Welcome!
This webinar will begin at 10:00 a.m.

Farm Office Live
August 27, 2021
Dianne Shoemaker, OSU Extension Field Specialist, Dairy Production Economics shoemaker.3@osu.edu

Barry Ward Director of OSU Income Tax Schools & Leader for Production Business Management ward.8@osu.edu

Peggy Hall Director of the OSU Agricultural and Resource Law Program Hall.673@osu.edu

David Marrison Agriculture and Natural Resources Educator OSU Extension, Coshocton County marrison.2@osu.edu
Julie Strawser  
OSU ANR Program Assistant  
strawser.35@osu.edu  
614-292-2433

Jeff Lewis, Attorney  
Research Specialist  
Lewis.1459@osu.edu
Robert Moore, Attorney
Wright & Moore Law Co.
rmoores@ohiofarmlaw.com
740-990-0750

Ben Brown
University of Missouri
bpbrown@missouri.edu
573-882-6527
Join us for the next FARM OFFICE LIVE

August Topics:

- Update on Tax Issues
- Ohio Cropland Values & Cash Rents
- FSA Program Update
- Grain Marketing Update-Guest Ben Brown
- Your Questions

Register or watch replays at go.osu.edu/farmofficelive

Each session includes timely updates and Q&A time on topics of interest.
Email your questions or suggested topics to strawser.35@osu.edu.

OSU Extension’s Farm Office Team
Peggy Kirk Hall
David Marrison
Dianne Shoemaker
Julie Strawser
Barry Ward

August 27, 2021
10:00 - 11:30 a.m.

Watch Farm Office Live Live from the Farm Science Review September 23!
10:00 - 11:30 a.m.

Farm Office is your farm’s ag law and farm management resource center.

farmoffice.osu.edu
Slides and a recording for today’s presentation can be found at:

go.osu.edu/farmofficelive
Questions??

- Feel free to submit questions at any time using the Q/A feature at the bottom of your screen.

- You can also email questions to David Marrison at marrison.2@osu.edu

- We will try to answer as many questions as we can at the end of the presentation.
Evaluation

Please help us continue to offer high quality programs by completing our evaluation upon competition of the webinar.

- The internet-based evaluation will start when you exit the zoom.
- Takes roughly 3 minutes
- Responses will be completely private
Update on Tax Issues
Federal Legislative Proposals - Now

✓ Bipartisan Infrastructure Plan
  ✓ Roads, bridges, modernizing & expanding mass transit and rail, electric vehicle infrastructure, eliminate lead service and pipes for drinking water, high speed internet, upgrade power infrastructure, create Infrastructure Financing Authority, investment in addressing legacy pollution, prepare infrastructure for impacts of climate change, cyber attacks and extreme weather.
Federal Legislative Proposals - Now

☑ Senate Budget Resolution (May include….)
  ✔ Expansions of paid family and medical leave
  ✔ A buildup of child-care programs
  ✔ Extensions of household tax credits, including the enhanced child tax credit implemented during the pandemic
  ✔ An expansion of Medicare benefits to include dental, vision and hearing, and a reduction in the Medicare eligibility age
  ✔ An extension of increased Affordable Care Act subsidies
  ✔ Universal pre-K
  ✔ Tuition-free community college
  ✔ Tax incentives and grants to encourage adoption of green energy, manufacturing and transportation
  ✔ Polluter fees on methane and carbon
  ✔ Consumer rebates to encourage clean energy and weatherization in homes
  ✔ Funding to increase the number of electric vehicles in the federal fleet
Revenue raising plans “will fall into four categories: multi-national corporations, the wealthiest individuals, enforcement against wealthy tax cheats and savings from other programs.”

Offsets may include:

- 39.6% top individual tax rate that was in effect before the TCJA.
- Likely lower income thresholds subject to highest rate.
- Long-term capital gains taxed at ordinary rates where overall income (including gain) exceeds $1 million.
- Income over $400,000 (presumably not otherwise subject to FICA or self-employment tax) would be subject to the 3.8 percent net investment income tax (Medicare) tax. In other words, the “net investment” income tax (NIIT) would apparently be extended to non-investment income above this threshold as well.
Senate Budget Resolution Offsets

- Would treat the transfer of appreciated property at death as a sale, meaning that unrealized capital gain in the hands of the decedent would be taxed at the time of death. ($1M/person exemption)
- Change in the “Step-up in basis” rules
- Treat Property Transfers at Death as a Sale
- Each deceased person would be allowed to exclude up to $1 million in gain from taxation.
- Married couple would each get their own exemption, which is presumably portable, meaning that a couple could exempt $2 million in gain from tax.
- Under current law, there is no tax on unrealized gain at death.
Bipartisan Infrastructure Plan – Offsets

- Reduce the IRS tax gap – Enhanced IRS enforcement
- Unemployment insurance program integrity
- Redirect unused unemployment insurance relief funds
- Repurpose unused relief funds from 2020 emergency relief legislation
- State and local investment in broadband infrastructure
- Allow states to sell or purchase unused toll credits for infrastructure
- Extend expiring customs user fees
- Reinstate Superfund fees for chemicals
- 5G spectrum auction proceeds
- Extend mandatory sequester
- Strategic petroleum reserve sale
- Public-private partnerships, private activity bonds, direct pay bonds and asset recycling for infrastructure investment
- Macroeconomic impact of infrastructure investment
Taxing Capital Gains at Death – Change in Stepped-Up (Tax) Basis Rules

✓ Example:
✓ Farm purchased in 1988 for $1,000/Acre (Tax basis)
✓ Farm passes to heirs valued at $9,000/Acre
✓ Under current law, the heirs receive this property with a “stepped-up basis” of $9,000 with no recognition of the gain and no tax due.
✓ Proposal may require the gain of $8,000 ($9,000 - $1,000) to be recognized and taxed
Taxing Capital Gains at Death – Change in Stepped-Up (Tax) Basis Rules

✓ Protections for family-owned farms (and other family-owned businesses)
  ✓ Assets passing to farming heirs would not be required to recognize gain and pay this tax
✓ Would this unrecognized gain and tax simply be deferred?
✓ Would this unrecognized gain and tax due become a lien on the assets?
✓ Alternative: Heirs would retain the decedent’s basis as if the asset had been gifted
Employee Retention Credits (ERC)

- Qualify in 2021 if any quarter where gross receipts are less than 80% of same quarter of 2019
- If a quarter qualifies, then the next quarter automatically qualifies.
- Claiming the credit options:
  - Reduce the payroll tax deposits by the amount of the anticipated credit or
  - Claim the credit on the form 941 or 941X (amended) quarterly payroll tax returns
- New IRS Guidance (Rev. Proc. 2021-33) provides safe harbor for taxpayers to elect not to include PPP loan forgiveness as part of gross receipts
Paycheck Protection Program (PPP)

- PPP Loan Forgiveness Portal Open
- Streamlines applications for loans that are $150K or less
- Lender’s must opt in
- Some lenders have not
Barry Ward
https://farmoffice.osu.edu/
(614) 688-3959
ward.8@osu.edu
Tax Planning in the Midst of Uncertainty

Robert Moore
OhioFarmLaw.com
rmoore@ohiofarmlaw.com
740-990-0750

Wright & Moore Law Co.
Delaware, OH
How are Tax Laws Changed?

• A President does not have the power to implement or change taxes

• The US Constitution provides: “The Congress shall have Power To lay and collect Taxes…”

• Because of the narrow margin in both the House and Senate, changes in tax law will not be easy
The Politics

• Moderate Democrats in farm states will be reluctant to make significant tax changes detrimental to farms

• Any changes will likely take place by the end of 2021
  • Congress typically doesn’t make changes to tax law in election year

• Good chance one or both chambers of Congress will flip to Republicans in 2022.
  • No chance of tax law change if Republicans hold either House or Senate
What Tax Changes Should We Expect?

• There will probably be some changes in tax law but not as radical as what is initially proposed.

• Farms and small business will likely be exempted from at least some of the changes to estate taxes and capital gains taxes

• Tax changes more likely to focus on high earners ($1M+ annual income)

• Loss of stepped-up tax basis would probably be most detrimental to farms

• Anything is possible
When Should We Expect Changes To Be Implemented?

• Congress can make tax law changes retroactive
  • This is very unlikely
  • Retroactive back to 1/1/2021 would be very unfair
  • Too late in the year to make changes retroactive

• Changes can take place when legislation introduced or when enacted into law
  • Unlikely
  • Would be difficult for accountants, tax preparers and IRS to deal with two different tax laws in the same year

• Changes will most likely take effect 1/1/2022
What Should We Be Doing?

• Probably too speculative to make major decisions now
  • Gifting of assets is always available for those who predict major changes

• Watch developments and be ready to act when actual changes start to become clear

• Know net worth and earnings potential

• Find sources of good information
Tax Planning in the Midst of Uncertainty

Robert Moore
OhioFarmLaw.com
rmoore@ohiofarmlaw.com
740-990-0750

Wright & Moore Law Co.
Delaware, OH
Ohio Cropland Values/Cash Rents
2021 Farm Real Estate Value by State

Dollars per Acre and Percent Change from 2020

$/Acre
- more than 8,400
- 5,101 - 8,400
- 3,201 - 5,100
- 2,201 - 3,200
- 2,201 or less

USDA - NASS August 6, 2021
Western Ohio Cropland Values and Cash Rents 2020-21 Survey Report

✓ The Western Ohio Cropland Values and Cash Rents study was conducted from January through April in 2021.
✓ Cropland values in western Ohio are expected to increase in 2021 by 3.8 to 5.3 percent depending on the region and land class.
✓ Cash rents are expected to increase from 3.6 to 3.9 percent depending on the region and land class.
<table>
<thead>
<tr>
<th>Land Class</th>
<th>Avg Corn Yield (b/a)</th>
<th>Std</th>
<th>Range*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>181.2</td>
<td>14.7</td>
<td>195.9</td>
</tr>
<tr>
<td></td>
<td>Avg Soybean Yield (b/a)</td>
<td>56.2</td>
<td>5.0</td>
</tr>
<tr>
<td>Market Value per Acre</td>
<td>2020</td>
<td>$7,918</td>
<td>$1,739</td>
</tr>
<tr>
<td></td>
<td>2021</td>
<td>$8,288</td>
<td>$1,829</td>
</tr>
<tr>
<td>Rent per Acre</td>
<td>2020</td>
<td>$199</td>
<td>$29</td>
</tr>
<tr>
<td></td>
<td>2021</td>
<td>$207</td>
<td>$32</td>
</tr>
<tr>
<td>Top</td>
<td>Avg Corn Yield (b/a)</td>
<td>214.6</td>
<td>15.3</td>
</tr>
<tr>
<td></td>
<td>Avg Soybean Yield (b/a)</td>
<td>66.5</td>
<td>5.2</td>
</tr>
<tr>
<td>Market Value per Acre</td>
<td>2020</td>
<td>$9,178</td>
<td>$1,969</td>
</tr>
<tr>
<td></td>
<td>2021</td>
<td>$9,660</td>
<td>$2,109</td>
</tr>
<tr>
<td>Rent per Acre</td>
<td>2020</td>
<td>$243</td>
<td>$38</td>
</tr>
<tr>
<td></td>
<td>2021</td>
<td>$252</td>
<td>$46</td>
</tr>
<tr>
<td>Poor</td>
<td>Avg Corn Yield (b/a)</td>
<td>150.1</td>
<td>17.5</td>
</tr>
<tr>
<td></td>
<td>Avg Soybean Yield (b/a)</td>
<td>45.3</td>
<td>6.5</td>
</tr>
<tr>
<td>Market Value per Acre</td>
<td>2020</td>
<td>$6,417</td>
<td>$1,654</td>
</tr>
<tr>
<td></td>
<td>2021</td>
<td>$6,674</td>
<td>$1,650</td>
</tr>
<tr>
<td>Rent per Acre</td>
<td>2020</td>
<td>$162</td>
<td>$28</td>
</tr>
<tr>
<td></td>
<td>2021</td>
<td>$168</td>
<td>$31</td>
</tr>
</tbody>
</table>
## Table 2: Ohio Cropland Values and Cash Rents  
Northwest Ohio Results

<table>
<thead>
<tr>
<th>Land Class</th>
<th>Avg Corn Yield (b/a)</th>
<th>Std</th>
<th>Avg Soybean Yield (b/a)</th>
<th>Std</th>
<th>Range*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>179.9</td>
<td>9.7</td>
<td>189.6</td>
<td>170.2</td>
<td></td>
</tr>
<tr>
<td>Market Value per Acre</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>$7,518</td>
<td>$991</td>
<td>$8,510</td>
<td>$6,527</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>$7,896</td>
<td>$1,144</td>
<td>$9,041</td>
<td>$6,752</td>
<td></td>
</tr>
<tr>
<td>Rent per Acre</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>$190</td>
<td>$18</td>
<td>$208</td>
<td>$171</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>$197</td>
<td>$23</td>
<td>$220</td>
<td>$174</td>
<td></td>
</tr>
<tr>
<td>Top</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>213.7</td>
<td>14.2</td>
<td>227.9</td>
<td>199.5</td>
<td></td>
</tr>
<tr>
<td>Market Value per Acre</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>$8,789</td>
<td>$1,138</td>
<td>$9,927</td>
<td>$7,651</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>$9,251</td>
<td>$1,292</td>
<td>$10,543</td>
<td>$7,960</td>
<td></td>
</tr>
<tr>
<td>Rent per Acre</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>$238</td>
<td>$28</td>
<td>$266</td>
<td>$211</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>$247</td>
<td>$47</td>
<td>$294</td>
<td>$200</td>
<td></td>
</tr>
<tr>
<td>Poor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>146.1</td>
<td>8.2</td>
<td>154.3</td>
<td>137.9</td>
<td></td>
</tr>
<tr>
<td>Market Value per Acre</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>$5,833</td>
<td>$906</td>
<td>$6,739</td>
<td>$4,927</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>$6,087</td>
<td>$907</td>
<td>$6,993</td>
<td>$5,180</td>
<td></td>
</tr>
<tr>
<td>Rent per Acre</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>$150</td>
<td>$18</td>
<td>$169</td>
<td>$132</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>$156</td>
<td>$22</td>
<td>$179</td>
<td>$134</td>
<td></td>
</tr>
</tbody>
</table>

*Range* denotes the range of values for each category.
### Table 3: Ohio Cropland Values and Cash Rents
#### Southwest Ohio Results

<table>
<thead>
<tr>
<th>Land Class</th>
<th>Avg Corn Yield (bu/a)</th>
<th>Std</th>
<th>Avg Soybean Yield (bu/a)</th>
<th>Std</th>
<th>Market Value per Acre</th>
<th>2020</th>
<th>2021</th>
<th>Rent per Acre</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>182.4</td>
<td>17.8</td>
<td>57.2</td>
<td>4.6</td>
<td>$8,299</td>
<td>$2,161</td>
<td>$10,460</td>
<td>$6,137</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$8,661</td>
<td>$2,35</td>
<td>$10,896</td>
<td>$6,425</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Market Value per Acre</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Rent per Acre</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Top</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>215.3</td>
<td>16.2</td>
<td>67.3</td>
<td>5.6</td>
<td>$9,558</td>
<td>$2,472</td>
<td>$12,030</td>
<td>$7,086</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$10,059</td>
<td>$2,615</td>
<td>$12,674</td>
<td>$7,444</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Rent per Acre</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Poor</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>153.0</td>
<td>21.5</td>
<td>47.1</td>
<td>6.6</td>
<td>$6,945</td>
<td>$1,970</td>
<td>$8,914</td>
<td>$4,975</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$7,206</td>
<td>$1,962</td>
<td>$9,167</td>
<td>$5,244</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Rent per Acre</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 4. Average estimated Ohio land value per acre (tillable, bare land), per bu. corn and soybean yields, by geographical area and land class
Ohio Cropland Values and Cash Rents Survey 2020-21

<table>
<thead>
<tr>
<th>Area</th>
<th>Land Class</th>
<th>Corn bu/A</th>
<th>Soy bu/A</th>
<th>$/A</th>
<th>$/A</th>
<th>% Change '20 to '21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western</td>
<td>Average</td>
<td>181.2</td>
<td>56.2</td>
<td>$7,918</td>
<td>$8,288</td>
<td>4.7%</td>
</tr>
<tr>
<td></td>
<td>Top</td>
<td>214.6</td>
<td>66.5</td>
<td>$9,178</td>
<td>$9,660</td>
<td>5.3%</td>
</tr>
<tr>
<td></td>
<td>Poor</td>
<td>150.1</td>
<td>45.3</td>
<td>$6,417</td>
<td>$6,674</td>
<td>4.0%</td>
</tr>
<tr>
<td>Northwest</td>
<td>Average</td>
<td>179.9</td>
<td>55.0</td>
<td>$7,518</td>
<td>$7,896</td>
<td>5.0%</td>
</tr>
<tr>
<td></td>
<td>Top</td>
<td>213.7</td>
<td>65.4</td>
<td>$8,789</td>
<td>$9,251</td>
<td>5.3%</td>
</tr>
<tr>
<td></td>
<td>Poor</td>
<td>146.1</td>
<td>42.8</td>
<td>$5,833</td>
<td>$6,087</td>
<td>4.4%</td>
</tr>
<tr>
<td>Southwest</td>
<td>Average</td>
<td>182.4</td>
<td>57.2</td>
<td>$8,299</td>
<td>$8,661</td>
<td>4.4%</td>
</tr>
<tr>
<td></td>
<td>Top</td>
<td>215.3</td>
<td>67.3</td>
<td>$9,558</td>
<td>$10,059</td>
<td>5.2%</td>
</tr>
<tr>
<td></td>
<td>Poor</td>
<td>153.0</td>
<td>47.1</td>
<td>$6,945</td>
<td>$7,206</td>
<td>3.8%</td>
</tr>
</tbody>
</table>

* Projected Land Value
Table 5. Average estimated Ohio cash rent per acre (tillable, bare land), per bushel corn and soybean yields, by geographical area and land class. Ohio Cropland Values and Cash Rents Survey 2020-21.

<table>
<thead>
<tr>
<th>Area</th>
<th>Land Class</th>
<th>Corn bu/A</th>
<th>Soy bu/A</th>
<th>Rent Per Acre</th>
<th>Rent as % of Land Value</th>
<th>Rent per Bushel Corn</th>
<th>Rent as % of Land Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2020</td>
<td>2021*</td>
<td>% Change 20 to '21</td>
<td>2020</td>
<td>2021*</td>
<td>2020</td>
</tr>
<tr>
<td>Western</td>
<td>Average</td>
<td>181.2</td>
<td>56.2</td>
<td>$199</td>
<td>$207</td>
<td>4.0%</td>
<td>$1.10</td>
</tr>
<tr>
<td></td>
<td>Top</td>
<td>214.6</td>
<td>66.5</td>
<td>$243</td>
<td>$252</td>
<td>3.7%</td>
<td>$1.13</td>
</tr>
<tr>
<td></td>
<td>Poor</td>
<td>150.1</td>
<td>45.3</td>
<td>$162</td>
<td>$168</td>
<td>3.7%</td>
<td>$1.08</td>
</tr>
<tr>
<td>Northwest</td>
<td>Average</td>
<td>179.9</td>
<td>55.0</td>
<td>$190</td>
<td>$197</td>
<td>3.7%</td>
<td>$1.06</td>
</tr>
<tr>
<td></td>
<td>Top</td>
<td>213.7</td>
<td>65.4</td>
<td>$238</td>
<td>$247</td>
<td>3.8%</td>
<td>$1.11</td>
</tr>
<tr>
<td></td>
<td>Poor</td>
<td>146.1</td>
<td>42.8</td>
<td>$150</td>
<td>$156</td>
<td>4.0%</td>
<td>$1.03</td>
</tr>
<tr>
<td>Southwest</td>
<td>Average</td>
<td>182.4</td>
<td>57.2</td>
<td>$207</td>
<td>$215</td>
<td>3.9%</td>
<td>$1.13</td>
</tr>
<tr>
<td></td>
<td>Top</td>
<td>215.3</td>
<td>67.3</td>
<td>$248</td>
<td>$257</td>
<td>3.6%</td>
<td>$1.15</td>
</tr>
<tr>
<td></td>
<td>Poor</td>
<td>153.0</td>
<td>47.1</td>
<td>$172</td>
<td>$178</td>
<td>3.5%</td>
<td>$1.12</td>
</tr>
</tbody>
</table>

* Projected Rental Rate
Hey, I just wanted to let you know that I found a hole in the fence.
Federal Pandemic Assistance Update
CFAP-2

• For CFAP 2: $13.8 billion paid to 915,781 applicants across United States and $348.1 million paid to 33,842 applicants in Ohio. https://www.farmers.gov/coronavirus/pandemic-assistance/cfap2

• USDA re-opened sign-up for CFAP-2 for at least 60 days beginning 4/05/2021. When will it close? October 21, 2021

• On August 24, announced additional updates
  – Payments for eligible livestock and poultry contract producers
  – Flexibility to payment calculations for sales-based commodities.
  – Grass seed has been added as eligible sales commodity.
  – Flexibility sign-up begins on August 30, 2021
CFAP-2 Contract Growers

• $1 billion available to contract producers of eligible livestock and poultry of up to 80% of revenue losses between 01/01/2020 to 12/27/2020.

• Broilers, pullets, layers, chicken eggs, turkeys, hogs and pigs, ducks, geese, pheasants, and quail produced under contract are eligible.

• Breeding stock of eligible livestock and eggs of all eligible poultry types raised by contract producers are also eligible.

• Payments for contract producers are based on a comparison of eligible revenue for the periods of January 1, 2019, through December 27, 2019, and January 1, 2020, through December 27, 2020. Contract growers may elect to use eligible revenue from the period of January 1, 2018, through December 27, 2018, instead of that date range in 2019 as a more representative comparison to 2020.
CFAP-2 Flexibility for Sales Based

• For some sales-based commodities, the 8/24/2021 amendment allows producers to substitute 2018 for 2019 sales.
  – Aquaculture
  – Goat Milk
  – Floriculture & nursery commodities
  – Tobacco
  – Specialty Crops
  – Specialty Livestock
  – Wool
Pandemic Market Volatility Assistance Program & Improvements to Dairy Safety Net

• On 08/19/2021, $350 million was announced for PMVAP.
• Payments for 80% of the revenue difference/month (capped at 5 million pounds of annual milk/farm) for July through December 2020.
• Regional payment rate based on actual losses of pooled milk.
• Payments funneled through the independent handlers and cooperatives.
• In-person education to dairy farmers is part of this program.
• The Dairy Margin Coverage safety net program is also being improved by updating the feed cost formula to better reflect the cost of high-quality alfalfa.
• Stay tuned for more details!
Update on Other Pandemic Programs

Pandemic Assistance for Timber Harvesters & Haulers Program (PATHH)
• Sign-up from July 22 through October 15.
• For timber harvesting & hauling businesses that experienced >10% loss of gross revenue in calendar year 2020 as compared to 2019.

Pandemic Livestock Indemnity Program (PLIP)
• Sign-up from July 20 through September 17.
• For eligible swine, chicken or turkey producers who suffered losses due to insufficient access to processing facilities and had to depopulate between March 1 - December 26, 2020.
Harvest Grain Market Outlook

Ben Brown, Research Associate, FAPRI-MU and Agricultural Business and Policy Extension
Key Takeaways from Today

1. Global production shortfalls globally are likely to keep stocks tight through MY 2021/22.
   - Fact: COVID is not behind us, creating challenge both at home and abroad.
   - The Southern Hemisphere will get to respond to price signals before the US.

2. Smaller stocks increase the odds for higher prices, but also increased volatility.

3. Is there a new sheriff in town when it comes to biofuels?

4. Marketing over the next couple months.
Markets are completely predictable…

Price = \( f(\text{Supply}, \text{Demand}) \) Modified by the Flow of Money
Good thing this doesn’t happen in Ag...

Monday: June 14, 2021
- Corn (down 18.6)
- Soybeans (down 32.4)

Thursday: June 17, 2021
- Corn (down the limit 40)
- Soybeans (down 112.4)

Friday: June 18, 2021
- Corn (up 22.2)
- Soybeans (up 66.2)
Tighter Stocks Lead to Higher Prices AND More Volatility

Ending Stocks to Use Ratios

Corn Price, 1991-2020

Source: USDA and DTN Prophet X
So, What Has Changed??

Managed Money- All Positions Corn, Soybeans, Chicago HRW & SRW, and KC HRW Wheat- Jun 2006- August 17, 2021

Money Flow
- Federal Reserve Balance Sheet up 99% since February 2020. Almost and extra 4.1 trillion dollars.
  - Million seconds: 12 days
  - Billion Seconds: 32 years
  - Trillion Seconds: 32,000 years
- $3.2 Trillion in Federal Stimulus released- $1.4 Trillion unreleased so far.
- US Dollar down roughly 6.7% (positive for exporters)
- M2 Money Supply up 28% since beginning of Pandemic.

Source: Author using CFTC Reports
### Position Limit Increases

<table>
<thead>
<tr>
<th>Contract Name</th>
<th>Commodity Code</th>
<th>Rule Chapter</th>
<th>Initial Spot-Month Limit</th>
<th>Limits on Delivery</th>
<th>Single Month and All Month Limits</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn Futures</td>
<td>C</td>
<td>10</td>
<td>600 (1,200)</td>
<td>1,200</td>
<td>33,000 (57,800)</td>
<td>75%</td>
</tr>
<tr>
<td>Soybean Futures</td>
<td>S</td>
<td>11</td>
<td>600 (1,200)</td>
<td>1,200</td>
<td>15,000 (27,300)</td>
<td>82%</td>
</tr>
<tr>
<td>Soybean Meal Futures</td>
<td>6</td>
<td>13</td>
<td>720 (1,500)</td>
<td>1,500</td>
<td>6,500 (16,900)</td>
<td>160%</td>
</tr>
<tr>
<td>Soybean Oil Futures</td>
<td>7</td>
<td>12</td>
<td>540 (1,100)</td>
<td>1,100</td>
<td>8,000 (17,400)</td>
<td>118%</td>
</tr>
<tr>
<td>Wheat Futures</td>
<td>W</td>
<td>14</td>
<td>660 (1,200)</td>
<td>1,200</td>
<td>12,000 (19,300)</td>
<td>61%</td>
</tr>
<tr>
<td>KC HRW Wheat Futures</td>
<td>KW</td>
<td>14H</td>
<td>600 (1,200)</td>
<td>1,200</td>
<td>12,000 Same</td>
<td></td>
</tr>
<tr>
<td>Rough Rice Futures</td>
<td>14</td>
<td>17</td>
<td>600 (800)</td>
<td>800</td>
<td>1,800 Same</td>
<td></td>
</tr>
</tbody>
</table>

### Commodity Daily and Expanded Price Limits

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn Futures</td>
<td>10</td>
<td>C</td>
<td>ZC</td>
<td>$0.25/bushel</td>
<td>$0.40/bushel</td>
<td>$0.60/bushel</td>
</tr>
<tr>
<td>Mini-Sized Corn Futures</td>
<td>10E</td>
<td>YC</td>
<td>XC</td>
<td>$0.25/bushel</td>
<td>$0.40/bushel</td>
<td>$0.60/bushel</td>
</tr>
<tr>
<td>Black Sea Corn Financially Settled (Platts) Futures</td>
<td>10C</td>
<td>BCF</td>
<td>BCF</td>
<td>$40.00/mt</td>
<td>$60.00/mt</td>
<td></td>
</tr>
<tr>
<td>Soybean Futures</td>
<td>11</td>
<td>S</td>
<td>ZS</td>
<td>$0.70/bushel</td>
<td>$1.00/bushel</td>
<td>$1.50/bushel</td>
</tr>
<tr>
<td>Mini-Sized Soybean Futures</td>
<td>11E</td>
<td>YK</td>
<td>XK</td>
<td>$0.70/bushel</td>
<td>$1.00/bushel</td>
<td>$1.50/bushel</td>
</tr>
<tr>
<td>Soybean Oil Futures</td>
<td>12</td>
<td>0(zero)7</td>
<td>ZL</td>
<td>$0.025/pound</td>
<td>$0.035/pound</td>
<td>$0.055/pound</td>
</tr>
<tr>
<td>Soybean Meal Futures</td>
<td>13</td>
<td>0(zero)6</td>
<td>ZM</td>
<td>$25.00/ton</td>
<td>$30.00/ton</td>
<td>$45.00/ton</td>
</tr>
<tr>
<td>Wheat Futures</td>
<td>14</td>
<td>W</td>
<td>ZW</td>
<td>$0.40/bushel</td>
<td>$0.45/bushel</td>
<td>$0.70/bushel</td>
</tr>
</tbody>
</table>

Source: Author using CME Group Website
Marketing: The End of an Era!

EXHIBIT 2: SHARE OF AUTOMATED FUTURES AND OPTIONS TRANSACTIONS

Automated Orders Share in Futures Markets

Source: CFTC Trade Capture Report Database

Source: CME Handbook
## Global Production

<table>
<thead>
<tr>
<th>Country</th>
<th>Estimate</th>
<th>2020/21 Change from 2019/20</th>
<th>2021/22 Change from July</th>
<th>Change from 2020/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>1,115.41</td>
<td>-0.3%</td>
<td>1,186.10</td>
<td>-8.7</td>
</tr>
<tr>
<td>United States</td>
<td>360.25</td>
<td>4%</td>
<td>374.7</td>
<td>-10.5</td>
</tr>
<tr>
<td>Foreign</td>
<td>755.16</td>
<td>-2%</td>
<td>811.4</td>
<td>1.9</td>
</tr>
<tr>
<td>Argentina</td>
<td>48.50</td>
<td>-5%</td>
<td>51</td>
<td>5%</td>
</tr>
<tr>
<td>Brazil</td>
<td>87.00</td>
<td>-15%</td>
<td>118</td>
<td>36%</td>
</tr>
<tr>
<td>Mexico</td>
<td>27.00</td>
<td>1%</td>
<td>28</td>
<td>4%</td>
</tr>
<tr>
<td>Canada</td>
<td>13.56</td>
<td>1%</td>
<td>13.6</td>
<td>0%</td>
</tr>
<tr>
<td>European Union</td>
<td>64.47</td>
<td>-3%</td>
<td>65.5</td>
<td>-1.2</td>
</tr>
<tr>
<td>Serbia</td>
<td>8.00</td>
<td>4%</td>
<td>6.5</td>
<td>-19%</td>
</tr>
<tr>
<td>FSU-12</td>
<td>49.40</td>
<td>-12%</td>
<td>61.5</td>
<td>24%</td>
</tr>
<tr>
<td>Ukraine</td>
<td>30.30</td>
<td>-16%</td>
<td>39</td>
<td>29%</td>
</tr>
<tr>
<td>Russia</td>
<td>13.87</td>
<td>-3%</td>
<td>16.5</td>
<td>19%</td>
</tr>
<tr>
<td>South Africa</td>
<td>17.20</td>
<td>9%</td>
<td>17</td>
<td>-1%</td>
</tr>
<tr>
<td>China</td>
<td>260.67</td>
<td>0%</td>
<td>268</td>
<td>3%</td>
</tr>
<tr>
<td>India</td>
<td>30.25</td>
<td>5%</td>
<td>30</td>
<td>-1%</td>
</tr>
</tbody>
</table>
US Production

USDA August Yield Estimates vs. 30-yr. Trend - % Difference
(Corn on top, soybeans on bottom)
Brazilian Corn Potential???

Brazilian Corn Production in Million Bushels by Crop

Source: Conab

World Corn Exports (Top Four Countries)

Perspective- the US produced 14,182 mil bushels in 2020, roughly 3 times the size of the three Brazilian Crops.
All too well known lessons from early stages of COVID’s impact on commodity markets:

- Fewer miles driven and lower ethanol consumptions
- Transportation logistics for international exports
- Bottlenecks in meat processing

Ethereal image of a swan.
Travel Statistics

Percent of Population Continuing to Work from Home

Source: Bureau of Transportation

Source: David Ripplinger, Bureau of Transportation
Ethanol Production had mostly recovered from COVID slow down but as cases rose drive and ethanol consumption had declined 7 straight weeks.

The “good” news is that ethanol stocks are also declining meaning that ethanol production is decreasing faster than ethanol consumption.

Source: US EIA

Ethanol Production & Consumption

Us Weekly Ethanol Production
As of August 20, 2021

Ending Stocks of Fuel Ethanol-
as of Aug. 20, 2021
Ethanol Recovers from Rough 2020 what about 2021

First came the June 25th Supreme Court ruling that overturned the 10th Circuit Court decision that oil refiners could only receive exemptions from the Renewable Fuels Standard if they had successfully proposed and received a waiver in continuous years. The practical application of this will be how current and future administration treat small refiner exemptions.

Then came the July 2nd Circuit Court of DC announcement that the previous administration overstepped its authority by allowing sales of E15 between June 1 and September 15. Ag groups have filed for a rehearing, but without an overturn E-15 will not be around for summer driving season.

Then came the rumors last Friday August 20th that EPA was going to lower 2021 levels below those of 2020. Those have been rumors to this point because OMB hasn't gotten the rules from EPA.
Availability of Soybeans Shrinking

NOPA Soybean Monthly Crush - July Estimates

Previous 5-Yr Range - 5-yr average - 2019/20 - 20/21

Source: National Oilseed Processors Associations

Value Share of Soybean Crush Jan 2019-August 26, 2021

Source: Author using CME Futures Prices
What is Renewable Diesel??

“Renewable diesel is a renewable fuel that is chemically the same as petroleum diesel and nearly identical in its performance characteristics” - EIA

It is different from Biodiesel in that it is a direct substitute unlike biodiesel that can only be blended between 2- 20%.

Renewable diesel receives some of the most favorable greenhouse gas reduction scores among existing programs such as the Renewable Fuel Standard and the California Low- Carbon Fuel Standard.

A primary risk- available fat, oil and grease feedstocks. In US- soybean oil has the best availability. Globally, palm oil might be the source.
China accounts for 30% of our Corn Exports.
Chinese Corn Production and Use

Chinese Soybean Production and Use
Part of the Chinese Issue

US Corn Yield

Chinese Corn Yield

For last 20 years—increased at \( \approx 2 \) bu./acre per year.

Source: Author Calculations using USDA, FSA-PSD Data
Can they buy themselves out of the hole?

1. Chinese State Central Party has expressed aggressively that "germplasm and breeding are key to China’s agricultural stability and food security," along with "solve the problem of seeds and land" with direct orders for states to support seed development.
2. Foreign investments to increase access, and
3. Imports of corn equivalents.

Chinese Imports of Foreign Corn Grain Equivalents

Investment in Seed Varieties (Plant Variety Protections Applications and Approvals)
Chinese Corn Tariffs Rate Quotas???

Chinese Imports of World Corn
* TRQ is based on a calendar year not marketing year

Converting this to Calendar Year- China exceeded their TRQ for first time in 2020.

US New Crop Corn Sales

They also represent about 55% of new marketing year sales

That 423 million bu. Chinese buying spree over 3 weeks in May

Source: USDA-FAS, PSD

5-Year Range  • 2019/20  • 2020/21
# Corn Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Area Planted</td>
<td>Mil. ac.</td>
<td>94.0</td>
<td>90.2</td>
<td>88.9</td>
<td>89.7</td>
<td>90.8</td>
</tr>
<tr>
<td>Area Harvested</td>
<td>Mil. Ac.</td>
<td>86.7</td>
<td>82.7</td>
<td>81.3</td>
<td>81.3</td>
<td>82.5</td>
</tr>
<tr>
<td>Yield</td>
<td>Bu./acre</td>
<td>174.6</td>
<td>176.6</td>
<td>176.4</td>
<td>167.5</td>
<td>172.0</td>
</tr>
<tr>
<td>Beg. Stocks</td>
<td>Mil. Bu.</td>
<td>1,737</td>
<td>2,293</td>
<td>2,140</td>
<td>2,221</td>
<td>1,919</td>
</tr>
<tr>
<td>Production</td>
<td>Mil. Bu.</td>
<td>15,148</td>
<td>14,609</td>
<td>14,340</td>
<td>13,620</td>
<td>14,182</td>
</tr>
<tr>
<td>Imports</td>
<td>Mil. Bu.</td>
<td>57</td>
<td>36</td>
<td>28</td>
<td>42</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total Supply</strong></td>
<td>Mil. Bu.</td>
<td>16,942</td>
<td>16,939</td>
<td>16,509</td>
<td>15,883</td>
<td>16,127</td>
</tr>
<tr>
<td>Feed and Res.</td>
<td>Mil. Bu.</td>
<td>5,470</td>
<td>5,304</td>
<td>5,429</td>
<td>5,827</td>
<td>5,725</td>
</tr>
<tr>
<td>Food, Seed, In</td>
<td>Mil. Bu.</td>
<td>6,885</td>
<td>7,057</td>
<td>6,793</td>
<td>6,282</td>
<td>6,510 (+40)</td>
</tr>
<tr>
<td>Ethanol Crush</td>
<td>Mil. Bu.</td>
<td>5,432</td>
<td>5,605</td>
<td>5,378</td>
<td>4,852</td>
<td>5,075 (+25)</td>
</tr>
<tr>
<td>Exports</td>
<td>Mil. Bu.</td>
<td>2,294</td>
<td>2,438</td>
<td>2,066</td>
<td>1,778</td>
<td>2,775</td>
</tr>
<tr>
<td><strong>Total Use</strong></td>
<td>Mil. Bu.</td>
<td>14,649</td>
<td>14,798</td>
<td>14,288</td>
<td>13,887</td>
<td>15,010 (-35)</td>
</tr>
<tr>
<td>Ending Stocks</td>
<td>Mil. Bu.</td>
<td>2,293</td>
<td>2,140</td>
<td>2,221</td>
<td>1,995</td>
<td>1,117 (+35)</td>
</tr>
<tr>
<td>Farm Price</td>
<td>$/Bu.</td>
<td>$3.36</td>
<td>$3.36</td>
<td>$3.61</td>
<td>$3.56</td>
<td>$4.40</td>
</tr>
</tbody>
</table>


- Area Planted: 92.7
- Area Harvested: 84.5
- Yield: 174.6
- Beg. Stocks: 1,117
- Production: 14,750
- Imports: 25
- Total Supply: 15,892 (-380)
- Feed and Res.: 5,625 (-100)
- Food, Seed, In: 6,625 (+10)
- Ethanol Crush: 5,200 (NC)
- Exports: 2,400 (-100)
- Total Use: 14,650 (-190)
- Ending Stocks: 1,242 (-190)
- Farm Price: $5.75 Fut. = $5.50
## Soybean Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Area Planted</td>
<td>Mil. Acres</td>
<td>83.4</td>
<td>90.2</td>
<td>89.2</td>
<td>76.1</td>
<td>83.1</td>
<td>87.6</td>
</tr>
<tr>
<td>Area Harvested</td>
<td>Mil. Acres</td>
<td>82.7</td>
<td>89.5</td>
<td>87.6</td>
<td>74.9</td>
<td>82.3</td>
<td>86.7</td>
</tr>
<tr>
<td>Yield</td>
<td>Bu./Acres</td>
<td>52.0</td>
<td>49.3</td>
<td>50.6</td>
<td>47.4</td>
<td>50.2</td>
<td>50.0</td>
</tr>
<tr>
<td>Beg. Stocks</td>
<td>Mil. Bu.</td>
<td>197</td>
<td>302</td>
<td>438</td>
<td>909</td>
<td>525</td>
<td>160</td>
</tr>
<tr>
<td>Production</td>
<td>Mil. Bu.</td>
<td>4,296</td>
<td>4,412</td>
<td>4,428</td>
<td>3,552</td>
<td>4,135</td>
<td>4,339</td>
</tr>
<tr>
<td>Imports</td>
<td>Mil. Bu.</td>
<td>22</td>
<td>22</td>
<td>14</td>
<td>15</td>
<td>20</td>
<td>35</td>
</tr>
<tr>
<td><strong>Total Supply</strong></td>
<td>Mil. Bu.</td>
<td>4,515</td>
<td>4,735</td>
<td>4,880</td>
<td>4,476</td>
<td>4,680</td>
<td>4,533 (-66)</td>
</tr>
<tr>
<td>Soy Crush</td>
<td>Mil. Bu.</td>
<td>1,901</td>
<td>2,055</td>
<td>2,092</td>
<td>2,165</td>
<td><strong>2,155 (-15)</strong></td>
<td>2,205 (-20)</td>
</tr>
<tr>
<td>Exports</td>
<td>Mil. Bu.</td>
<td>2,166</td>
<td>2,134</td>
<td>1,752</td>
<td>1,679</td>
<td><strong>2,260 (-10)</strong></td>
<td>2,055 (-25)</td>
</tr>
<tr>
<td>Seed</td>
<td>Mil. Bu.</td>
<td>105</td>
<td>104</td>
<td>88</td>
<td>96</td>
<td>102</td>
<td>104</td>
</tr>
<tr>
<td>Residual</td>
<td>Mil. Bu.</td>
<td>41</td>
<td>5</td>
<td>39</td>
<td>16</td>
<td>4</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total Use</strong></td>
<td>Mil. Bu.</td>
<td>4,214</td>
<td>4,297</td>
<td>3,971</td>
<td>3,952</td>
<td><strong>4,520 (-25)</strong></td>
<td>4,379 (-41)</td>
</tr>
<tr>
<td>Ending Stocks</td>
<td>Mil. Bu.</td>
<td>302</td>
<td>438</td>
<td>909</td>
<td>525</td>
<td>160</td>
<td>155</td>
</tr>
<tr>
<td>Farm Price</td>
<td>$/Bu.</td>
<td>$9.47</td>
<td>$9.33</td>
<td>$8.48</td>
<td>8.57</td>
<td><strong>$10.90</strong></td>
<td>$13.70 ($13.26)</td>
</tr>
</tbody>
</table>
Marketing for Harvest

Old Crop Corn and Soybeans

- If you still have some to sell- what are you waiting on??
- Both Basis and Futures are elevated above historical levels.

New Crop Corn and Soybeans

- Still a fair amount of weather risk (especially for soybeans)
- The store and wait strategy has worked in producers favor two years in a row.
- 2019/20 - Government assistance on unpriced grain
- 2020/21 - Large price rally on smaller than expected global production
- Will it work in 2021/22??

- Options are pricy- but have come down some. An at the money ($5.50) call (GZC21) was priced at 30 cents.
- When options are pricy- the Field of Dreams method works.
Summary

- I expect that we will continue to see sizable swings in commodity markets for awhile.
- Managed Money still has large long positions.
- Ending stocks to use remain tight causing large trading ranges.
- Demand for US corn remains in-tact but is showing signs of weakness.
- COVID related issues on gasoline consumption and exports.
- Corn Export Potential (Long-term interest in Brazil and China).
- Smaller animal herds moving forward.
- Is Renewable Diesel the next “large” market for agricultural commodities?
- Bottom line: supplies improve in 2021/22 but remain snug through the next year.
- There has and likely will be decent pricing opportunities for producers as we head into 2021/22 but costs have come up considerably (8-10%) so the breakeven points have also come up for 2022 production.
The OSU Extension
FARM OFFICE
WILL BE OPEN AGAIN

September 23 from 10:00 to 11:30 a.m.
Live from the Farm Science Review

Details at:
https://go.osu.edu/farmofficelive
Thank you for attending!

A short survey will pop up when you exit this meeting. Your feedback will help guide our programs to meet your needs.