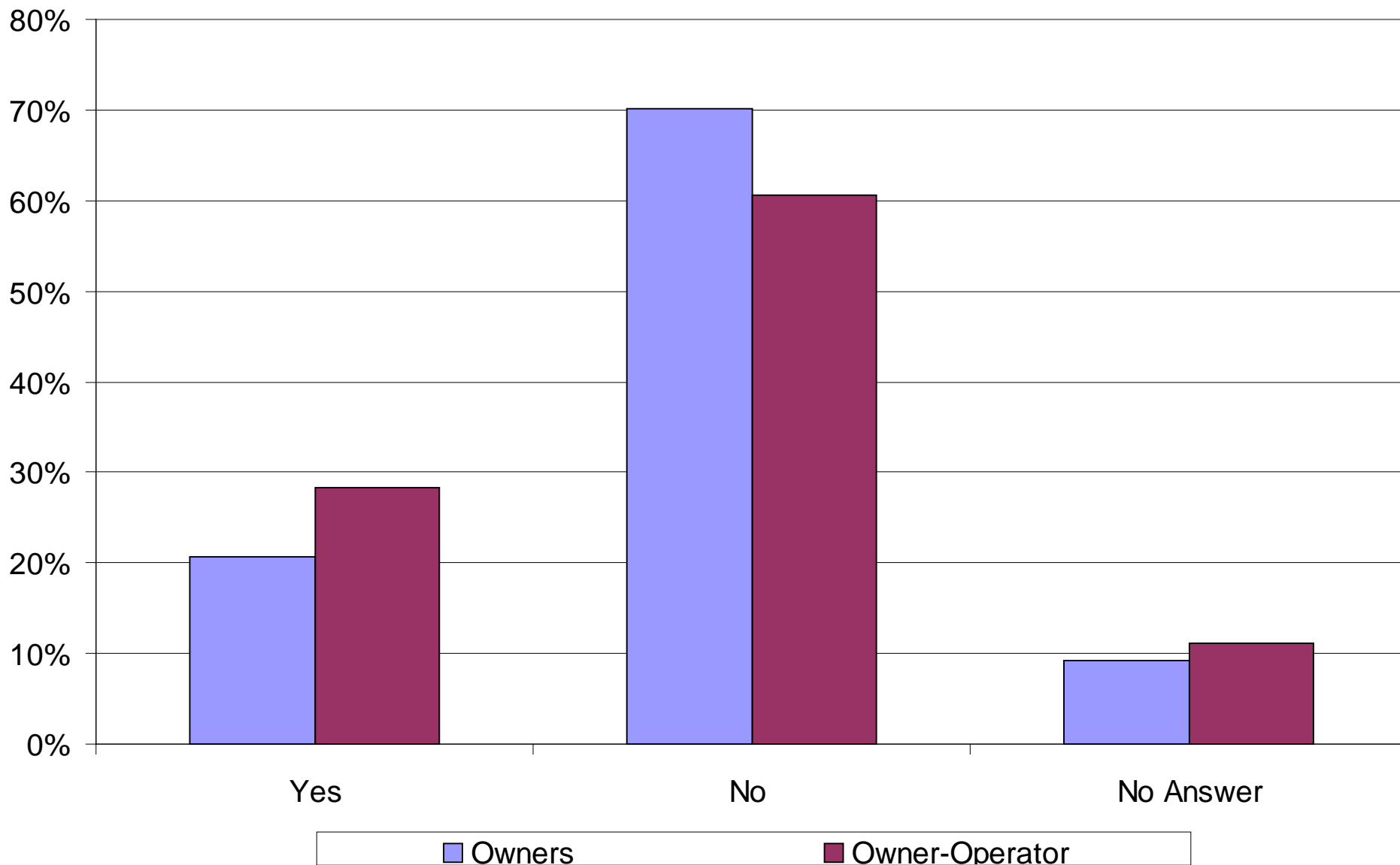
Ames, IA

March 9, 2009

Costs

- Remember there are two types of costs considered; the tangible ones measured in dollars and cents and intangible ones measured in time, effort, and other attributes
- Short run or immediate costs and costs that will not appear for awhile
- Costs are important but they are not the only consideration

Percent of Landowners Based on if They Had Not Installed a Conservation Practice Because of the Expense



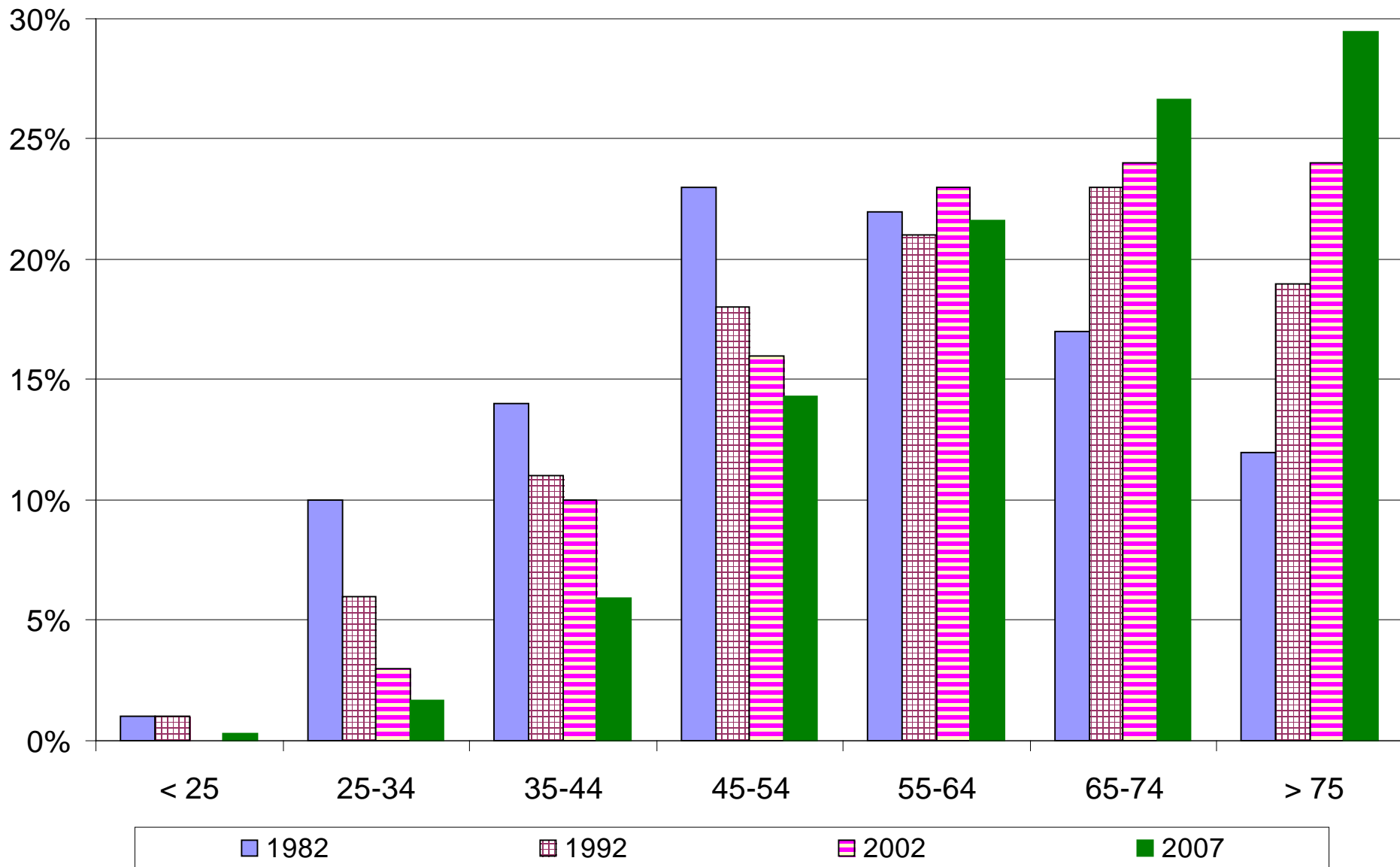
Benefits

- What are the value of the benefits and to whom
- How are the benefits perceived to be distributed
- When do the benefits accrue

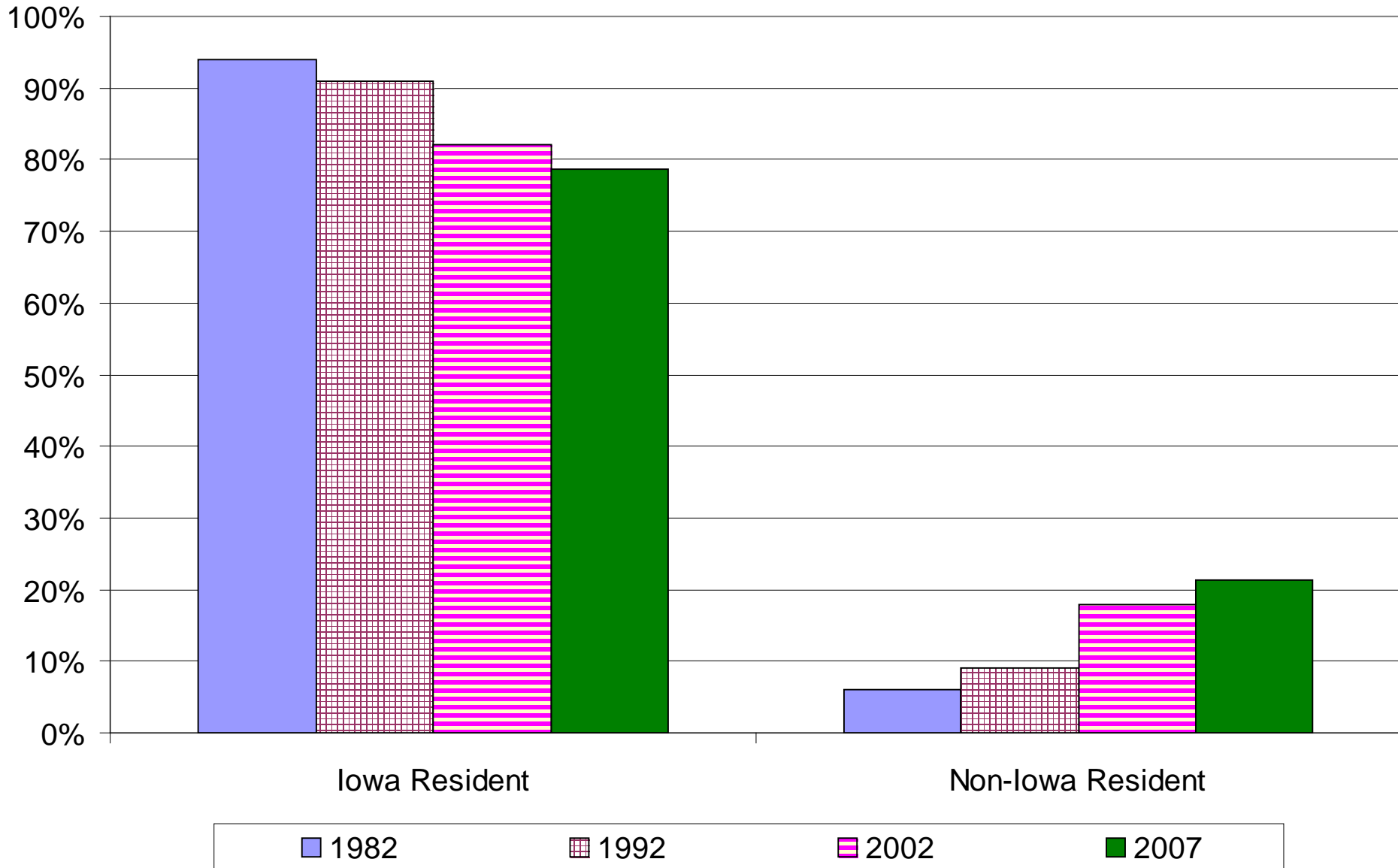
Landowner Characteristics

- Who is the landowner

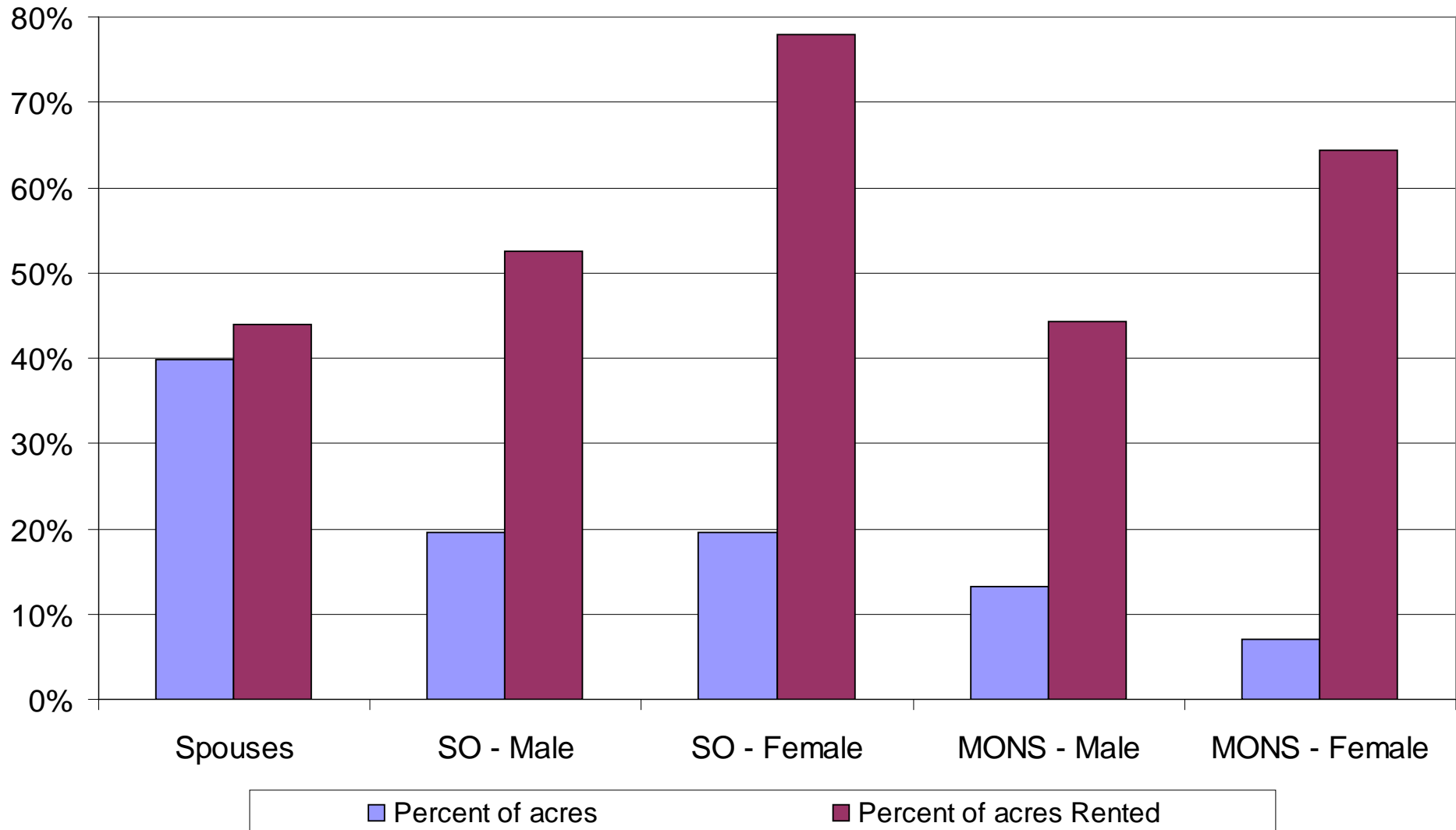
Distribution of Iowa Farmland by Age of Owner and Year



Percent of Iowa Farmland by Residence of Owner



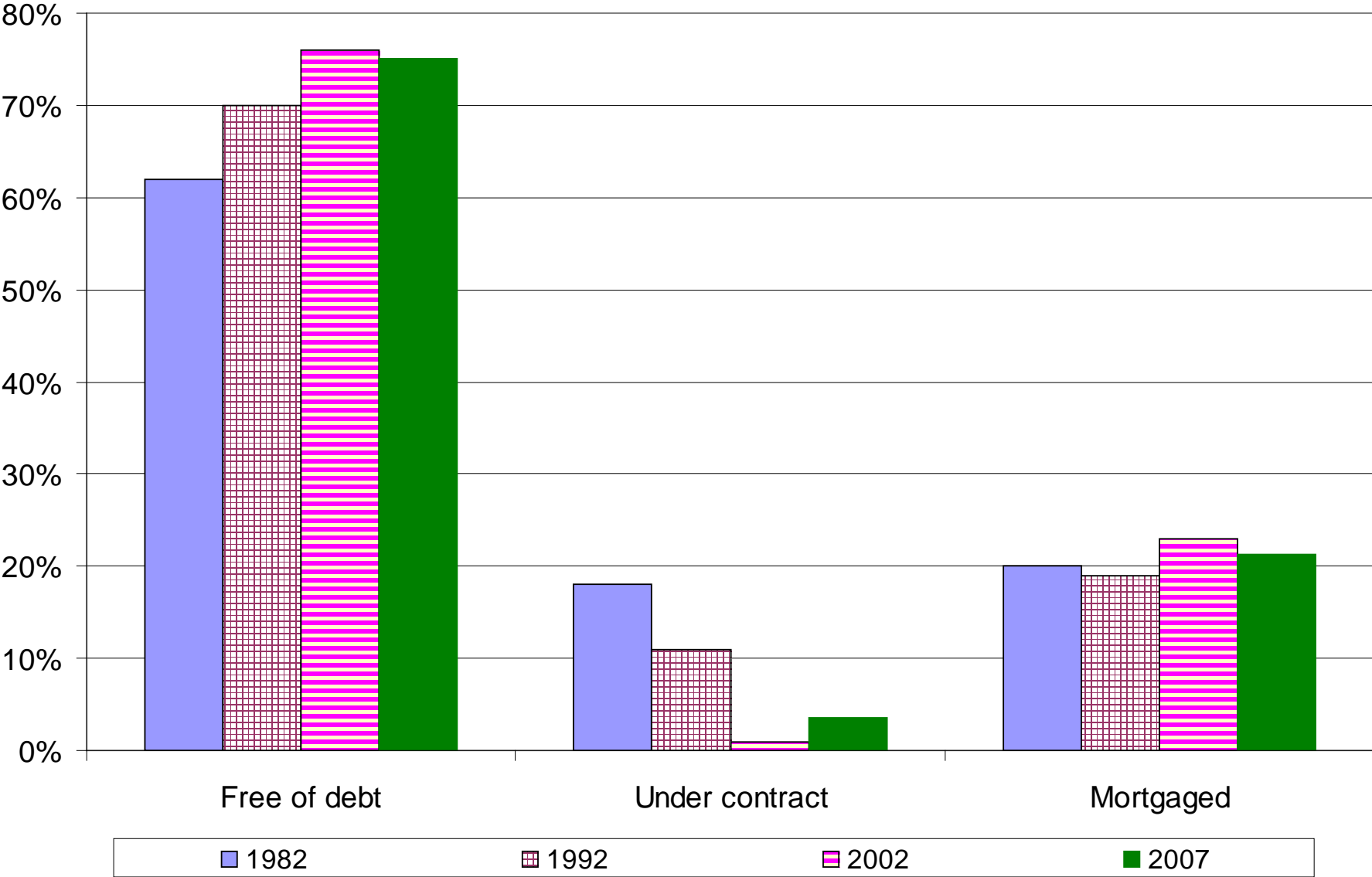
Percent of Iowa Farmland by Owner Gender and Percent Rented



Landowner Characteristics

- Who is the landowner
- What is the financial position of the owner especially as it relates to the nature of the costs and benefits

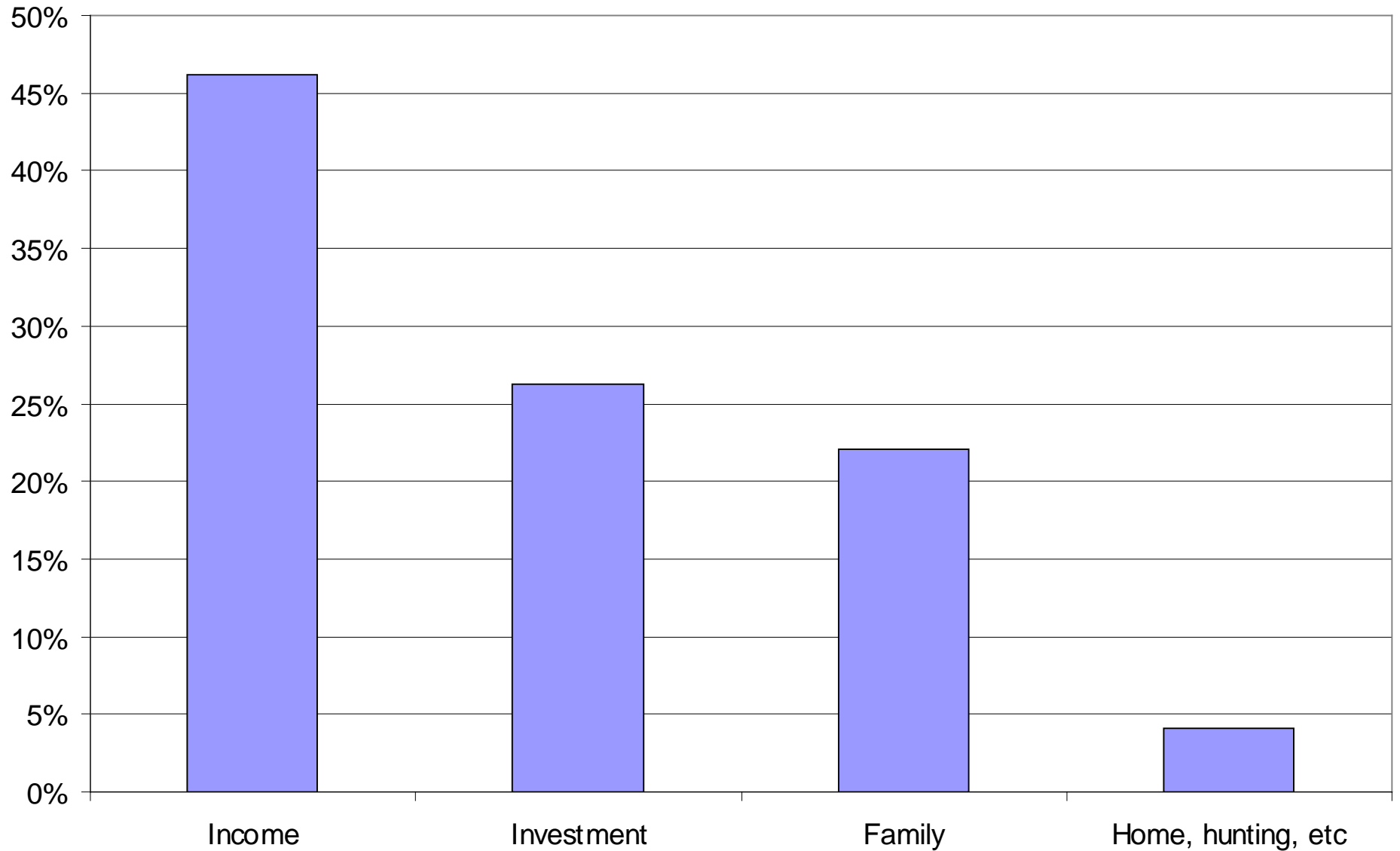
Distribution of Iowa Farmland by Financing Method and Year



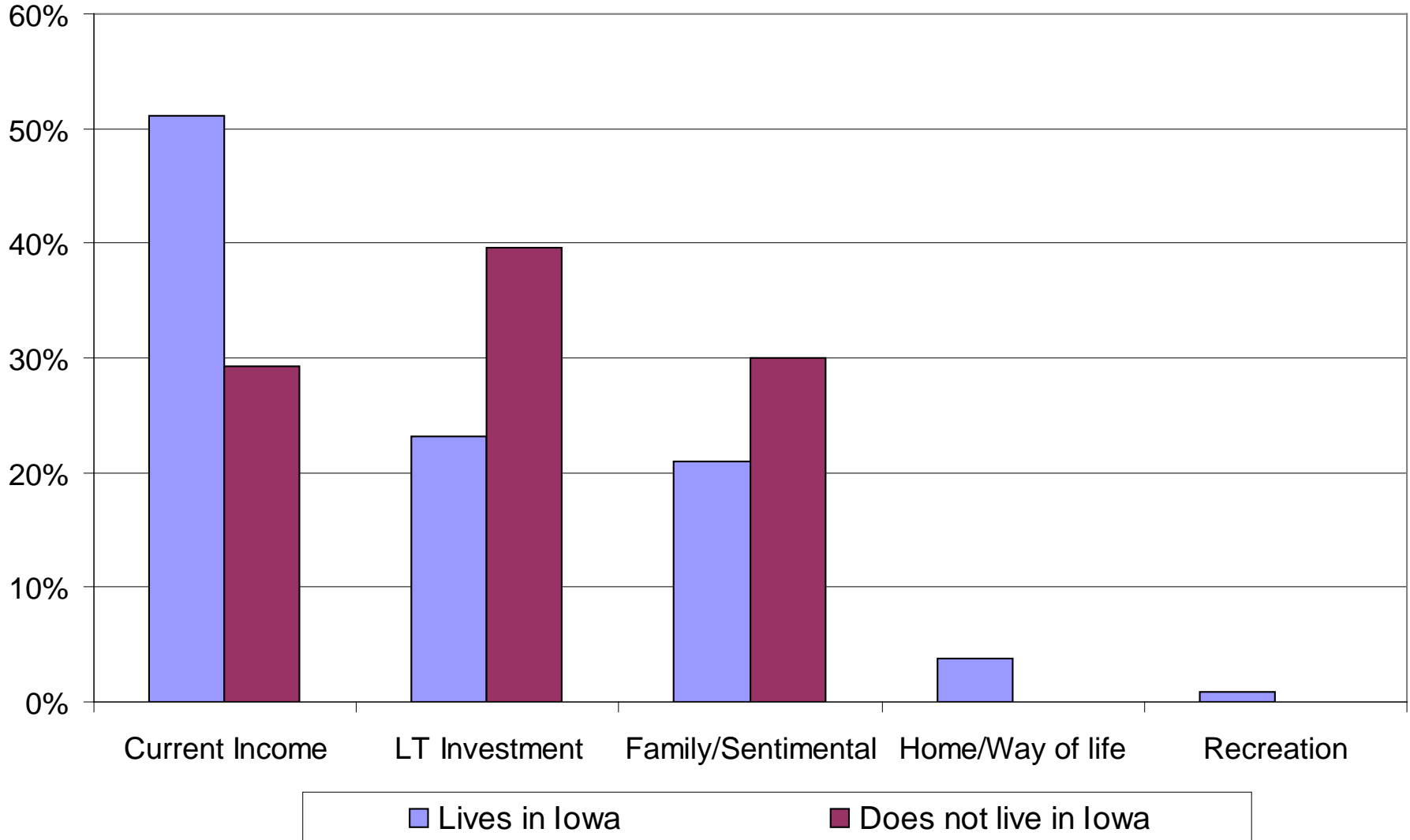
Landowner Characteristics

- Who is the landowner
- What is the financial position of the owner especially as it relates to the nature of the costs and benefits
- Why do they own the land

Percent of Farmland Based on Primary Reason for Owning Land



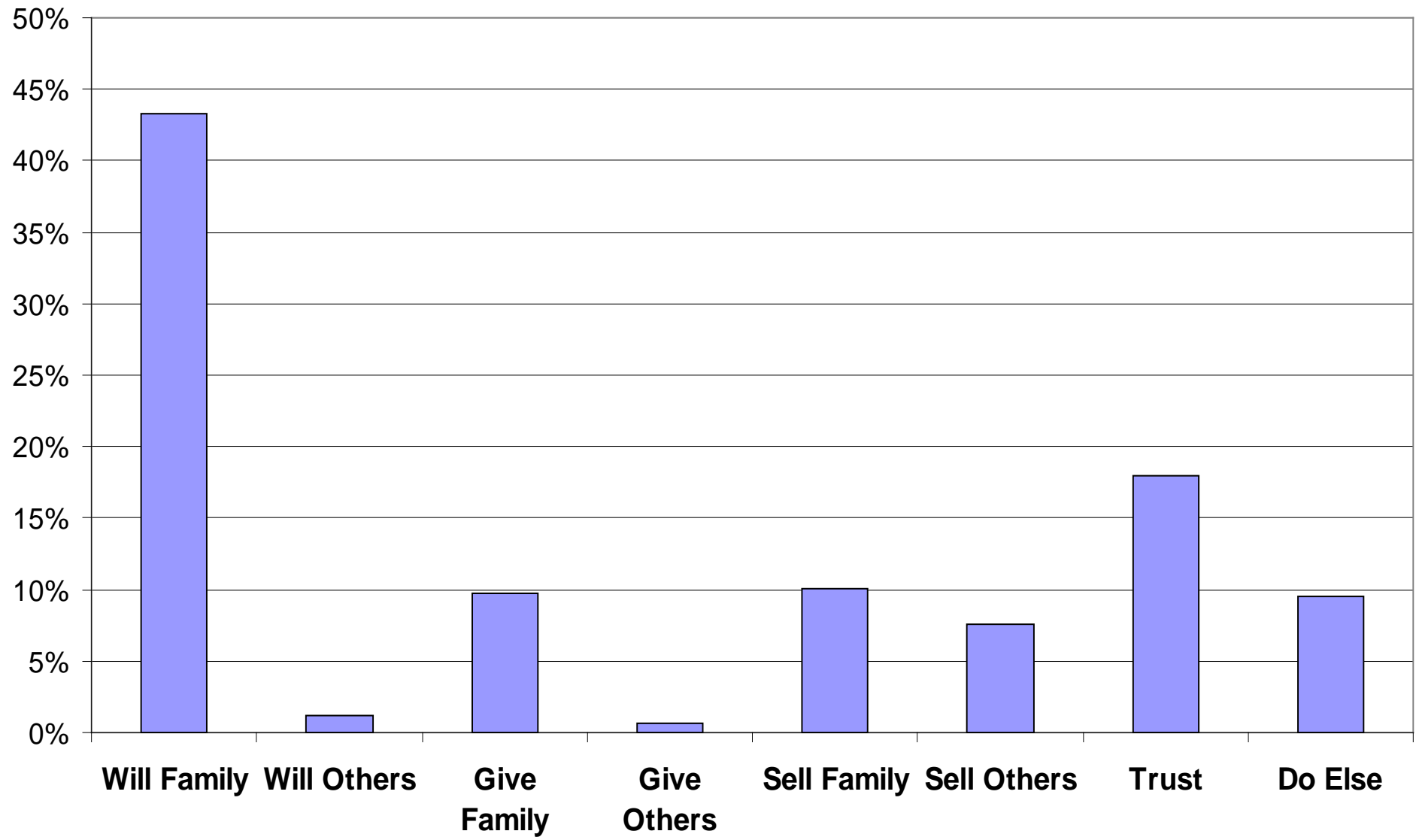
Primary Reason for Owning Farmland Based on Place of Residence



Landowner Characteristics

- Who is the landowner
- What is the financial position of the owner especially as it relates to the nature of the costs and benefits
- Why do they own the land
- What are their plans for the land

Percentage of Farmland by Anticipated Transfer Method



Landowner Characteristics

- Who is the landowner
- What is the financial position of the owner especially as it relates to the nature of the costs and benefits
- Why do they own the land
- What are their plans for the land
- Multiple landowners with possibly conflicting goals

Other Economic Considerations

- Time horizon; short run versus long run
- How does the conservation measure being considered fit with the existing operation
- How does the conservation measure being considered fit with their goals and beliefs
- What happens to the risk involved with either owning or owning and operating the land
- What will the neighbors think

Economic Considerations

- Why don't we see more conservation
 - Market incentives
 - Private incentives
- Common property
- Free riders
- Perception of the seriousness of the problem and the role of technology

Conclusion

- People adopt or don't adopt conservation measures for a variety of reasons
- The benefits and costs are important but they are not the only considerations
- The decision to conserve is an individual one and so we must appeal to the individual where they are and how they are thinking

THANK YOU

Web sites

- Ag Decision Maker:
www.extension.iastate.edu/agdm/
- Beginning Farmer Center
www.iastate.edu/bfc
- My site:
www.econ.iastate.edu/faculty/duffy/