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# Generalized safety first and the planting of crops

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## Abstract

This article adapts a modern shortfall-based portfolio selection rule developed by Stutzer (2000) and Haley and Whiteman (2008) to the farm manager's land allocation problem. It shows that the rule is robust to the choice of the risk measure, and that it obviates the need for a risk-neutral measure. The rule selects a portfolio that maximizes the expected utility of the terminal wealth. In addition, it shows that the rule is robust to the choice of the risk measure. It exhibits superior performance in the Monte Carlo simulation. The approach is applied to the land allocation problem in the context of the 1997-1998 drought in the United States (Stutzer 1997).

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## Notes

<sup>1</sup>See Stutzer ([2000](#)) and Haley and Whiteman ([2008](#)) for a thorough presentation of the PPI and GSF. Haley ([2005](#)) contains a broader discussion of the land allocation problem.

<sup>2</sup>Source: the Economic Research Service, a division of the US Department of Agriculture.

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