THE NEW AG BUBBLE AND CLIMATE CHANGE

The Federal Reserve Bank of Chicago is worried enough about rising farm land values in the MidWest it is holding a conference to discuss it. Here in the MidWest, prices have gone up 17% in the last year.

And Bloomberg has a piece describing bankster types scouring farmland the world over for farms.

> "I have frequently told people that one of the best investments in the world will be farmland," says Jim Rogers, 68, chairman of Singapore-based Rogers Holdings, who predicted the start of the global commodities rally in 1996. "You've got to buy in a place where it rains, and you have to have a farmer who knows what he's doing. If you can do that, you will make a double whammy because the crops are becoming more valuable."
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> The growth in demand for food, spurred by the rising middle classes in China, India and other emerging markets, shows no signs of abating. Food prices in June, as measured by a United Nations index of 55 food commodities, were just slightly below their peak in February. The UN's Food and Agriculture Organization said in a June report that it expects food costs to remain high through 2012.
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> So many investors have rushed to capitalize on food prices in the past three years that they may be creating a farmland bubble. The Federal Reserve Bank of Kansas City, which covers Colorado, Kansas, Nebraska and other agricultural states, said in May that farmland prices had surged 20 percent in the first quarter compared with a year earlier.
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> "Yes, farmland will be a bubble again; all agricultural products will be in a bubble

> again," says Rogers, who is an investor in Agrifirma Brazil Ltd., a South American farmland owner.

Now, I'm interested (and concerned) about the way this will lead to problematic relations between investors and the farmers actually doing the work ("Feudalism returns," Muniland's Cate Long says).

But I'm even more rather amazed that the discussion of this doesn't mention climate change.

Sure, the increase in prices is, in the short term, driven by demand in places like China.

> The hedge fund Diggle co-founded, Artradis Fund Management Pte in Singapore, suffered about $700 million in losses. He closed it in March and opened another Singapore-based hedge fund, Vulpes Investment Management Pte. Diggle plans to incorporate his five farms into an investment management group run by Vulpes.
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> From his vantage point in Asia, where the British expatriate has worked for the past two decades, Diggle says he's witnessed aspiring locals eating their way up the food chain.
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> "You can see what a more prosperous China will consume," Diggle, 47, says. "It means more dairy, more meat – not just pork and chicken."

But this year's near-record food prices are tied, too, to weird weather and other disasters: fires in Russia and floods in Australia. Whether or not those disasters were tied to climate change, climate change already has changed productivity.

Sure, the horizon of investment here may be shorter than that which will see areas of the MidWest take on an increasing role in feeding the rest of the country as other parts because less farmable. But that horizon is not that far out.

This farm buying craze may well be a bubble. Or it may be the leading edge of financial changes tied to climate change.