

G LAUB FARM MANAGEMENT

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MID SOUTH VIEWPOINTS

FALL 2019

IMPORTANCE OF INLAND WATERWAYS

The USDA recently released *Importance of Inland Waterways to U.S. Agriculture*, a study that quantifies the cost-savings and competitive advantages that would accrue from investing in long-delayed improvements to inland waterways locks and dams on the Upper Mississippi and Illinois River system. This study highlights the importance of the relationship between the inland waterways and the competitive nature of the American agriculture industry.

The inland waterways system is responsible for carrying large volumes of agricultural goods for domestic use, import, and export. According to the study, in 2017 nearly 532.8 million tons of domestic barge traffic occurred on the inland waterways system, accounting for roughly \$220 billion worth of goods.



With the help of these waterways, farmers in the United States have a competitive advantage in global export markets. Currently, the United States has a \$5.35 per metric ton advantage over Brazil. This number stems from the shipment of soybeans from Davenport, Iowa to Shanghai, China. The inland waterways system saves anywhere from \$7 billion to \$9 billion in annual shipping costs over other forms of transport. Every dollar of waterways activity output results in \$1.89 in additional U.S. economic activity directly related to the waterways.

While the waterways are an extremely efficient mode of transportation and shipping, the infrastructure is aging and needs major improvements in order to maximize its full capabilities and provide maximum economic growth. Nearly all of the locks on the Upper Mississippi and Illinois River System are outdated. Delays at these locks can cost operators and shippers over \$44 million annually.

By increasing investment in the waterways system by \$6.3 billion over a 10 - year period and by \$400 million a year after that until 2045, the waterways' contribution to the U.S. gross domestic product would increase by 20% to \$64 billion. This would also increase employment directly related to the waterways by 19% to 472,000 jobs. Also, the market value of corn and soybeans (two of the nation's highest yielding crops) would increase by \$39 billion. If investment to the inland waterways system was reduced, the market value of these commodities would decrease by \$58 billion.

NGFA (National Grain and Feed Association) President and CEO Randy Gordon said: "We appreciate the leadership of Secretary Perdue and USDA in once again spotlighting the importance of the U.S. inland waterways transportation system to U.S. agriculture's global competitiveness and farmers' bottom lines. Very importantly, this study quantifies the significant cost of further delays in rebuilding America's inland waterway infrastructure, and it's not a pretty picture. Foreign competition from countries like Brazil is only increasing given current trade disruptions, and China is investing aggressively in South America's transportation infrastructure to the United States' detriment.

"The United States simply can't afford to lag behind any longer," Gordon said. "This study is a wake-up call to the White House Office of Management and Budget and Congress to make the PED funding for NESP available this year, and to ensure growing investments are continued and expedited in the tremendous natural resource that America's inland waterways represent." The full report is available on the USDA-AMS website – www.ams.usda.gov.

SEPTEMBER IS NATIONAL RICE MONTH



Since 1991, September has been celebrated as National Rice Month in the United States. Rice is produced in Arkansas, California, Louisiana, Mississippi, Missouri, and Texas with Arkansas being the top producing state. There are four regions of the United States in which nearly all of the nation's rice is cultivated. These include the Arkansas Grand Prairie, the Mississippi Delta (parts of Arkansas, Mississippi, Missouri, and Louisiana), the Gulf Coast (Texas and Southwest Louisiana), and the Sacramento Valley of California.

In the United States, rice is generally classified by the length of its grain. Long-grain rice is heavily produced in the southern states, with Arkansas producing nearly 57% of the nation's long-grain rice crop. The production of long-grain rice accounts for 70% of U.S. rice production. Long-grain rice typically cooks dry and

separate. California is the primary producer of medium-grain rice, producing roughly 70% of the nation's medium-grain crop. Arkansas also produces a significant amount of medium-grain rice. Medium-grain rice production makes up roughly 26% of the U.S. rice production. When cooked, medium grain rice is moist and clingy. Nearly all short and medium-grain rice produced in the United States is grown in California.

Domestically, the majority of U.S. rice is used as direct food. Nearly 22% is used for processed food such as pet food and baby food, and 15% is used for beer production. Anheuser-Busch, the largest buyer of rice in the United States, purchases roughly 8% of the annual crop. The company also mills its own rice, using Arkansas grown rice that is transported to the Anheuser-Busch owned rice mill in Jonesboro, Arkansas.

While the United States accounts for less than 2% of the global rice production, it accounts for more than 6% of global exports. U.S. rice exports include rough rice, brown rice, white rice, and parboiled rice. The majority of rice exported by the United States consists of milled rice with rough rice being the next highest export. The United States has imported roughly 9% of the nation's total supply of rice over the last five years. Most of the rice imported into the country consists of aromatic varieties from Asia.

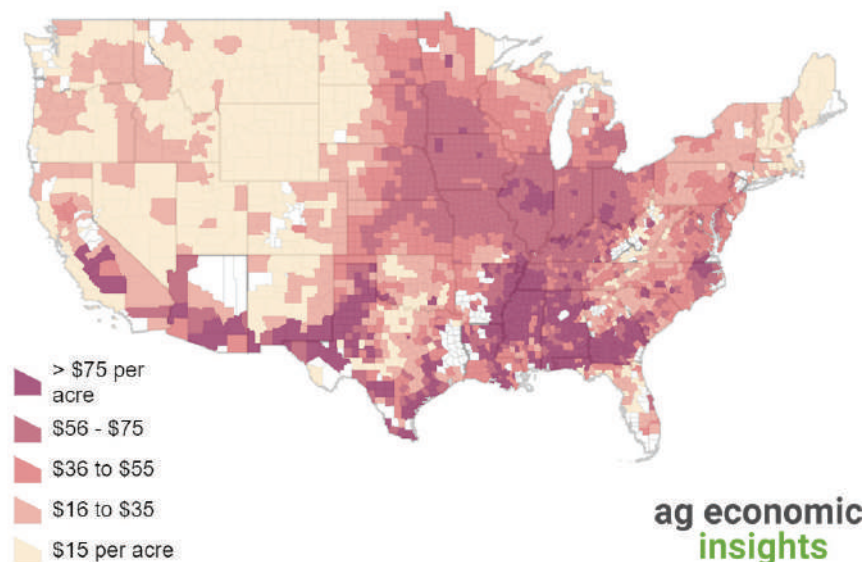
Nearly 90% of the world's rice supply is produced and consumed in Asia. A popular type of rice grown in Asia is Indica, which accounts for 75% of the global rice trade. This type of rice is grown in the tropical and subtropical regions of Asia, including the Philippines, India, Pakistan, Java, Sri Lanka, Indonesia, and central and southern China. The plant produces long to short grains that are flat and generally have higher amylose content. When cooked, the grains are separate and fluffy. Aromatic rice, such as jasmine or basmati, accounts for roughly 16-18% of the global rice trade. These types of rice are primarily produced in Thailand, Vietnam, India, and Pakistan although the University of Arkansas and others have developed cultivars. Known for its nut-like aroma and taste, when this medium to long-grain rice is cooked it has a light and fluffy texture.

Japonica rice accounts for roughly 5-6% of the global rice trade. This type of rice is typically grown in regions with cooler climates, such as China, Japan, or Korea. The grains are short and round, and generally have low amylose content. When cooked, these grains are generally stickier than Indica rice. The remainder of the rice grown in Asia consists of glutinous rice, as well as other types of specialty short grain rice. These are generally extremely sticky and easier to eat with chopsticks. This type of rice accounts for approximately 2% of the global rice trade.



MARKET FACILITATION PROGRAM 2.0

2019 MFP Payment Rates



"Map provided by Ag Economic Insights" www.aei.ag

The USDA has recently released details of the Market Facilitation Program (MFP) for the 2019 crop year. This is the second year of the MFP and includes a \$16 billion package intended to compensate American farmers damaged as a result of the ongoing trade situations.

According to US Agriculture Secretary Perdue, "China and other nations have not played by the rules for a long time, and President Trump is the first President to stand up to them and send a clear message that the United States will no longer tolerate unfair trade practices. The details we announced today ensure farmers will not stand alone in facing unjustified retaliatory tariffs while President Trump continues working to solidify better and stronger trade deals around the globe."

"Our team at USDA reflected on what worked well and gathered feedback on last year's program to make this one even stronger and more effective for farmers. Our farmers work hard, are the most productive in the world, and we aim to match their enthusiasm and patriotism as we support them," Secretary Perdue added.

MFP signup began July 29 and will continue until December 6. Farmers must sign up for the program at local FSA offices. Landowners may also participate in the MFP, as long as they are under a crop share agreement and not a cash rent agreement. Payments under this program are based on 2019 planted acres. All qualifying acres must be planted by August 1 of this year. Qualifying crops include corn, extra-long staple cotton, long grain and medium grain rice, peanuts, sorghum, soybeans, upland cotton, wheat, and more. Last year's MFP payments did not include rice or peanuts.

The 2019 MFP also includes cover crops on prevent planted acres as long as the cover crop was planted prior to August 1. Those cover crop acres are eligible for a \$15 per acre payment. Acres that were never planted in 2019 and converted CRP acres are not eligible. Payments will be based on the total planted acres of each commodity on a given farm. The total acres eligible for payments cannot exceed the amount of eligible crop acreage that was planted in 2018, except for any acres added via purchase, land rental contracts, family arrangements, etc.

The payment rates of the program will vary by county. Nationwide, these rates vary from \$15 to \$150/acre. In Arkansas, the rates vary from \$19 to \$134/acre. The average rate across the state is \$66/acre. In Missouri the rates vary from \$15 to \$125/acre, with the average rate being \$60/acre. For Mississippi the rates vary from \$21 to \$150/acre, with the state average rate being \$87/acre. The rates for Tennessee vary from \$16 to \$126/acre with an average of \$62/acre.

MFP payments are being capped at \$250,000 for non-specialty crops per person or per legal entity. No applicant may receive more than \$500,000. Applicants must also have an average adjusted gross income (AGI) of less than \$900,000 or have 75% of the average AGI come from farming or ranching for the tax years of 2015, 2016, and 2017 in order to qualify.

The payments will be made in up to three installments. The first installment will consist of the highest of either 50% of a person's calculated payment or the minimum \$15 per acre. This payment started in mid-to-late August. The second and third installments will be made as market and trade conditions dictate. If conditions warrant, USDA will make the second installment in November, and the third will be paid in January. Information on payments by county can be found on www.farmers.gov.

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Ted L. Glaub
Manager/Broker
& Auctioneer



Jeffrey Hignight
Manager/Broker



Houston M. Matthews
Real Estate Appraiser

MATTHEWS BECOMES A CERTIFIED GENERAL APPRAISER

We want to congratulate Houston Matthews for passing the certified general appraiser exam. After meeting the appraisal working hours, education requirements and Arkansas Appraisal board approval, Houston took the exam at the beginning of September.

As a certified general appraiser, Houston is able to appraise any type of property with no value limit. He will continue to focus on farm and rural properties including those with agricultural improvements and special use facilities.

Although Houston now has the highest level of licensing, his education and professional development is just beginning. The next step will be to obtain the Accredited Rural Appraiser (ARA) designation through the American Society of Farm Managers and Rural Appraisers. This designation requires 121 hours of education, five years of experience with 6 reports submitted for review, one demonstration report, and a comprehensive ARA accrediting exam.



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