Dear Colleague,

We have some news of solid benefit to you — your subscription to The Kiplinger Agriculture Letter is being assumed by Farm Journal Media, our nation’s leading agricultural information provider.

It has been the Kiplinger staff’s pleasure to serve agribusiness decisionmakers over the years, and Farm Journal Media is eager to continue the fine editorial service you’ve been getting. Our two companies are confident that you will be well served by Farm Journal Media’s authoritative coverage.

Farm Journal Media is known for its magazines, web sites, radio and TV programs, newsletters, and conferences — all focused on serving agricultural information needs. Farm Journal, the company’s flagship magazine, has served readers without interruption since 1877 — even longer than the Ag Letter, which we launched in 1929.

This means that you will get even more news coverage and expert analysis from the world of agriculture. Farm Journal Media’s editors and contributors across the country will keep you informed about what’s driving this vital industry.

Your first issue from Farm Journal Media will be published November 14, and electronic copies of current and past issues will be online at www.agricultureletter.com at that time.

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If you have any questions regarding your subscription or this expanded coverage, please contact Farm Journal customer service at 888-752-2047 or by e-mail at agricultureletter@farmjournal.com.

Sincerely,

Knight Kiplinger
Editor in Chief
Dear Client:

In the war against crop pests and disease... Biopesticides are poised for a larger role. Though chemical pesticides will continue to dominate, more and more farmers will turn to pesticides that use living organisms—insects, spiders, plus fungi, bacteria and other microbes—to control crop pests.

Driving the trend: Scientific advances in genetics, entomology, plant pathology and more, allowing for faster testing and breeding of organisms capable of protecting a variety of crops.

Consumer demand for safer foods... both in the U.S. and abroad...that are untainted by toxic chemicals that can affect people's health.

Environmental concerns. Biopesticides limit collateral harm to bees and other critters that pollinate crops and devour harmful pests. The growth of organic farming is also a big factor; nearly all biopesticides come without transgenics.

And a thumbs-up from Uncle Sam. USDA and EPA usually green-light biopesticides more quickly than chemical pesticides: Often in less than a year, compared with three years or more for other pesticides. Faster approvals save makers of pest control products a lot of time and money.

Look for biopesticides to roughly double their market share by '20 or so...to 12% of global crop protection sales. They will gain further in subsequent years.

Many large pesticide and seed firms are spending billions of dollars on R&D, including on new laboratories and greenhouses to test biologics-based pest remedies, such as coating crop seeds with bacteria, fungi and other microbes to protect them.

Bayer CropScience is a major player. It plans to invest much of its $3 billion for new crop production by '16...$1 billion in the U.S...for biologic types of pesticides.

Among others: DuPont, BASF, Marrone Bio Innovations, Valent BioSciences, and BioAg Alliance, a joint venture recently launched by Monsanto and Novozymes.

USDA, too, is ramping up funding for its scientists and for universities to pursue biological alternatives to long-used chemical crop protective treatments. USDA scientists who find and test parasitoids (parasites that kill their hosts) have collected wasps from Asia and are starting to release them in Ill. and Minn. to kill soybean aphids. By '16 or so, they hope to release a related wasp that feeds on Russian wheat aphids, which often take a big toll on wheat in the Great Plains.

Two USDA priorities: Developing a biopesticide to safeguard fruit crops from the spotted wing drosophila, a fly that attacks most berries and other soft fruit. It first appeared on the continent in Calif. in '08 and has since spread coast to coast, creating havoc for fruit growers. USDA is breeding parasitoids that feed on the fly.

And minimizing crop damage by stinkbugs. USDA is working with wasps whose eggs hatch inside the stinkbugs. The pests are then eaten by the wasp larvae.
A looming pasta crisis? Stocks of durum, or macaroni, wheat are very low. Four of the world’s leading producers—Canada, France, Italy and the U.S.—have been plagued by wet weather that has led to crop damage by diseases and pests, leaving much of their durum ill-suited for making high quality pasta. Moreover, rain-drenched fields made harvesting difficult, adding to the supply woes. Meanwhile, yields in Turkey, another big producer, were severely thinned by drought. A small winter crop that’ll be harvested in Calif. and Mexico in May won’t add much.

The scant crop is doubling prices of a year ago for top grade milling durum to a range of $12-$17/bu. And some sales of durum will top those prices this winter as millers scramble to gather enough top quality durum to blend with lesser grades.

North American growers will expand durum acreage in ’15, but not by much. Durum yields are typically low and demand versus other wheat types is limited.

Christmas tree growers are branching out to attract younger customers in a bid to rally flagging sales. Among their efforts: Hiking available selections of smaller trees that are easier to transport and fit easily into urban apartments. Growers are also catering to millennials’ penchant for live trees over artificial ones, and some in the East are shipping in a popular West Coast fir variety called noble.

USDA is speeding up its work on updating yield histories for field crops, which are used to determine insurance payouts on field crop losses. The Ag Dept. had said it wouldn’t be ready to announce updates until ’16. But...

It now says it can accommodate updates for most of the ’15 crops and plans to announce details for doing so in Dec. Heavy pressure from lawmakers and various agricultural groups convinced USDA officials to move more quickly.

Though exports to the biggest markets for U.S. poultry have been slipping...

A slew of new markets will help to keep poultry meat exports going strong. The U.S. will send abroad more than 9 billion pounds of chicken and turkey this year, accounting for a 175% increase since ’94, to nearly 20% of U.S. poultry production.

U.S. poultry is now going to about 118 countries and probably to more in ’15. Back in ’94...80 nations, and three-fourths of foreign sales went to just five countries.

So poultry producers aren’t losing much sleep over restrictions on exports to Russia, China and the European Union because of technical and other disputes.

Look for USDA to tweak its country-of-origin meat labels in a renewed effort to overcome long-standing World Trade Org. opposition to them as discriminating against Canadian and Mexican producers. However, revisions in the U.S. regulations still may not pass WTO muster, probably prompting the U.S. to continue appealing. But appeals are likely doomed, eventually forcing a reluctant Congress to alter the law.

We expect China to renew permits to researchers working on biotech rice, despite rising opposition to biotech foods there. Expiration of their five-year permits led some observers to wonder whether Beijing was pulling the plug on biotech research. That doesn’t appear to be the case. A research permit for biotech corn has also expired. It too will probably be renewed, but researchers haven’t applied for renewal yet.

An EPA research finding is sure to ignite a fight with U.S. pesticide makers, who’ll insist on more proof that treating soybean seeds with neonicotinoids...a class of insecticides...doesn’t help to increase bean yields, as EPA’s study declares. Pesticide makers will be joined by seed firms that sell soybean seed with a treatment of imidacloprid, a neonicotinoid that kills wireworms, leaf beetles and more. EPA says that it will use its study to restrict neonicotinoid seed treatments...long under fire from environmental advocates and organic farmers. The findings will also give pause to many bean growers, who will wonder whether seed treatments are worth the money.

Read more about EPA’s study and judgment at kiplinger.com/letterlinks/nic.
On tap…a biotech fix for rice’s tendency to absorb arsenic from water and soil.
It will isolate and activate a gene that makes rice plants concentrate arsenic in the stems of rice plants, blocking it from reaching the edible part...the grain.

The breakthrough comes as health officials are zeroing in on rice, giving many rice producers the jitters. A study by the U.S. Food & Drug. Admin. found an average of 160 parts per billion of arsenic, a natural element, in brown rice, which is viewed by many as a health food. The 160 level is 16 times EPA’s maximum for drinking water. In some parts of the world, water supplies are loaded with arsenic, causing some people to get skin lesions, develop cancer and suffer other health woes.

But much work remains. See details at kiplinger.com/letterlinks/arsenic.

Rules for approving biotech crop and animal traits face new challenges and demands to modernize. The regulatory process used by USDA, EPA and FDA to approve transgenic traits has changed little since it was adopted 30 years ago.

In Congress, investigators will report on areas in which biotech regulation is faulty and needs updating, to serve as a basis for congressional action.

In the National Academy of Sciences, a task force will finish its report by ’16 on what’s good and bad about biotech crops and on how they’re approved.

At FDA, too. The agency is being urged by many scientists to finish updates to biotech regs drafted in ’01. And they want FDA to OK a fast-growing biotech salmon...the first biotech animal for food use...that it said two years ago poses no risk.

Look for a slow, cautious addition of more Mexican trucks on U.S. roads in coming years. On orders from Congress, the Dept. of Transportation finished a three-year pilot project in which it studied 13 Mexican truck carriers to see how they address safety measures, etc. DOT has given those carriers the OK to stay on U.S. roads, but will continue to monitor them ahead of opening the gates to allowing additional Mexican truck lines to operate broadly in the U.S.

More state legislatures will let illegal immigrants obtain driver’s licenses...expanding the ranks of available drivers to operate vehicles in farming operations. About half of all hired farmworkers are undocumented workers. Fla., Mass., Minn. and N.J. lawmakers are moving to give illegal immigrants the green light. In N.J., however, Gov. Chris Christie, a potential Republican presidential contender, faces the prospect of alienating conservative voters by signing off on the legislation or angering the sizable Hispanic constituency by giving it a thumbs-down.

Expect increases in land values in farming regions to level off or even slip after values soared in much of the U.S. in the past five years. The average for farmland in Ill., for example, shot up over 200% since ’06, to $7,700/acre. 75% of rural bankers in a 10-state Creighton Univ. rural economy survey expect land values across the nation’s middle to actually slip in the next year.

Among the reasons: Soft crop prices. Continuing weak crop prices, as we expect for another year or two, spell weaker cash receipts from land.

Reduced cash rents. Many have already been rejiggered downward for ’15. Also, rent increases have lagged the land price boom and are now usually 3%-4% of cropland value, vs. 4%-5% traditionally. Going forward, they’ll lag even more.

Plus higher interest rates. Still a low 5%-6% on most farm mortgages, but long-term rates will start rising by next spring, and farmland loans will follow.

Best bet for farmland owners...unless they need to sell the acreage soon...Focus on keeping the land in top shape to ensure long-term profitability, because high-quality land appreciates long term, and its value dips only rarely.
If the GOP wins a majority in the Senate...and it’s a slight favorite to do so...Sen. Pat Roberts (R-KS) will likely get the nod to chair the Ag Committee, if he wins his bid for reelection. He’s in a very tight race to win a fourth term. But the Senate outcome likely won’t be settled till a month or two after Election Day because of close races in La. and Ga. that appear headed for runoffs in Dec. and Jan.

Several cities are mulling tax breaks to reward raising crops on vacant lots, as long as growers sell or donate the food to local residents. San Francisco has already approved such an incentive. Los Angeles, Oakland and Sacramento expect to follow suit. On the other coast, Washington, D.C., will probably do the same. The idea: Tidy up unsightly lots in urban areas and add to fresh produce supplies. It’s a new twist on “greenbelt” laws that retain low taxes on farmland in urban fringes. The national yen for urban farming may make such incentives commonplace.

Relief from the self-employment tax is available to some enrollees in CRP...Conservation Reserve Program. The relief is limited to enrollees in Ark., Iowa, Minn., Mo., Neb., N.D. and S.D...the jurisdiction of the 8th U.S. Circuit Court of Appeals. The court ruled that people who collect CRP payments but aren’t active farmers can report them as rent. That means they aren’t subject to self-employment tax. Nationally, Congress has already exempted retired and disabled CRP enrollees from self-employment tax on those payments. The ruling extends the break to others covered by the Eighth Circuit who are not active participants in a farming operation; they can file refund claims for all open tax years, citing this court decision.

With more and more food merchants looking to sell food items online...17% of U.S. grocery sales in strong online markets will be via the Web by ’23. In lower-growth market areas...11%, based on estimates from Brick Meets Click, an industry consulting group, following a survey of 22,000 consumers. Already, shoppers who buy groceries at least three times a month online are spending 42% of their grocery budgets online. Web purchasing is primarily a high-incomer activity, so traditional grocery stores will lose a larger share of those high-volume shoppers as the trend advances. More findings at kiplinger.com/letterlinks/webversusstore.

Our publishing of The Kiplinger Agriculture Letter ends with this issue. It was founded in ’29 by W.M. Kiplinger to keep ag businesses abreast of frenetic activity in Washington as the Hoover administration and Congress created new agencies and programs to deal with the postwar slump in ag prices. Over the years, the Letter has provided you with many important forecasts on crop and livestock prices, the impact of new farm legislation and regulation, the rise of biotech, growth of organic farming, trade disputes and much more.

As we pass it on to new stewards, Farm Journal Media, a sincere “thank you” to our many loyal readers and to the countless policymakers, ag researchers and other experts whose knowledge and insights helped to inform our forecasts. The Kiplinger Editors will continue to be of service via The Kiplinger Letter, The Kiplinger Tax Letter, our website...kiplinger.com...and various other products.

Yours very truly,

P.S. A personal note from Ed Maixner, editor of the “Ag Letter” since ’03, who’s retiring this year: “Serving you has been a superb chapter in the life of a kid with roots in the Flying M Ranch in western N.D. and a lifetime in ag-related work.”