

Ec. 157, Ag. 5-84, Current

Ec. 157, Ag. 5-84, Current

Fri. May 11

Paid

Dues

Foreign holders of U.S. land also
exempt from cap. gains tax

Ch. 9: Fudl. Inputs (+ Taxation)

1. Fig. 9-1 p. 196. A l.v., 1943 - ~~80~~¹ = 38 yrs!

"Rational Expectations." 1972-81, esp. strong.

2. Drop in '82-83, greatest since 1933!
89% of real value!

3. Hist. of monetary policy.
Long struggle of finrs. for infln.

- to lower i.r.
- to promote lenders closer to them
- to ease outstanding debt
- to Δ equity values for leveraged debtors
- to encourage exports

1863-93, deflation. Farmer alienation.

Populism.

1895-1920, "Golden Age of Agric." (Began w. high a/v).

4. 1920 crash.

Not monetary (vs. Friedman).

Far. prices were OK in money, so debt was not major problem. But real prices were low. a

a) Parity concept developed. Warren

"half-crash".

b. L.V. high w.r.t. income. (g was high)

5. ~~4~~ 129 crash. B of A holds 20,000 farms, in Cal.

6. ~~5~~ 1933 - date, continuous infln.

1941 - 50 or so, easy entry, high a/V. The true Golden Age. Vet's credit.

7. ~~6~~ 1950 - 80, bracket creep, restricted entry to absenteers.

8. ~~7~~ Credit programs, pumping in K

a. 2 "distinct Types"

1. Fm. Credit System, FCS

Land Bank → L.B. Assocs.

Intermed. → PLA

Banks for Coops.

2. Fm HA, "emergency-type" loans.

b. 12 fm. credit distri. (Brian Book, SF)

c. Land Bks. works thru local FLBAs

Intermed. Bk. " " " PLA's

d. Origin: 1916

Expansions: 1933 - refinj

1971 - Fm. Credit Act. Wildcat

Banking redne! Deja vu! "Heard that song before"

p. 197

In '71, only \$296 farm ^{mortgage} debt. (cf. L.V. of \$300b)
 Then soared to \$100b! by 1982
 Non-r.e. debt also grew, another \$100b.

e. '71 provisions

1. L.B. raised lending limits from .65 to .85 of "long-term market value" (meaning $\frac{a}{i-g}$ rather than $\frac{a}{i}$).

(What happens in r.e. crash?)

2. "Open-end mortgages" - no 2d required

3. Deleted personal liability of borrower, of family corp.

4. Let banks own r.e. (foreclose and lease back contemplated -- so banks needn't recognize losses.)

5. Relaxed various rules.

f. p. 197 gV offset int., so loan appeared costless.

g. p. 197, FLB holds i.r. well below mkt;
e.g. ins. cos.

(telling financiers change less, but that is
a tax scam.)

PCAs also below mkt.

h. FARM also soaring after '71, but from small base.

i. Land Banks were "the leading catalyst."
(But they did not crowd out other lenders, who also
expanded.)

j. Non-r.e. credit rose in synch. (but it
really relies on land collateral.)

PCAs poured in into coops, esp. ly.

9. ~~£~~ Farm sector still has favorable asset/debt ratio
(but variable inc. makes it less able to bear debt.)

10. ~~£~~ Solution: lower taxes!

5
Ag. Taxes:

1. Farming is "K-int." He means to include land, (but give B.C. data.)

Some farming is labor-int. Data from B.R.

Stress a) Farming is heterogeneous

b) Malinowski's concern is ^{not} with labor-int.

c) Farming as a whole is ~~int~~ coverage.

2. R.E. tax is fixed, i.e. based on variable income.

3. R.E. tax based on mkt. values.

(But assumes lag, and this raises values more)

(Mortgage is also fixed. Fmr. needs Islamic lender. IRS is like that!)

4. Absentees attracted. 3 preferences

a. Cash acctg.

b. Some invts. are expensed

*81 Act made this better

c. Cap. gains (he mentions cap. only)

Ec. 132. Thurs. May 10, '84

1

1. Quiz.

$$V = \frac{a}{i-g+t}$$

$$Vt = a \frac{t}{i-g+t}$$

Qu. Let $g=0$.

Show math-ly. what share of land ardy. inc. (current c.f.) goes for propy. tax.

2. Why propy. tax is higher + lower than it looks.

a. Higher, bcs. is based on V

b. Lower, bcs. ~~based on~~ V based on inc. after tax.

Cf. Inc. Tax based on D

$$T = tD = t(G - T)$$

$$T + tT = tG$$

$$T(1+t) = tG$$

$$T = G \frac{t}{1+t}$$

$$\text{Tax share} = \frac{T}{G} = \frac{t}{1+t}$$

cf. prop. tax

$$T = \epsilon V = a \frac{t}{i + \epsilon}$$

$$\text{Tax share} = \frac{T}{a} = \frac{t}{i + \epsilon}$$

Here, same idea, but all depends on relationship with i.r.

Today, w/ i.r., tax share is less.

3. Assmt. Practice.

Methods:

1. "Cost",
2. Cap. inc.
3. Comparable sales -- current mkt.

Use of 3 methods is a huge fudge factor.
Latitude of assrs. Protestations of innocence.
They are creatures of 3 forces
Politics
Judicial Review
Profnl. standards & ideals.

De Facto bias in assmt.

a. For land. ^{Esply. raw land} Reasons:

inc. tax pressure to accommodate

accommodate non-liquidity

" anti-growth sentiment

" old, rich families.

Use cost method, or, cap. current inc. ~~Ango.~~

b. Vs. Housing.

Use comp. sales method. Created ~~§~~ P-13.

Tax school children.

Most active mkt. Hi turnover; current data.

Reassess land when divided.

Junkies o' assd. w.r.t. land.

c. Vs. Publ. prop.

Const. turnover, current values.

d. For mineral rts - except Cal.

4. Legalized bias in assmt.

a. TPZ

b. Wilson Act, etc.

c. Golf course (Unitarian ethic?)

5. Exemptions:

a. By owner & use
Religion; govt.; recre.

b. By class of property.
Wtr. rts.

Radio spectrum

occ leasehold.

Other possessory interests taxed.

Ch. 9, Pt. II Tax Policy

1. Property Tax.

$$V = \frac{a}{i - g + t}$$

$$\text{If } i = g$$

$$V = \frac{a}{t}$$

$$Vt = a.$$

Taxes take all.

More generally,

$$Vt = a \frac{t}{i - g + t}$$

Prop. tax rate is:

a) Higher than it seems bec. based on $\underline{V}$, not $\underline{a}$.

b) Given (a), is lower than it seems bec. V is based on after tax inc.

[cf. inc. tax based on disp. inc. d , where $d = Y - tY = Y(1 - t)$

Now, $T = tY$

Then, $\bar{T} = td = tY(1 - t)$

Cester Petak

Food Shortage

I. INTRO -

- A. How Food Shortage Exist
- B. Hunger

II Population

- A. Overpopulation
- B. Income distribution
- C Increase production

III Policy Changes

- A U.S. policy
- B U.N. policy
- C Other ~~gov~~ organizations policies

IV Conclusion

- A solutions or possible actions

S. KRENZ
ECN 157
outline

"The Romance of the Date"

"Romancing the Date"

A. Origin of the date

1. types of dates - 119 kinds
2. climate - effect of rain on crop
3. average acreage size
4. mating features - cross pollination
5. cropping season - harvest time

B. The date market

1. cost to farmer + land value
2. amount of business
3. customer tastes / preferences
4. production levels per acre
5. price farmer gets
6. total production shipped
7. elastic or inelastic?
8. law of demand?
9. market competition - int'l

C. Promotion of the date

Ass.

Circle of Poison, Ch. 7

May 2, '84

Windy.

Pierce's disease ruined grapes in S.C.

1977: \$15,000 - 7,000/a improved
red clay is cheaper
sandy loam is dearer.

1978, rain, crop losses. (ins. at \$400/ton)
price jumped to \$1600/ton. No reserve.
Those who made it bought land.

1979: \$15,000/a, fully improved.

Buy land, get:

1. 1 TC
2. Depreciate; over allocate
Accelerate, 10 yr. tax life.
Resell

Absentee come in. "Investment
Farming"

New vines planted - on irrig. land.
3 yrs. to begin producing.

Now, vineyards being dumped. @ \$6,500

2
Planting container - on incl. land, w. side.

Easy to plant grapes - you don't have to irrigate.

Ec. 157, 4-30-84

I. Re Nindy

Δ L.V. from \$3,000/a w/o vines to \$15,000/a,
1970-82

Ess. of negative cash flow. "Rational Expectations"

$$V = \frac{a}{i - g} \quad (1)$$

$$Vi - a = Vg$$

$$\text{Cash flow} = a - Vi = -Vg \quad (2)$$

Usually you put in some equity, so interest cost
is $V(1-x)i$ ($x = \% \text{ of equity}$)

$$\text{Cash Flow} = [a - V(1-x)i](1-t) \quad (3)$$

(3) reduces the outflow, ~~double~~

(1-t) only applies to "absentees" ($\equiv$ those w. outside income to shelter.)

Absentees also have lower i ; and higher x .

They can wait it out.

~~But (2) remains the basic eqn. It shows how big people will go.~~

2

But people want return on equity, too.
So fundamentally, can treat $x = 0$ -- except
that V_x is not deductible.

$$\cancel{CF = a}$$

F = Flow of cash and non-cash values

$$F = [a - V(1-x)i](1-t) - V_x x + V_g \quad (4)$$

Treat V_g as essentially non-taxable, for
simplicity. Only 40% is at most; and
deferral kills that.

$$1.20^{50} (1-.5) = 9100 \cdot \frac{1}{2} = 4550$$

$$1.10^{50} = 119$$

Will always be someone who just got on the
elevator. The others use his distress for show.

II. Block's Hrgs. Summary

1. Wired -- PUL presume groups; no consumer groups, except feeders.

2. Traditional ambivalence. Talk free mkt, get govt. out. But...

3. Pro pesticide

4. Income - increasing is esply. import. to farmers.

5. Dairy men want govt. to buy + slaughter 1 m cows.

6. Cattle feeders object to dairy support bcs. they compete for feed.
Free mkt., but...

a. Keep cash acctg.

b. Stop at wtr's edge

7. Western Cen. Grower Ass.

Lower support price, to meet compn.

Pro PUL

Pro support loans

Vs. cap on profits.

Ctr. people are leading "Cal. Far. Policy Comm."
to ~~the~~ get all Calif. congressmen to act in
unison.

8. Export subsidy widely favored

9. Raisins.

200 k ton canyon, full yr's prodn.

Causes:

Wine imports. Fr. + It.

Europe raisins in EEC

10. Citrus

Japan. non-tariff barriers. Ban O.P.P. -
treated oranges.

Vs. U.S. - Israel free trade area, proposed.

Criticized univ. research as too basic, not
practical.

- cf. L. Lewis efforts

- cf. attack on Ecs.

5
11. Butts

200,000 u. in Cal.

Competes w. furs, not U.S. —
improve terms of trade. Same as PIK.

12. ~~Butt~~ Feder attacks PIK for raising
feed costs.

Gets big hand. Block grants him
more time. Rhetoric.

4-28-84, Secy of Ag. Block, Hrgs.

Bud Rank, ASC

Wm. Leshner, Asst Secy, Ecs.

Frank Naylor, Small Community + Rural Dev.

C.W. McMillan, Mkty. + Inspn.

1. Jasper Hempel, Irvine, Ca.

Western Growers Ass.

Fresh fruit + veg.

Simpson-Mazzoli Immigr. Bill

DACA Trust Fund act passed. is grateful

2. Caroline Lewis, Ventura

Citrus-Avo.

Am. Agro-women Pres.

Family farmer

Mkty. Coops., Mkty. Orders

Pro pesticide, Tariff, etc.

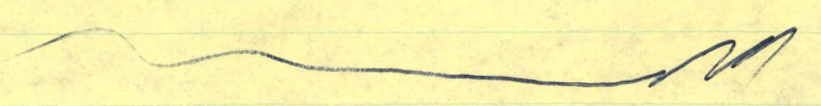
3. Harry Voss, Sacto

Farm Bur.

'81 act is an current Farm Program

Vs. support price; pro export

Vs. deficits + infln.



4. Bill ~~Ro~~ Ron, Riverside. Ranching
Feed grains.
Income averaging is especially important to farms.
5. Bill McFarlane, Ctn. Cal Farm Policy Comm.
Vs. support price
'81 Act returned to price support & prodn. controls.
6. Lowell Lewis
Pro bio-tech. Ed. support, scientists, labs.
Chemicals also used for growth control
"Competitive grants program"
7. Dan Hollingsworth. Dairy
'81, support at 80% parity. 2-36/yr.
Now, 57% of parity.
Wants govt. to buy & slaughter 1m cows.
8. Glenn Van Schack, Bakersfield } ~~12,000~~ 12,000 lbs of
Cattle Feeders Ass. Compete w. milk per cow.
dairy to buy feed, i. favor free
mkt.
Cash basis acctg. wanted.
Free mkt. to stop at water's edge.

7

9. Jack Stone Stratford, Ctn. Western Ctn. Gr. Ass.
Ctn. Ass. '60s, ctn. too dependent on govt. support. Lost to

fu. comp. + synth. Pro PIK

10. Larry Hall, Wheeler
Palo Verde. Call Ass. of
Wheat Growers. Pro loans based on mkt. prices. Opposes ceiling on set-
aside acres., or price cap.

Supports McFarlane's policy resolution.

~~HE~~ Export subsidy

11. George Kaufman, Mallen
Sun Maid

Diamond Walnut

Free trade

Export aid.

EEC subsidy on Greek raisins, from '81

Subsidies on Fr. + Italian wine imports.

Wants to apply Sec. 301 of '74 Act, but process
has not worked. GATT has failed.

200k tons raisin embargo, due to wine
imports.

12. Fred _____

Dairymen, S. Cal.

~~12~~ 26 mos. to replace a producing cow

13. Elaine Abbott + Maurice Johnson
~~Maurice Johnson, Ontario~~

Sunkist. Like 4-yr agreement w. Japan, Citrus.
But Japan may use non-trade barriers - ban O.P.P.

'81, 90% voted for new int'l order.

Vs. U.S. - Israel free trade area, proposed.

~~14. Carol Starr~~

Wants frost prot'n. subsidy
Pro research - wants practical research,
not just Univ. basic res.

17. Carol Stan. Imperial V.
Ctn. + Wheat

15. Jack Fleming. Beets

Cal has 20% U.S. beets.

Likes '81 Act, protects domestic beets

200,000 acres in Cal. now. '77 was higher.

No CCC stocks on hand.

Quotas keep 200,000 acres from other uses.

16. Don Talley. Veg. Grower.
PACA trust fund is liked.

17. Henry Fawcett. Mixed Ctg.
1600 diversified acres
PIK has raised feed costs

Haleman Ch. 8. Mktg Ec.
Worthless.

Nindy Fri.

1. Reckie of Commission Row. Integration.
2. "Contractual intn."
3. Trend is to abandon FTC vs. large marketers,
and go with:
 - a. Countervailing power
 - b. "Market services"Public trading rules; price info, etc.
(Mostly, examples are missing)
4. "Mktg" bill rising relative to farm value.
Reasons? Taxes; spread; preparation; etc.
Breakdown, p. 162.

4-84

Ag. Policy Ideas from old notes.

- ✓ 1. '69 govt. prints. were 30% of net inc.
'73, net inc. up 70%. '75-'77, no set-aside required
2. '70s, new forces:
Environmentalism. Add ~~wild~~ wildlife + env. to cons.
Consumerism
OSHA
3. '75, Food Stamps = $\frac{1}{2}$ USDA budget
20 m. recips.
4. Good intellectual exercise. What does it mean
to base support price on "cost of prodn"?
Either:
a) Omit land from costs, all are different
b) Include land, then target price
support is circular.
5. Pre-Reagan \$ were being pumped abroad, via
imports + loans.
Now loans dry up.
Int. prints. reserve flow, revalue \$
Refuge occurs at higher rates, exacerbates.
So the export dreams of ag. are dying.

2

6. Devaluation of '72 let farms prosper in spite of OPEC.

Now, ~~there~~ nothing to offset drop in farm demand.

7. Current Trends, issues:

a. Return to protectionism?

b. Slowdown or backslip in farm consolidation

c. Boom of small towns. ‡

d. Green revolution etc. abroad

Δ farm compn. in export markets.

e. Smoldering anti-chemical revolution may erupt. It has broken through before, been suppressed.

f. Instlzm. of farm worker unions?

This and clean energy may end era of scale.

‡ The cause is urban emigration; but the result is a more desirable rural environment.