

G LAUB FARM MANAGEMENT

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MID SOUTH VIEWPOINTS

FALL 2020

COTTONSEED FOR DINNER

While cottonseed has long been used in cattle feed, traditional cotton plants and seeds contain gossypol, which is toxic to humans and non-ruminant animals. However, a new variety of cotton offers an additional source of protein not available in the past.



Texas A&M's Dr. Keerti Rathore has spent nearly 25 years developing a variety of cotton containing seeds that can be utilized for animal and human consumption. This variety successfully developed by Dr. Rathore and his team still carries gossypol in the plant itself to protect from pests but contains ultra-low levels of gossypol in the seeds. The United States Department of Agriculture deregulated the plant in October of 2018, and the Food and Drug Administration approved the ultra-low gossypol cottonseed for animal and human consumption in October of 2019.

The edible cottonseed provides a readily available source of protein to supplement diets around the world. Experts estimate every pound of cotton lint yields 1.6 pounds of cotton seed. According to Rathore, roughly 10.8 trillion grams of protein are present in the annual worldwide cotton production—that's enough protein to satisfy the basic protein needs of over 500 million people. It is also more protein than can be found in all the chicken eggs produced globally.

The seeds can be introduced into the human diet in many forms, including raw and roasted kernels (similar to peanuts), bread, tortillas, energy/protein bars and shakes, peanut butter substitutes, etc. The seeds also provide great opportunities for feed in the livestock and aquaculture industries. Though already used some in cattle feed, the low-gossypol seeds can now be utilized to feed swine, poultry and any other non-ruminant animals in production. Grinding the seeds into livestock feed provides a great source of protein for the animals and provides an adequate substitute while alleviating some of the stress on the soybean meal and corn silage markets.

For aquaculture, utilizing the seeds for fish feed can reduce the use of several species of ocean-dwelling fish that are harvested to serve as feed. Experts also believe that the edible seeds have the potential to slow the clearing of land in the Amazon and other places. Such clearing has occurred in order to make space for soybean cultivation needed to provide proper protein for a growing population.

As the son of a doctor in rural India, Rathore has seen firsthand the negative health effects that malnutrition has on a society. He hopes that his development can combat malnutrition in developing countries that produce large amounts of cotton. India and China, two of the world's prominent cotton producers, struggle greatly with hunger and could benefit tremendously from the cultivation and integration of ultra-low gossypol seeds in their diets. Currently, this new technological breakthrough is only available in one cultivar developed by Dr. Rathore, but this will likely be a game changer in protein and become a standard trait in all future cotton cultivars.

CHINESE FOOD SHORTAGE COULD INCREASE US CROP DEMAND



Policies, prices and natural disasters affecting the Chinese corn market are creating a shortage that could soon result in an increased demand for US corn. According to the South China Morning Post, China will face a grain shortage of nearly 130 million metric tons (MMT) by the end of 2025, as President Xi Jinping calls to cut food waste in the country.

As a result of grain stockpiles, the Chinese government quit paying farmers above-market prices for corn four years ago. Ever since this program abandonment, the country has produced less corn than it consumes, and state-owned stockpiles that held the supply strong are now nearly gone.

In addition, an aging rural workforce is expected to slow production as estimates show nearly 25% of China's rural population will be over 60 years old by 2025. Thus, the Chinese domestic supply of corn, rice and wheat is expected to fall short of demand by 25 MMT by the end of 2025, according to the Rural Development Institute at the Chinese Academy of Social Sciences.

China has also faced floods and infestations this year. For the first time, fall armyworms have been found in the Liaoning province, located in the northeastern region of China's corn belt. As of Aug. 13, armyworms had hit roughly 1.07 million hectares of farmland across 24 provinces in China. This has driven Chinese corn prices to a five-year high. Locusts are another threat to China's crops as they have moved their way across Asia. On July 31, the Ministry of Agriculture and Rural Affairs ordered the spraying of pesticides to combat locusts after the insects had damaged roughly 90 square kilometers of cropland in the Yunan Province within the month.

Floods started in early June and are continuing throughout the basins of the Yangtze, Huai, and Yellow rivers—all important grain producing regions in China. A total of 27 Chinese provinces have been affected by the flooding this year, as the nation has seen over 144.4 billion Chinese yuan in damages. The floods have also caused a spike in the number of new cases of African Swine Fever, which resulted in the loss of 180 million pigs (40 percent of the national herd) last year. Thus, the price of Chinese pork has jumped 86% from the same period last year.

Many analysts believe that rising corn prices, as a result of dwindling stockpiles and decreased production, are driving the country to experience its first corn shortage in several years. In turn, China could face a corn deficit of up to 30 million tons, which equates to nearly 10% of the total crop. Should this occur, the Chinese demand for US corn and other grain products will likely increase.

PRESIDENTIAL CAMPAIGN TAX POLICY OVERVIEW

With the election fast approaching, farmers, ranchers, landowners and rural residents across the country are wondering what will happen to the agriculture and real estate sectors under either candidate. For the response of each on issues such as trade, programs, biotechnology and sustainability, view the presidential candidate questionnaire issued by the American Farm Bureau Federation on fb.org.

Of course, one of the issues most important to professionals in farm asset management and real estate is tax policy. The following is not an endorsement of either candidate but rather our understanding of each candidate's stance on taxes.

In December of 2017, President Trump signed the Tax Cuts and Jobs Act, which was the largest tax code overhaul in three decades. The reform package lowered the corporate tax rate from 35% to 21%. The package retained the old personal income tax bracket structure but lowered the rates within each bracket—the top bracket rate decreased from 39.6% to 37%, the 33% bracket to 32%, the 28% bracket to 24%, the 25% bracket to 22%, and the 15% bracket to 12%. The 10% and 35% brackets remained unchanged. Most changes to the personal income tax code will revert to pre-TCJA status after Dec. 31, 2025.

PRESIDENTIAL CAMPAIGN TAX POLICY OVERVIEW - CONTINUED

The law also raised the estate tax exemption for single filers to \$11.2 million from \$5.6 million under the previous law. Owners of pass-through businesses (partnerships, sole proprietorships and S-corporations) now see a 20% deduction for pass-through income. Though President Trump has not released a detailed plan going forward, our research concludes that he has campaigned to lower personal and corporate taxes even more.



Presidential candidate Joe Biden has outlined a proposed tax plan that would reform the current tax code and raise taxes more than \$3 trillion over ten years in order to pay for other policy changes. For individuals, this means that the top marginal rate would be raised from 37.0% to 39.6%, with no changes announced for annual incomes less than \$400,000. He would repeal the \$10,000 cap on the deduction for state and local taxes put in place under the Tax Cuts and Jobs Act of 2017. However, the administration would limit itemized deductions to 28% of face value. The Biden campaign has also proposed a 12.4% Social Security tax rate to all incomes over \$400,000.

For incomes over \$1 million, a Biden administration has proposed setting a tax rate of 39.6% to capital gains and dividends, up from the current rate of 23.8%. Biden would also eliminate 1031 exchanges for those with an annual income greater than \$400,000. A 1031 exchange (or like-kind exchange) allows real estate investors to defer capital-gain taxes when a property is sold by directing the money into another investment of equal or greater value shortly after the sale. If a taxpayer owns real estate up until the time he or she passes away, all of the capital gain tax is currently eliminated, although it could be subject to an estate tax. The Biden campaign has proposed to make all the capital gains due at the time of sale, and heirs will no longer have the ability to step-up basis at the predecessor's date of death.

While a president cannot create laws, executive policy goals are implemented to influence Congress. As evidenced above, each candidate has a vastly different approach to boosting the American economy of which tax policy is a pillar. We know all candidates have their pro's and con's when it comes to agriculture and real estate as well as other important issues, so we hope you will review all policy stances and, most importantly, vote.

PLC PAYMENTS INCREASE FOR THE 2019 CROP YEAR

Under the current Farm Bill, farmers and landowners can participate in commodity programs. One is known as the Price Loss Coverage (PLC) which works similarly to the previous counter-cyclical program from the 2002 Farm Bill. PLC has a reference price for each covered commodity. If a crops marketing year is lower than the reference price, a PLC payment will be made.

Crop	Unit	2014	2015	2016	2017	2018	2019P
Wheat	bu.	\$0.00	\$0.61	\$1.61	\$0.78	\$0.34	\$0.92
Corn	bu.	\$0.00	\$0.09	\$0.34	\$0.34	\$0.09	\$0.10
Grain Sorghum	bu.	\$0.00	\$0.64	\$1.16	\$0.73	\$0.69	\$0.65
Soybeans	bu.	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Peanuts	lbs	\$0.05	\$0.07	\$0.07	\$0.04	\$0.05	\$0.06
Long-grain	bu.	\$0.95	\$1.31	\$1.96	\$1.13	\$1.44	\$0.90
Med.-grain	bu.	\$0.00	\$1.26	\$1.76	\$1.04	\$0.77	\$1.08
Seed cotton	lbs	-	-	-	-	\$0.02	\$0.06

Throughout the current Farm Bill, rice payments have been the highest. In 2019, long grain rice price payments decreased compared to 2018 while all other covered commodities covered increased except soybeans. PLC payments have not triggered for soybeans in any year under the current Farm Bill.

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1702 Stone St., Ste C • Jonesboro, AR 72401



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Ted L. Glaub
Manager/Broker
& Auctioneer



Jeffrey Hignight
Manager/Broker



Houston M. Matthews
Certified General
Appraiser

AVAILABLE LAND INVESTMENTS

- **67 +/- Acres in Phillips County, AR. (Available)**
- **185 +/- Acres in Lonoke County, AR. (Pending Sale)**
- **297 +/- Acres in Greene County, AR. (Auction - Nov. 17th)**
- **940 +/- Acres in St. Francis County, AR (Available)**
- **1,153 +/- Acres in Monroe County, AR. (Multiple Tracts Available)**
- **1,293 +/- Acres in St. Francis County, AR (Pending Sale)**

A large portion of sales occur on properties not listed or advertised on the open market. Contact us about these listed and additional land investments.

G GLAUB FARM MANAGEMENT

870.972.6996
INFO@GLAUBFM.COM
WWW.GLAUBFM.COM

1702 STONE ST., SUITE C • JONESBORO, AR 72401

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