

**CFAES**

# Welcome!

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



Farm Office Live  
August 27, 2021



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**Join us for the next  
FARM OFFICE LIVE**

**August Topics:**

- Update on Tax Issues
- Tax Planning in the Midst of Uncertainty-Guest Robert Moore, Esq.
- 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](http://go.osu.edu/farmofficelive)

Register once and receive links to join future programs

*Each session includes timely updates and Q&A time on topics of interest.  
Email your questions or suggested topics to [strawser.35@osu.edu](mailto:strawser.35@osu.edu).*

**OSU Extension's  
Farm Office Team**

Peggy Kirk Hall  
David Morrison  
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](http://farmoffice.osu.edu)**



**THE OHIO STATE UNIVERSITY**

COLLEGE OF FOOD, AGRICULTURAL,  
AND ENVIRONMENTAL SCIENCES

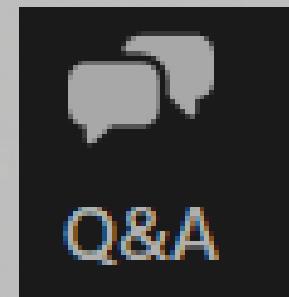
A wide-angle photograph of a hillside covered in a dense, vibrant field of yellow flowers, likely canola or mustard. The field extends to a clear blue sky in the background.

**Slides and a recording for today's presentation can  
be found at:**

[go.osu.edu/farmofficelive](http://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](mailto: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

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CFAES

## 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

## Senate Budget Resolution Offsets

- ✓ 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

Welcome to the  
**SBA PPP Direct Forgiveness Portal**



Register and Apply for PPP Forgiveness

This portal is made available by the US Small Business Administration to streamline forgiveness processing for PPP Borrowers. After registration, you may use this streamlined process to automatically submit your forgiveness request to your lender.

The SBA also offers live customer service to borrowers at [877-552-2692](tel:877-552-2692).

[Register to Start Your Request](#)



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# **Tax Planning in the Midst of Uncertainty**

**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**

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# Ohio Cropland Values/Cash Rents

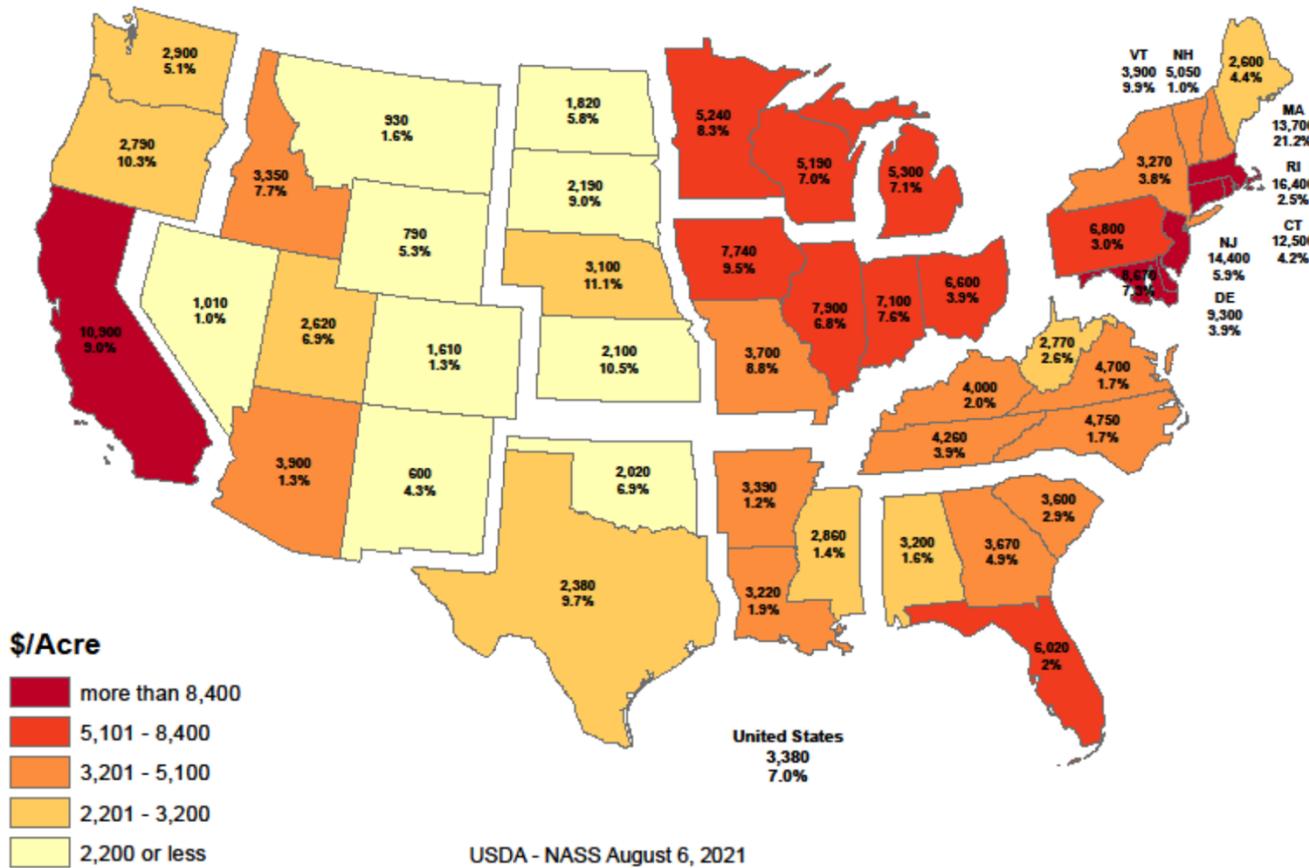
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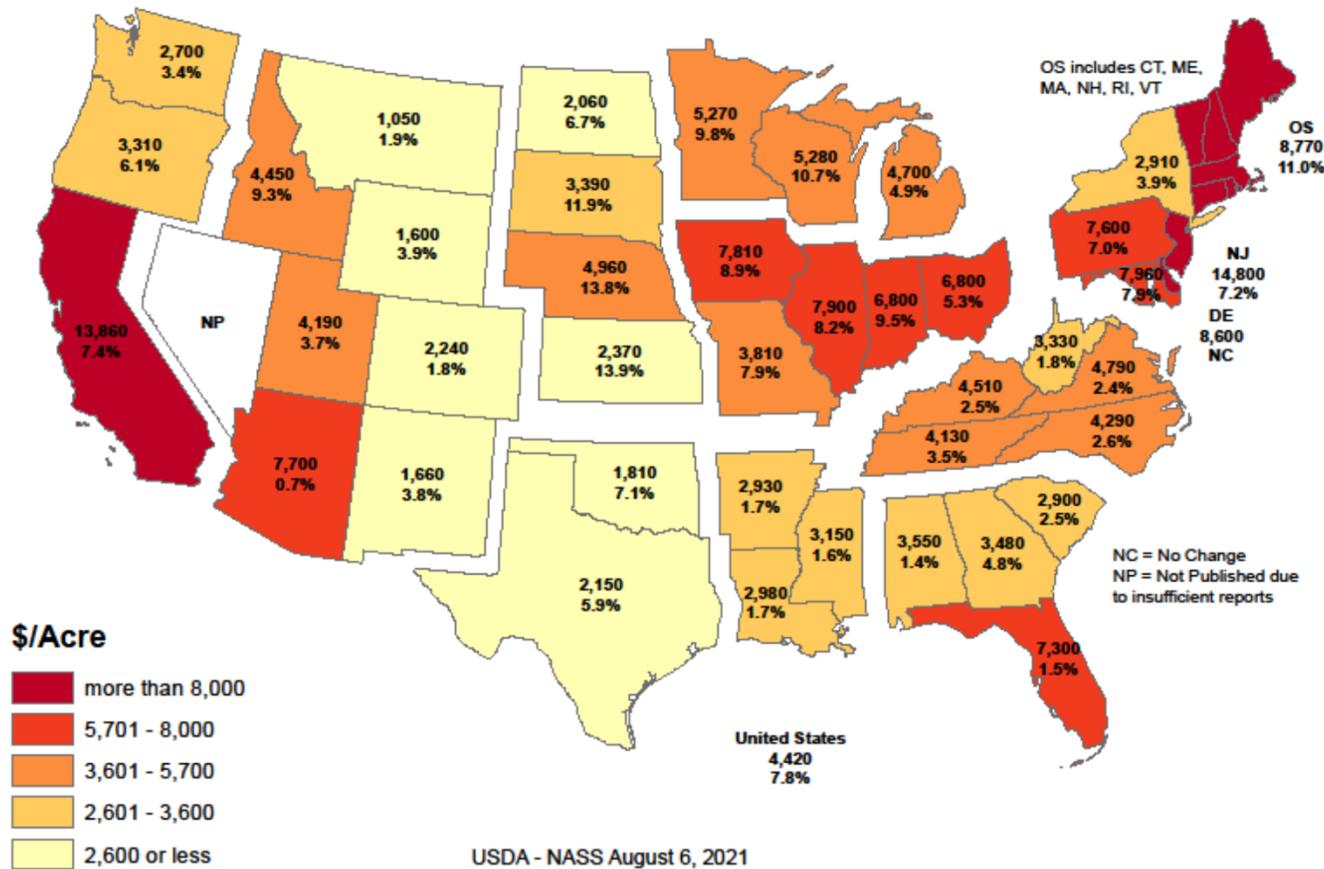
## 2021 Farm Real Estate Value by State

Dollars per Acre and Percent Change from 2020



## 2021 Cropland Value by State

Dollars per Acre and Percent Change from 2020



# **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 1: Ohio Cropland Values and Cash Rents**  
**Western Ohio Results**

Land Class	Average	Std	Range*	
<b>Average</b>	<b>Avg Corn Yield (b/a)</b>	181.2	14.7	195.9
	<b>Avg Soybean Yield (b/a)</b>	56.2	5.0	61.2
	<b>Market Value per Acre</b>	<b>2020</b>	\$7,918	\$1,739
		<b>2021</b>	<b>\$8,288</b>	\$1,829
	<b>Rent per Acre</b>	<b>2020</b>	\$199	\$29
		<b>2021</b>	<b>\$207</b>	\$32
<b>Top</b>	<b>Avg Corn Yield (b/a)</b>	214.6	15.3	229.9
	<b>Avg Soybean Yield (b/a)</b>	66.5	5.2	71.7
	<b>Market Value per Acre</b>	<b>2020</b>	\$9,178	\$1,969
		<b>2021</b>	<b>\$9,660</b>	\$2,109
	<b>Rent per Acre</b>	<b>2020</b>	\$243	\$38
		<b>2021</b>	<b>\$252</b>	\$46
<b>Poor</b>	<b>Avg Corn Yield (b/a)</b>	150.1	17.5	167.5
	<b>Avg Soybean Yield (b/a)</b>	45.3	6.5	51.7
	<b>Market Value per Acre</b>	<b>2020</b>	\$6,417	\$1,654
		<b>2021</b>	<b>\$6,674</b>	\$1,650
	<b>Rent per Acre</b>	<b>2020</b>	\$162	\$28
		<b>2021</b>	<b>\$168</b>	\$31



**Table 2: Ohio Cropland Values and Cash Rents**  
**Northwest Ohio Results**

Land Class	Average	Avg Corn Yield (b/a)	Avg Soybean Yield (b/a)	Average	Std	Range*
<b>Average</b>		179.9	55.0	9.7	189.6	170.2
<b>Market Value per Acre</b>		2020	\$7,518	\$991	\$8,510	\$6,527
		2021	<b>\$7,896</b>	\$1,144	\$9,041	\$6,752
<b>Rent per Acre</b>		2020	\$190	\$18	\$208	\$171
		2021	<b>\$197</b>	\$23	\$220	\$174
<b>Top</b>		213.7	65.4	14.2	227.9	199.5
<b>Market Value per Acre</b>		2020	\$8,789	\$1,138	\$9,927	\$7,651
		2021	<b>\$9,251</b>	\$1,292	\$10,543	\$7,960
<b>Rent per Acre</b>		2020	\$238	\$28	\$266	\$211
		2021	<b>\$247</b>	\$47	\$294	\$200
<b>Poor</b>		146.1	42.8	8.2	154.3	137.9
<b>Market Value per Acre</b>		2020	\$5,833	\$906	\$6,739	\$4,927
		2021	<b>\$6,087</b>	\$907	\$6,993	\$5,180
<b>Rent per Acre</b>		2020	\$150	\$18	\$169	\$132
		2021	<b>\$156</b>	\$22	\$179	\$134



**Table 3: Ohio Cropland Values and Cash Rents**  
**Southwest Ohio Results**

Land Class		Average	Std	Range*	
<b>Average</b>	<b>Avg Corn Yield (bu/a)</b>	182.4	17.8	200.2	164.6
	<b>Avg Soybean Yield (bu/a)</b>	57.2	4.6	61.9	52.6
<b>Market Value per Acre</b>	2020	\$8,299	\$2,161	\$10,460	\$6,137
	2021	<b>\$8,661</b>	\$2,235	\$10,896	\$6,425
<b>Rent per Acre</b>	2020	\$207	\$35	\$242	\$173
	2021	<b>\$215</b>	\$36	\$252	\$179
<b>Top</b>	<b>Avg Corn Yield (bu/a)</b>	215.3	16.2	231.5	199.2
	<b>Avg Soybean Yield (bu/a)</b>	67.3	5.6	73.0	61.7
<b>Market Value per Acre</b>	2020	\$9,558	\$2,472	\$12,030	\$7,086
	2021	<b>\$10,059</b>	\$2,615	\$12,674	\$7,444
<b>Rent per Acre</b>	2020	\$248	\$45	\$293	\$203
	2021	<b>\$257</b>	\$44	\$301	\$213
<b>Poor</b>	<b>Avg Corn Yield (bu/a)</b>	153.0	21.5	174.6	131.5
	<b>Avg Soybean Yield (bu/a)</b>	47.1	6.6	53.7	40.5
<b>Market Value per Acre</b>	2020	\$6,945	\$1,970	\$8,914	\$4,975
	2021	<b>\$7,206</b>	\$1,962	\$9,167	\$5,244
<b>Rent per Acre</b>	2020	\$172	\$32	\$204	\$140
	2021	<b>\$178</b>	\$34	\$212	\$144

**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**

Area	Land Class	Land Value			
		Dollars Per Acre			
		2020	2021	% Change	
Area	Land Class	Corn bu/A	Soy bu/A	\$/A	\$/A
Western	Average	181.2	56.2	\$7,918	\$8,288
	Top	214.6	66.5	\$9,178	\$9,660
	Poor	150.1	45.3	\$6,417	\$6,674
Northwest	Average	179.9	55.0	\$7,518	\$7,896
	Top	213.7	65.4	\$8,789	\$9,251
	Poor	146.1	42.8	\$5,833	\$6,087
Southwest	Average	182.4	57.2	\$8,299	\$8,661
	Top	215.3	67.3	\$9,558	\$10,059
	Poor	153.0	47.1	\$6,945	\$7,206

\* 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**

Area	Land Class	Rent Per Acre			% Change 20 to '21	Rent per Bushel Corn		Rent as % of Land Value	
		2020		2021*		Bushel Corn	Bushel Corn	Land Value	Land Value
		Corn bu/A	Soy bu/A	\$/A		\$/A	\$/Bu	\$/Bu	2020
<b>Western</b>	<b>Average</b>	181.2	56.2	\$199	4.0%	\$1.10	\$1.14	2.5%	2.5%
	<b>Top</b>	214.6	66.5	\$243	3.7%	\$1.13	\$1.17	2.6%	2.6%
	<b>Poor</b>	150.1	45.3	\$162	3.7%	\$1.08	\$1.12	2.5%	2.5%
<b>Northwest</b>	<b>Average</b>	179.9	55.0	\$190	3.7%	\$1.06	\$1.10	2.5%	2.5%
	<b>Top</b>	213.7	65.4	\$238	3.8%	\$1.11	\$1.16	2.7%	2.7%
	<b>Poor</b>	146.1	42.8	\$150	4.0%	\$1.03	\$1.07	2.6%	2.6%
<b>Southwest</b>	<b>Average</b>	182.4	57.2	\$207	3.9%	\$1.13	\$1.18	2.5%	2.5%
	<b>Top</b>	215.3	67.3	\$248	3.6%	\$1.15	\$1.19	2.6%	2.6%
	<b>Poor</b>	153.0	47.1	\$172	3.5%	\$1.12	\$1.16	2.5%	2.5%

\* Projected Rental Rate

Hey, I just wanted to let you know  
that I found a hole in the fence



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- ❖ **ward.8@osu.edu**



# **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

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Ben Brown, Research Associate,  
FAPRI-MU and  
Agricultural Business and Policy Extension



Agriculture,  
resources

# **Key Takeaways from Today**

**1. Global production shortfalls globally are likely to keep stocks tight through MY 2021/22**

- 1. Fact: COVID is not behind us, creating challenge both at home and abroad.
- 2. 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 =  $f(\text{Supply, Demand})$  Modified by the Flow of Money

## GameStop®

B Bloomberg.com

[GameStop Value Surges Past \\$10 Billion After Musk Tweet](#)

GameStop Value Surges Past \$10 Billion After Musk Tweet. Bloomberg

Daybreak: Australia - TV Shows. January 26th, 2021, 4:53 PM PST.

Jan 26, 2021



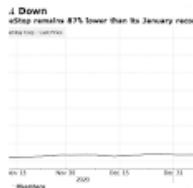
B Bloomberg.com

[GameStop Wraps Up Worst Week Ever, Leaving \\$18 Billion](#)

...

wrapped up its worst week on record as a stunning reversal of fortune wiped out \$18 billion from the video-game retailer's stock-market value.

Feb 4, 2021



# Good thing this doesn't happen in Ag...

Monday: June 14, 2021

- Corn (down 18.6)
- Soybeans (down 32.4)

	Ticker Symbol	Last	Change	High Price	Low Price
1	@CN21 [10]	665' 6	-18' 6	676' 2	653' 0
2	@CU21 [10]	605' 0	-24' 6	619' 2	593' 4
3	@CZ21 [10]	582' 4	-27' 2	598' 6	570' 4
4	@CH22 [10]	589' 0	-27' 0	604' 2	577' 4
5	@CK22 [10]	593' 2	-26' 2	608' 0	587' 4
6	@CN22 [10]	593' 2	-26' 2	608' 2	583' 0
7					
8	@SN21 [10]	1476' 0	-32' 4	1504' 2	1472' 2
9	@SQ21 [10]	1449' 2	-33' 2	1480' 2	1441' 2
10	@SU21 [10]	1412' 4	-35' 0	1439' 6	1400' 0
11	@SX21 [10]	1403' 6	-35' 0	1430' 4	1390' 0
12	@SF22 [10]	1406' 0	-34' 4	1429' 6	1393' 4
13	@SH22 [10]	1383' 2	-31' 6	1406' 6	1373' 6
14	@SK22 [10]	1379' 4	-29' 6	1402' 0	1370' 4
15					
16	@WN21 [10]	666' 2	-14' 4	680' 6	663' 2
17	@WU21 [10]	671' 4	-14' 2	685' 6	669' 0
18	@WZ21 [10]	679' 0	-14' 2	693' 4	676' 0
19	@WH22 [10]	686' 2	-13' 6	698' 6	683' 2
20	@WK22 [10]	686' 2	-14' 6	691' 4	684' 0
21	@WN22 [10]	677' 2	-15' 6	691' 2	677' 2
22					

Thursday: June 17, 2021

- Corn (down the limit 40)
- Soybeans (down 112.4)

	Instrument	Last	Net Change
<b>CORN</b>			
ZCN21	633^0 (1)	<b>-40^0</b>	
ZCU21	549^6 (2)	<b>-38^6</b>	
ZCZ21	533^4 (5)	<b>-39^0</b>	
ZCH22	540^4 (1)	<b>-39^0</b>	
ZCK22	545^0 (1)	<b>-38^4</b>	
<b>SOYBEANS</b>			
ZSN21	1336^0 (10)	<b>-112^4</b>	
ZSQ21	1300^0 (1)	<b>-102^0</b>	
ZSU21	1263^2 (1)	<b>-94^2</b>	
ZSX21	1256^4 (1)	<b>-86^6</b>	
ZSF22	1260^4 (1)	<b>-85^6</b>	
ZSH22	1244^4 (1)	<b>-83^0</b>	

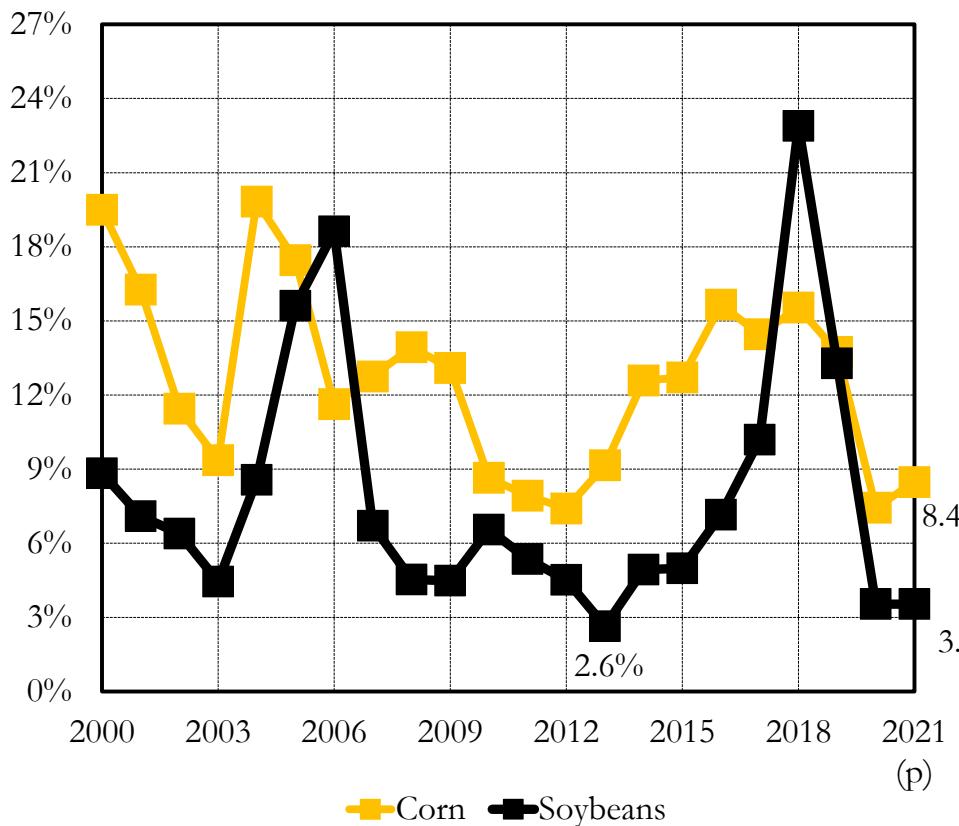
Friday: June 18, 2021

- Corn (up 22.2)
- Soybeans (up 66.2)

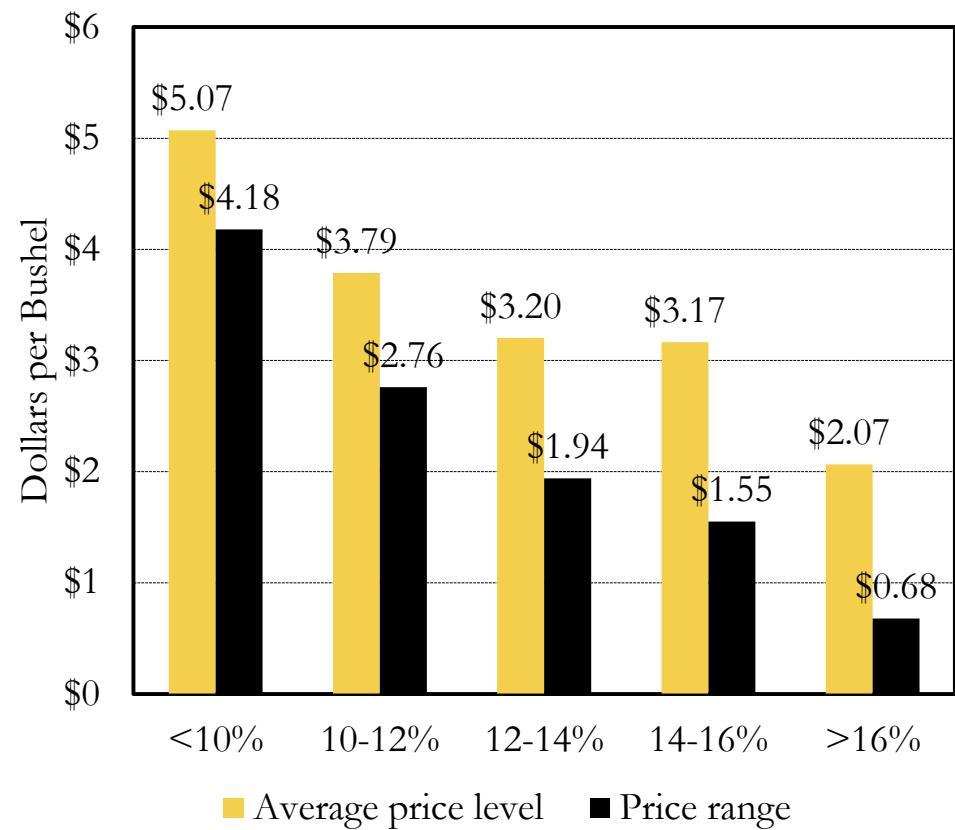
	Ticker Symbol	Last	Change	High Price	Low Price
1	@CN21 [10]	655' 2s	<b>22' 2</b>	663' 4	629' 4
2	@CU21 [10]	577' 4s	<b>29' 0</b>	588' 0	546' 6
3	@CZ21 [10]	566' 2s	<b>33' 6</b>	575' 0	530' 4
4	@CH22 [10]	573' 2s	<b>33' 6</b>	581' 6	538' 2
5	@CK22 [10]	577' 4s	<b>34' 0</b>	585' 2	542' 4
6	@CN22 [10]	578' 2s	<b>34' 4</b>	586' 2	543' 2
7					
8	@SN21 [10]	1396' 0s	<b>66' 2</b>	1408' 2	1330' 6
9	@SQ21 [10]	1355' 0s	<b>60' 0</b>	1366' 4	1295' 0
10	@SU21 [10]	1317' 2s	<b>58' 6</b>	1328' 0	1259' 4
11	@SX21 [10]	1313' 0s	<b>60' 2</b>	1321' 2	1252' 6
12	@SF22 [10]	1316' 6s	<b>60' 0</b>	1324' 2	1256' 6
13	@SH22 [10]	1302' 0s	<b>60' 2</b>	1309' 2	1246' 4
14	@SK22 [10]	1300' 4s	<b>60' 0</b>	1307' 6	1246' 2
15					
16	@WN21 [10]	662' 6s	<b>23' 6</b>	668' 4	639' 0
17	@WU21 [10]	665' 6s	<b>22' 6</b>	671' 4	642' 4
18	@WZ21 [10]	671' 2s	<b>21' 4</b>	677' 2	649' 6
19	@WH22 [10]	677' 2s	<b>20' 6</b>	683' 0	656' 4
20	@WK22 [10]	678' 0s	<b>19' 2</b>	682' 6	660' 4
21	@WN22 [10]	669' 6s	<b>16' 0</b>	675' 4	655' 4

# Tighter Stocks Lead to Higher Prices AND More Volatility

Ending Stocks to Use Ratios



Corn Price, 1991- 2020



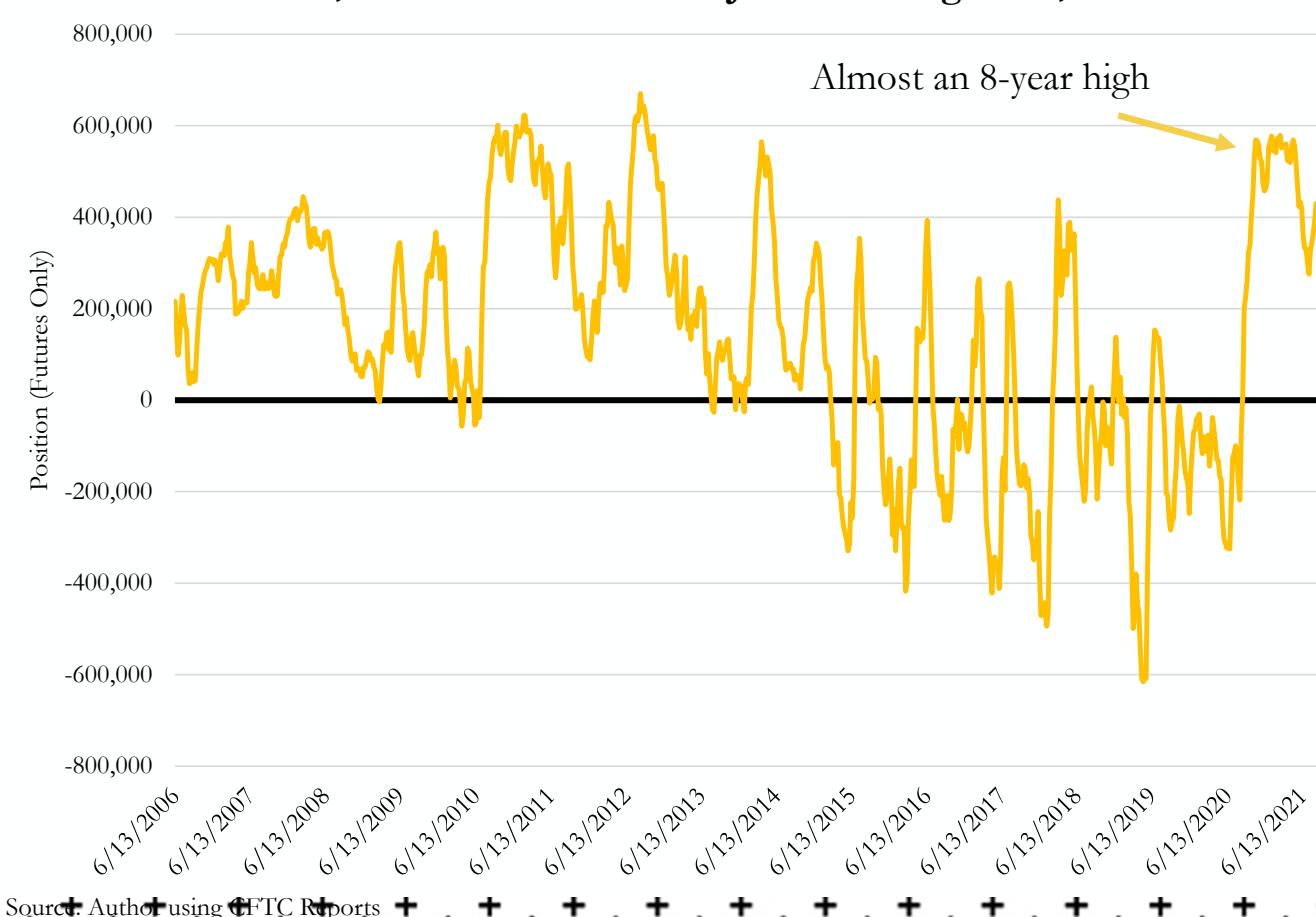
— Corn ■ Soybeans

■ Average price level ■ Price range

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.

# Position and Price Limit Increases

## Position Limit Increases

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

## Commodity Daily and Expanded Price Limits

Contract Title	CBOT Rulebook Chapter	Clearing Code	CME Globex Code	Current Initial Price Limit	New Initial Price Limit (Effective 5/3/2021)	New Expanded Price Limit (Effective 5/3/2021)
Corn Futures	<a href="#">10</a>	C	ZC	\$0.25/bushel	\$0.40/bushel	\$0.60/bushel
Mini-Sized Corn Futures	<a href="#">10B</a>	YC	XC	\$0.25/bushel	\$0.40/bushel	\$0.60/bushel
Black Sea Corn Financially Settled (Platts) Futures	<a href="#">10C</a>	BCF	BCF	\$40.00/mt	\$40.00/mt	\$60.00/mt
Soybean Futures	<a href="#">11</a>	S	ZS	\$0.70/bushel	\$1.00/bushel	\$1.50/bushel
Mini-Sized Soybean Futures	<a href="#">11B</a>	YK	XK	\$0.70/bushel	\$1.00/bushel	\$1.50/bushel
Soybean Oil Futures	<a href="#">12</a>	0(zero)7	ZL	\$0.025/pound	\$0.035/pound	\$0.055/pound
Soybean Meal Futures	<a href="#">13</a>	0(zero)6	ZM	\$25.00/ton	\$30.00/ton	\$45.00/ton
Wheat Futures	<a href="#">14</a>	W	ZW	\$0.40/bushel	\$0.45/bushel	\$0.70/bushel

Source: Author using CME Group Website

# Marketing: The End of an Era!



WSJ Wall Street Journal

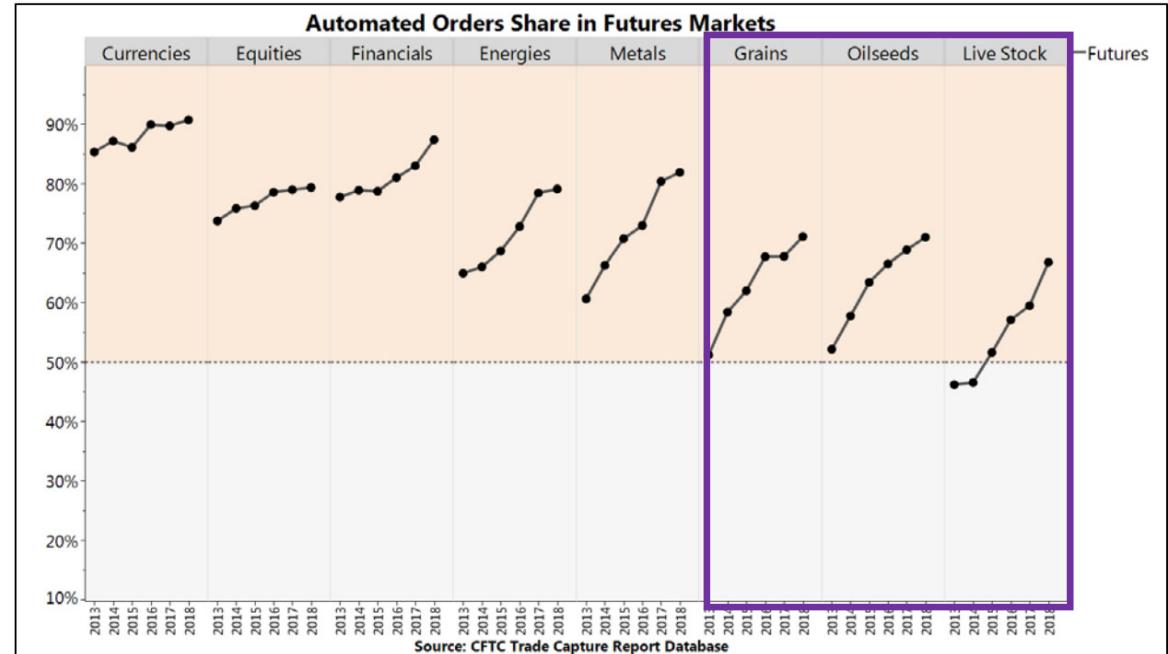
CME Group to Close Most of Its Chicago Trading Pits Permanently

Some of the CME pits being shut down include pits for trading agricultural commodities, where traders had haggled over options on soybeans, ...

3 weeks ago



EXHIBIT 2: SHARE OF AUTOMATED FUTURES AND OPTIONS TRANSACTIONS



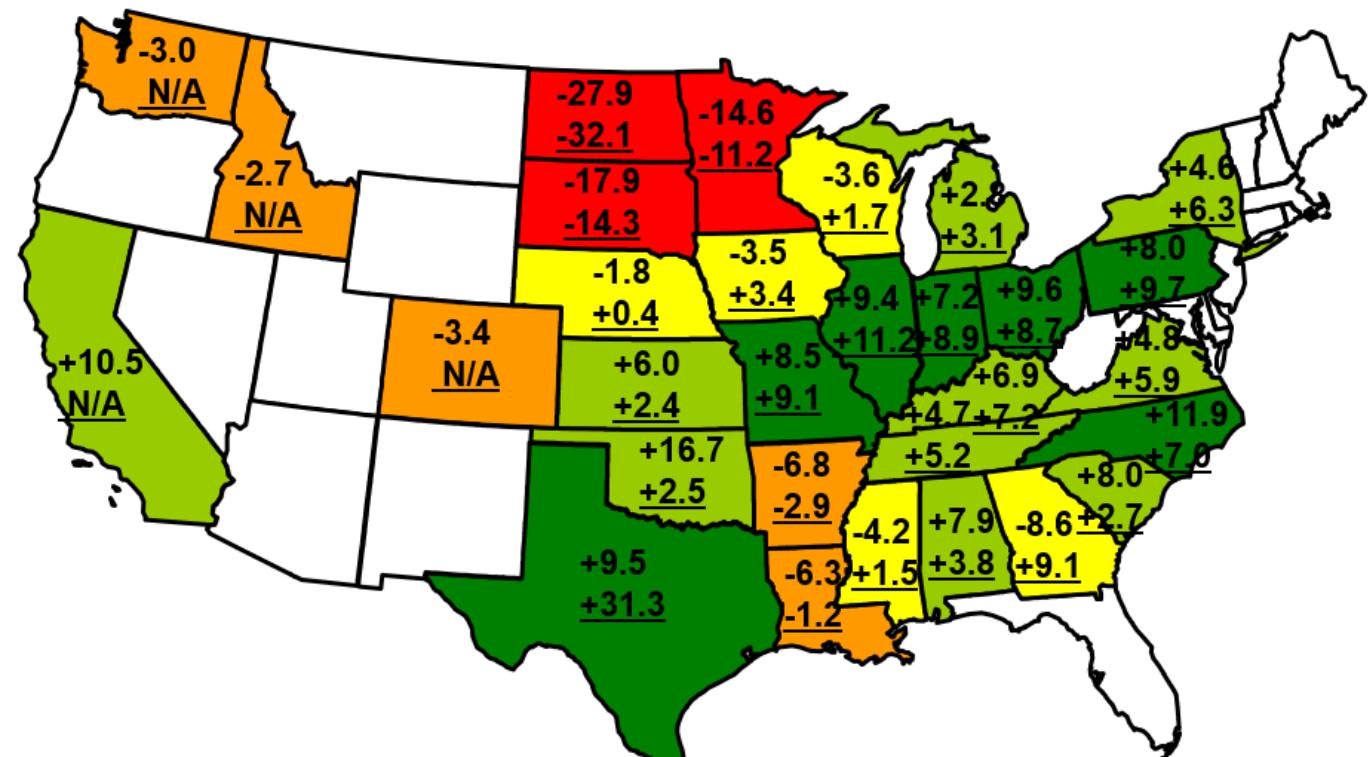
Source: CME Handbook

# Global Production

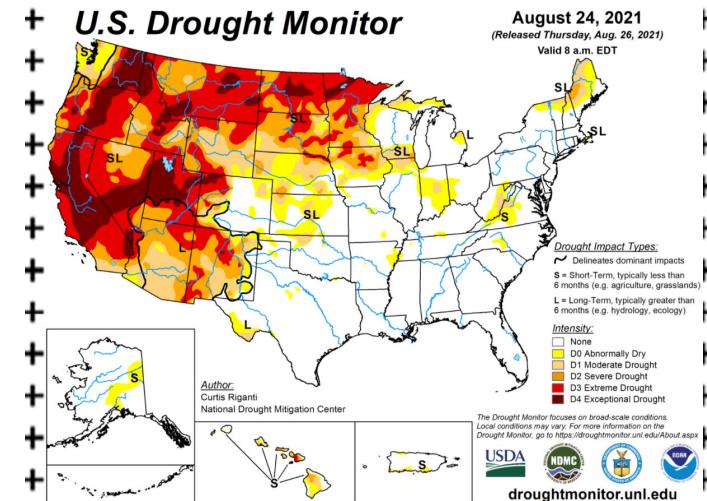
Country	Estimate	2020/21	2021/22	Change from July	Change from 2020/21
		Change from 2019/20	Forecast		
<b>Million Bushels</b>					
World	1,115.41	-0.3%	1,186.10	-8.7	6%
United States	360.25	4%	374.7	-10.5	4%
Foreign	755.16	-2%	811.4	1.9	7%
Argentina	48.50	-5%	51		5%
Brazil	87.00	-15%	118		36%
Mexico	27.00	1%	28		4%
Canada	13.56	1%	13.6	0.3	0%
European Union	64.47	-3%	65.5	-1.2	2%
Serbia	8.00	4%	6.5	-0.8	-19%
FSU-12	49.40	-12%	61.5	3	24%
Ukraine	30.30	-16%	39	1.5	29%
Russia	13.87	-3%	16.5	1.1	19%
South Africa	17.20	9%	17		-1%
China	260.67	0%	268		3%
India	30.25	5%	30	0.5	-1%

# US Production

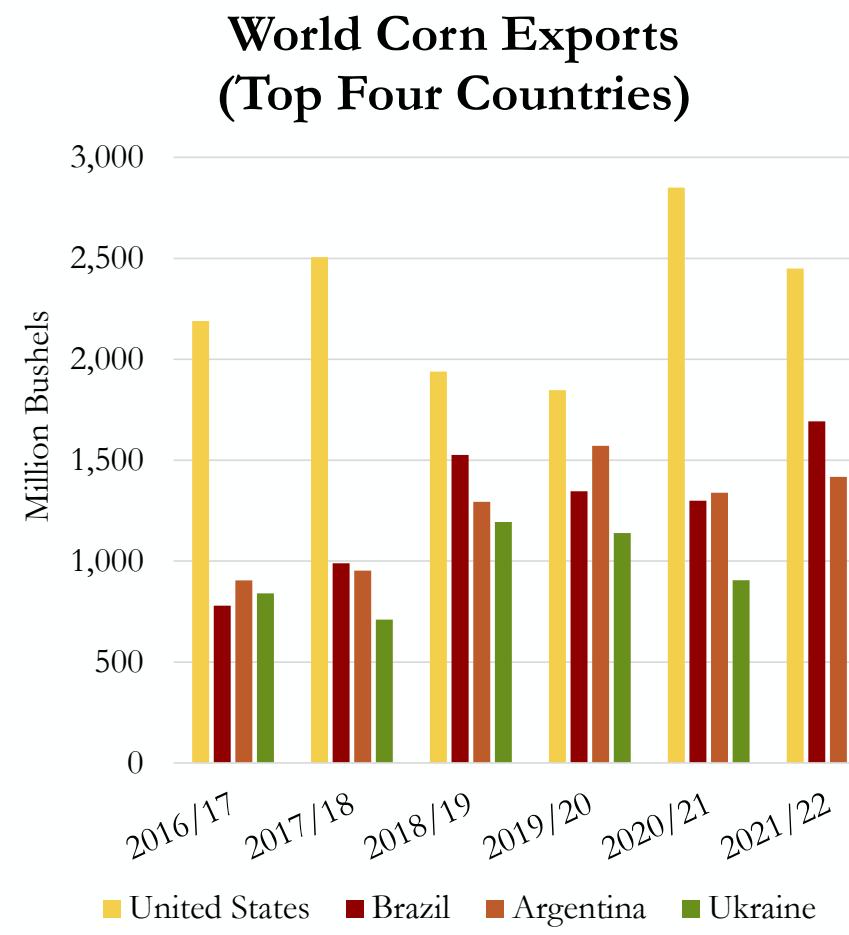
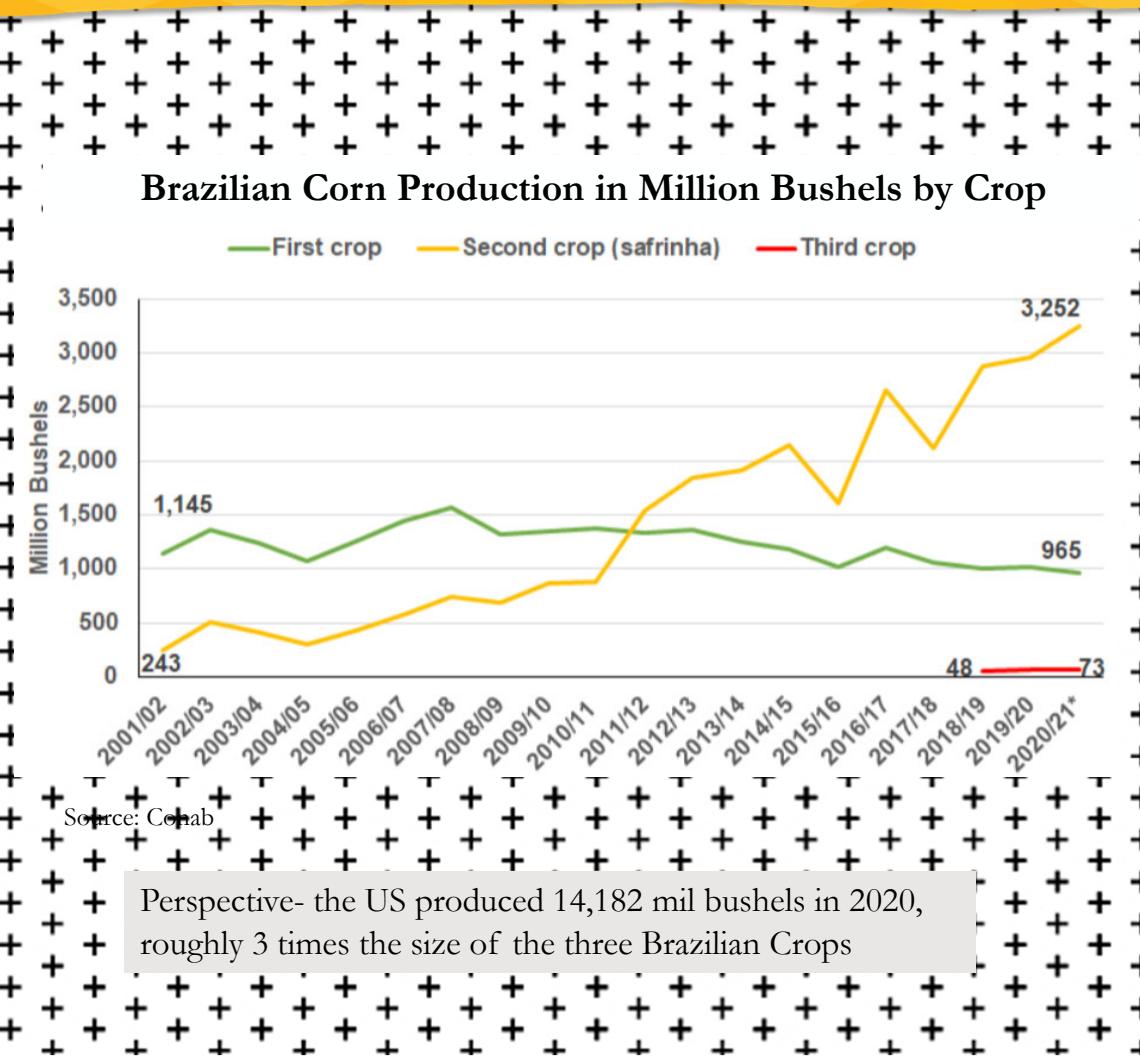
USDA August Yield Estimates vs. 30- yr. Trend- % Difference  
(Corn on top, soybeans on bottom)



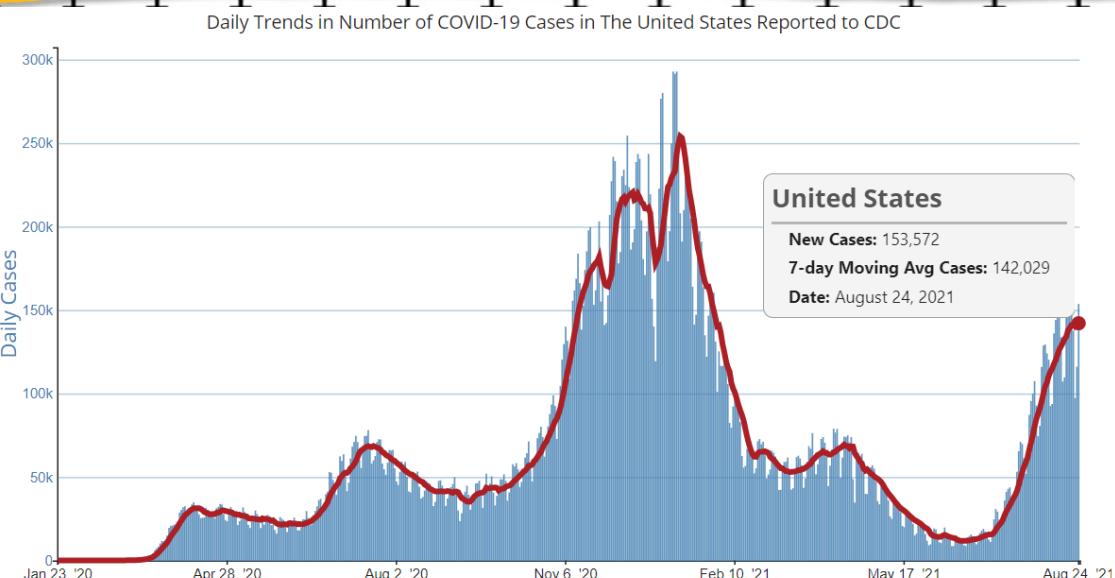
U.S. Drought Monitor



# Brazilian Corn Potential???



# Ethanol Production & Consumption



All too well known lessons from early stages of COVID's impact on commodity markets

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

Epidemic Curve Trajectory Classification

A world map where countries are colored based on their epidemic curve trajectory. The legend indicates five categories:

- <10 Cases in past 7 days (light gray)
- Low/Moderate Incidence, Decreasing (light blue)
- Low/Moderate Incidence, Increasing (yellow)
- Substantial/High Incidence, Decreasing (orange)
- Substantial/High Incidence, Increasing (dark red)

WSJ Wall Street Journal

Covid-19 Closure at China's Ningbo Port Is Latest Snarl in Global Supply Chains

A major container terminal at China's Ningbo-Zhoushan Port remained shut a week after operations were suspended from a single Covid-19 case, ... 6 days ago

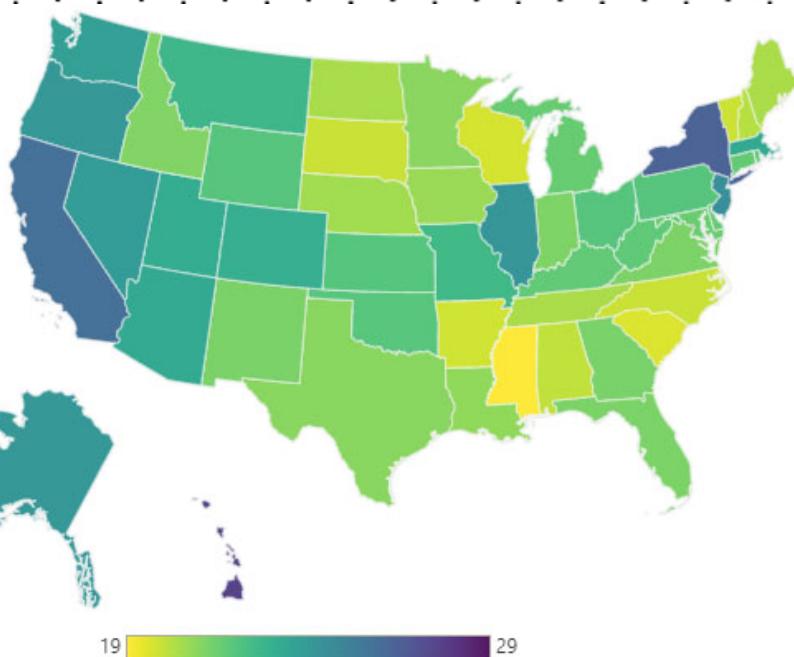
A small image showing a large port facility with many shipping containers stacked high.

Epidemic curve trajectory categories\*

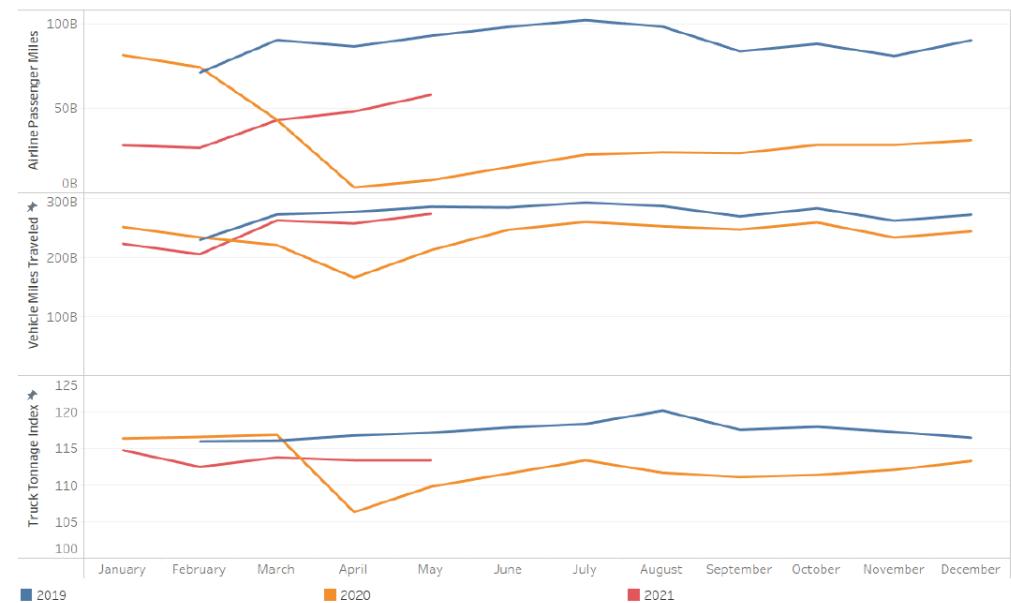
- <10 Cases in past 7 days
- Low/Moderate Incidence, Decreasing
- Low/Moderate Incidence, Increasing
- Substantial/High Incidence, Decreasing
- Substantial/High Incidence, Increasing

# Travel Statistics

## Percent of Population Continuing to Work from Home



Transportation Stats, 2019-Present

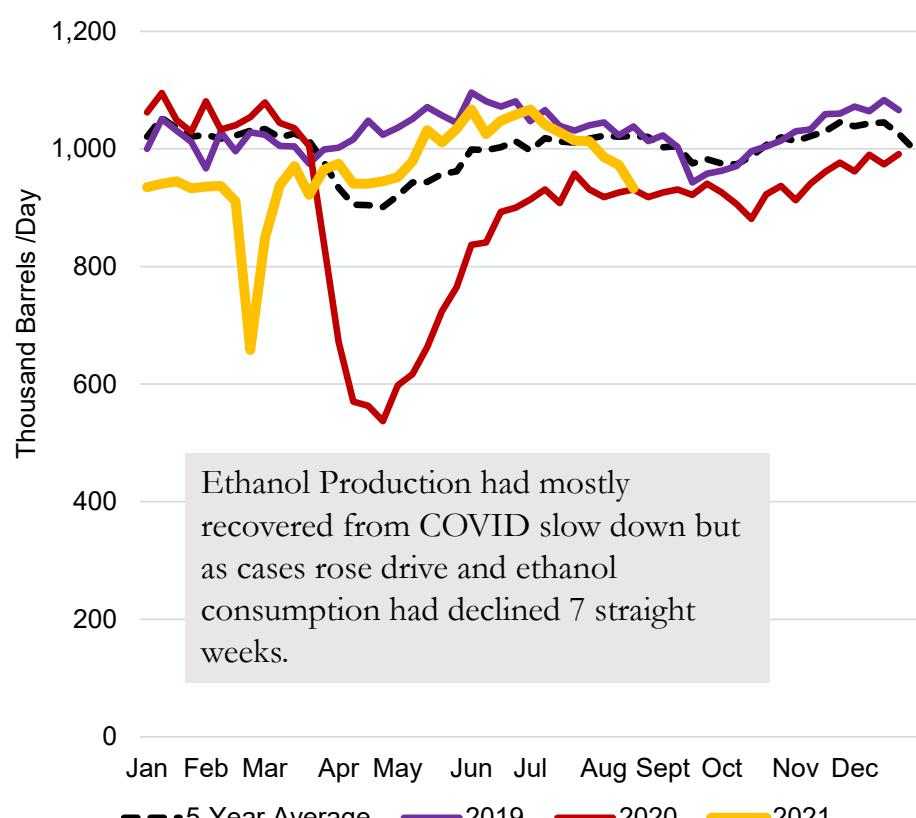


Source: Bureau of Transportation

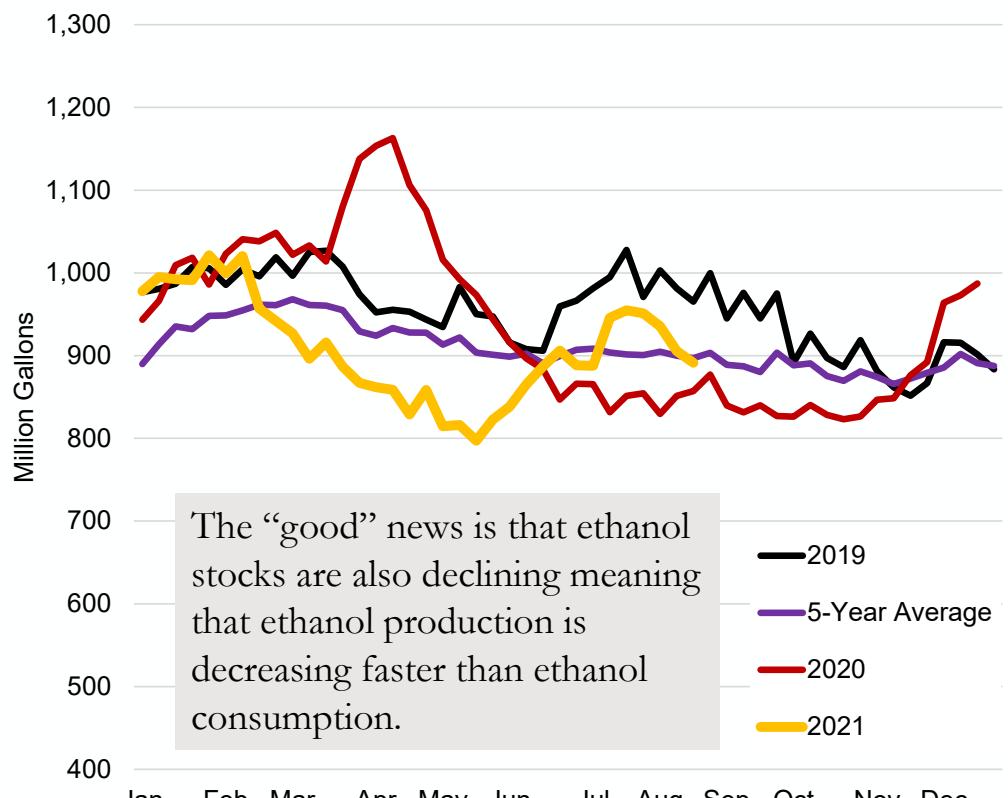
Source: David Ripplinger, Bureau of Transportation

# Ethanol Production & Consumption

Us Weekly Ethanol Production  
As of August 20, 2021



Ending Stocks of Fuel Ethanol-  
as of Aug. 20, 2021



Source: US EIA

# Ethanol Recovers from Rough 2020 what about 2021



U.S. Supreme Court backs refineries in biofuel waiver dispute

June 25 (Reuters) - The U.S. Supreme Court on Friday made it easier ... The justices overturned a lower court decision that had faulted the ...

Jun 25, 2021



Then came the July 2<sup>nd</sup> Circuit Court of D.C. 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.

## EPA to Propose Lower RFS Blend Volumes

White House to Keep Status Quo on Biofuel Blends Even as Biden Pushes to Lower Emissions

8/20/2021 | 2:26 PM CDT



By Chris Clayton, DTN Ag Policy Editor  
Connect with Chris:  
Twitter: @ChrisClaytonDTN



First came the June 25<sup>th</sup> Supreme Court ruling that overturned the 10<sup>th</sup> 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.



Ethanol industry takes hit from federal court rulings

The second blow came from a D.C. Circuit Court on July 2. ... Columbia vacated a 2019 rule that allowed the year-round sale of E15 gasoline.  
1 month ago



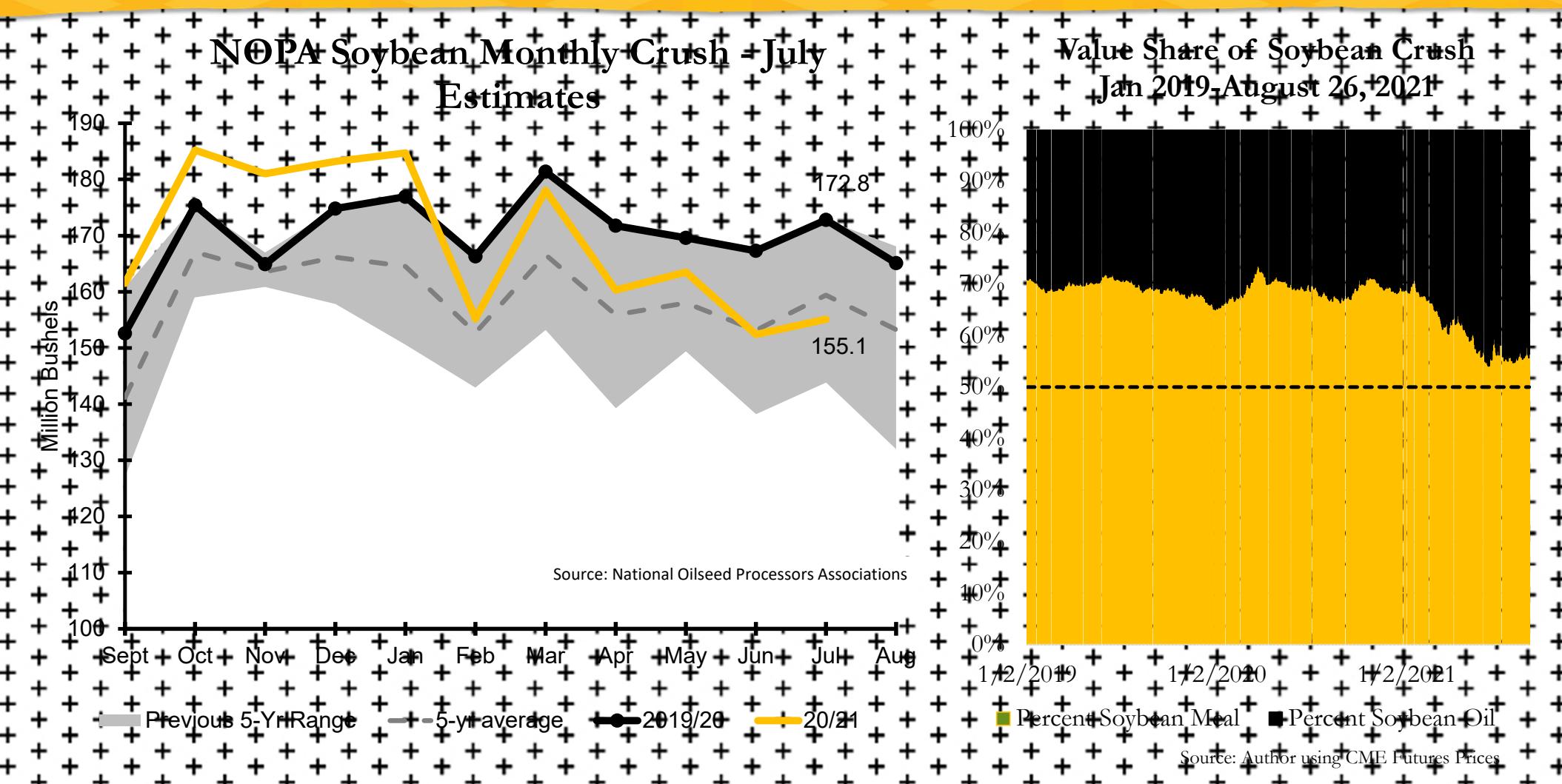
Renewable fuel supporters file for rehearing on E15 summer

...  
EPA. Before June 2019, retailers could not sell E15 blended gasoline from June 1 through September 15. In July, a federal appeals court ruled 3- ...  
1 week ago



Then came the rumors last Friday, August 20<sup>th</sup> 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



# What is Renewable Diesel??

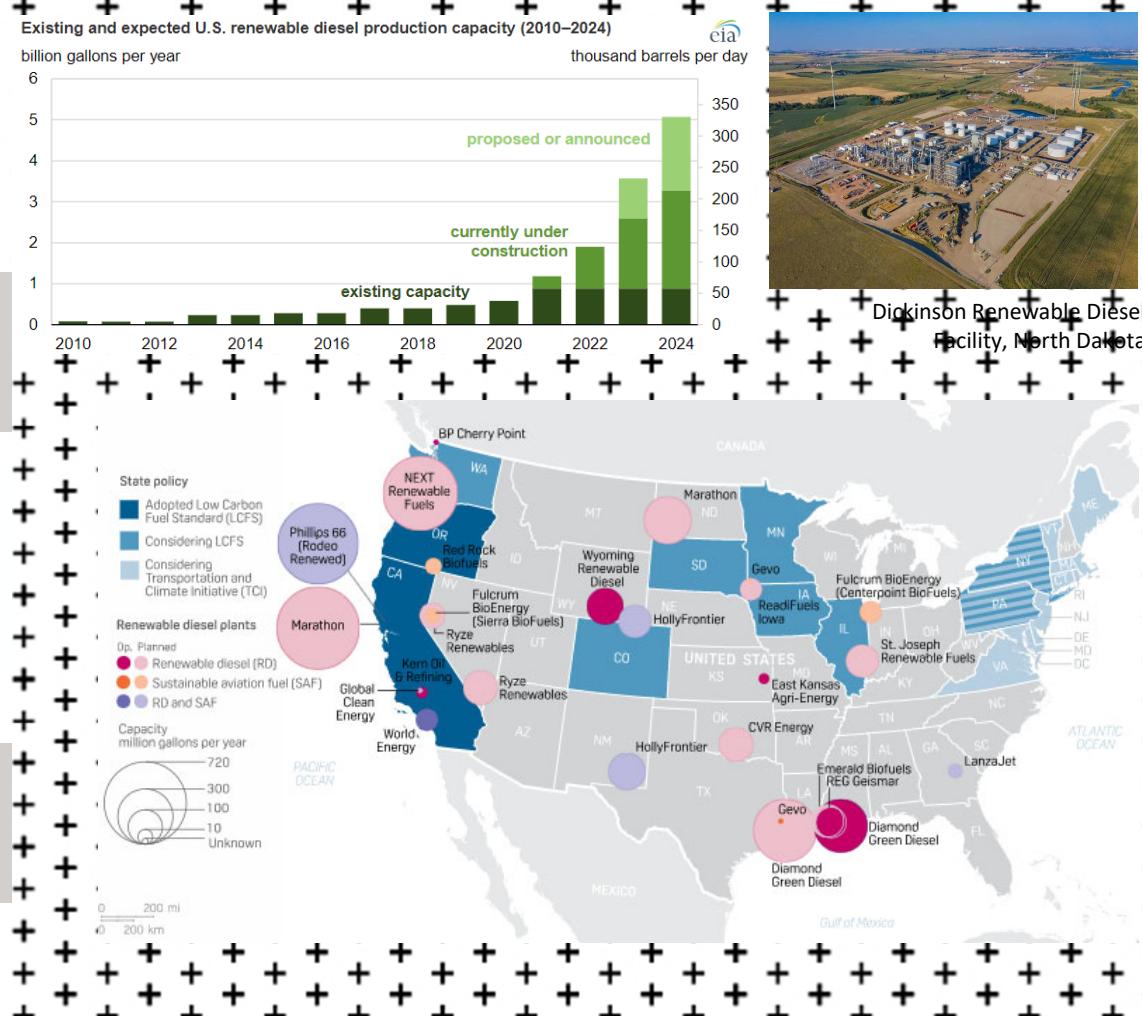
“Renewable diesel is a renewable fuel that is chemically the same as petroleum diesel and nearly identical in its performance characteristics”- EIA

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.

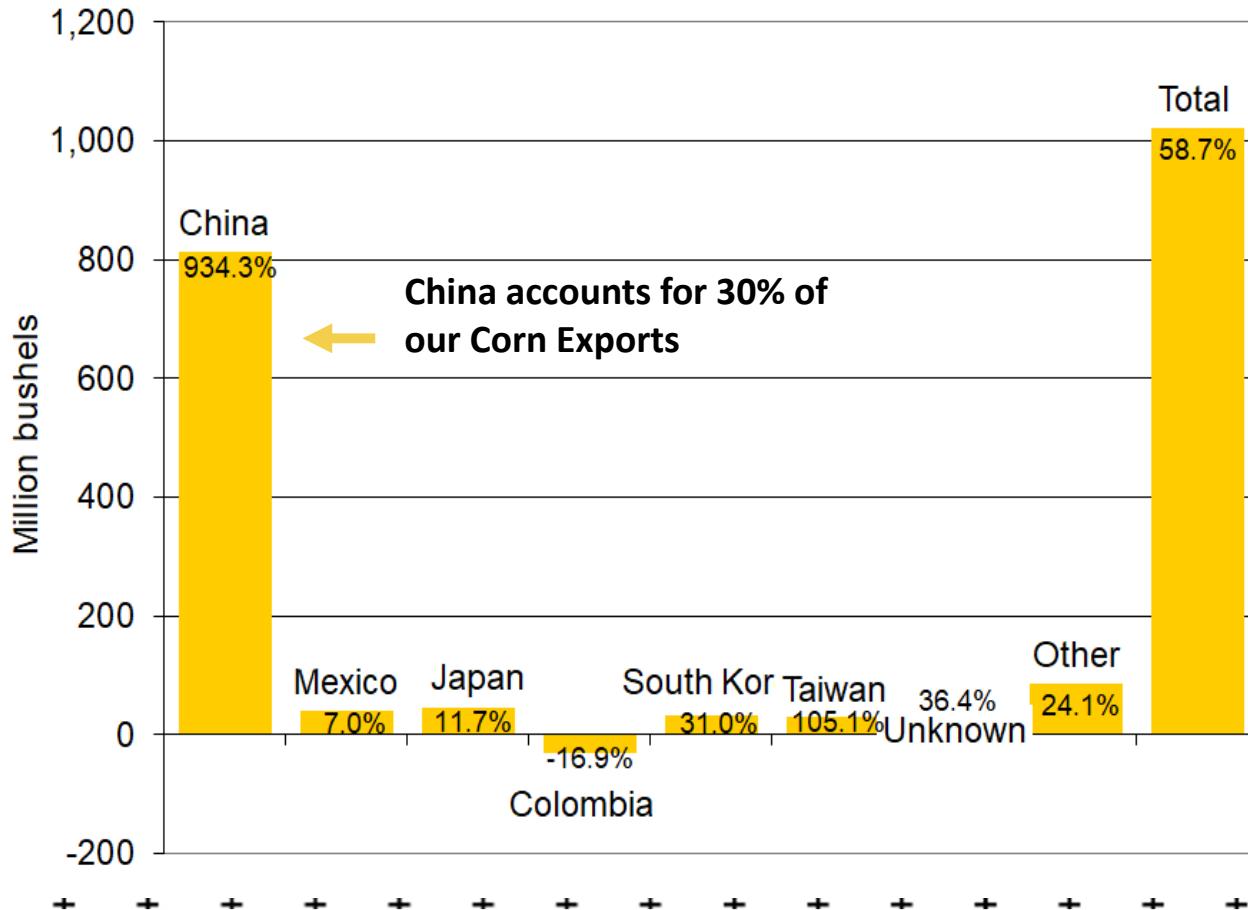
A primary risk- available fat, oil and grease feedstocks.

In US- soybean oil has the best availability  
Globally, palm oil might be the source.

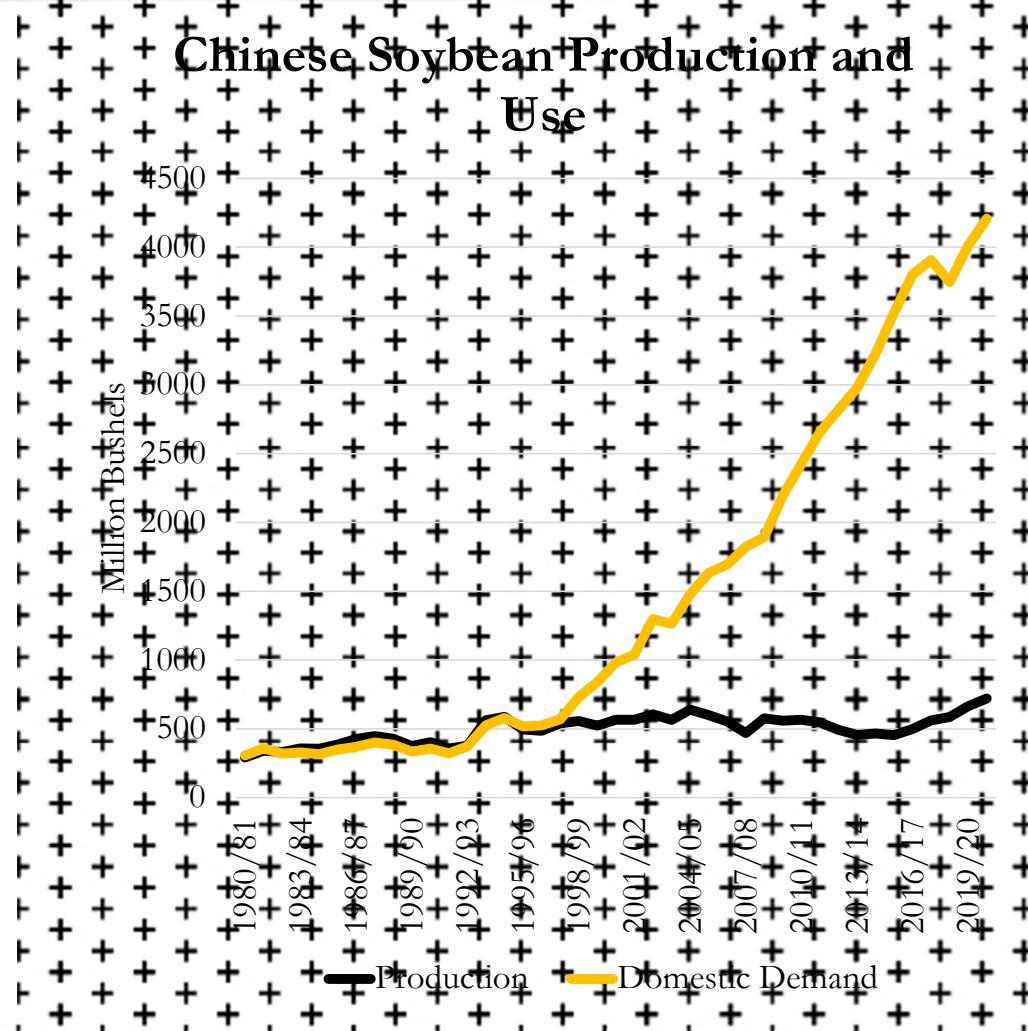
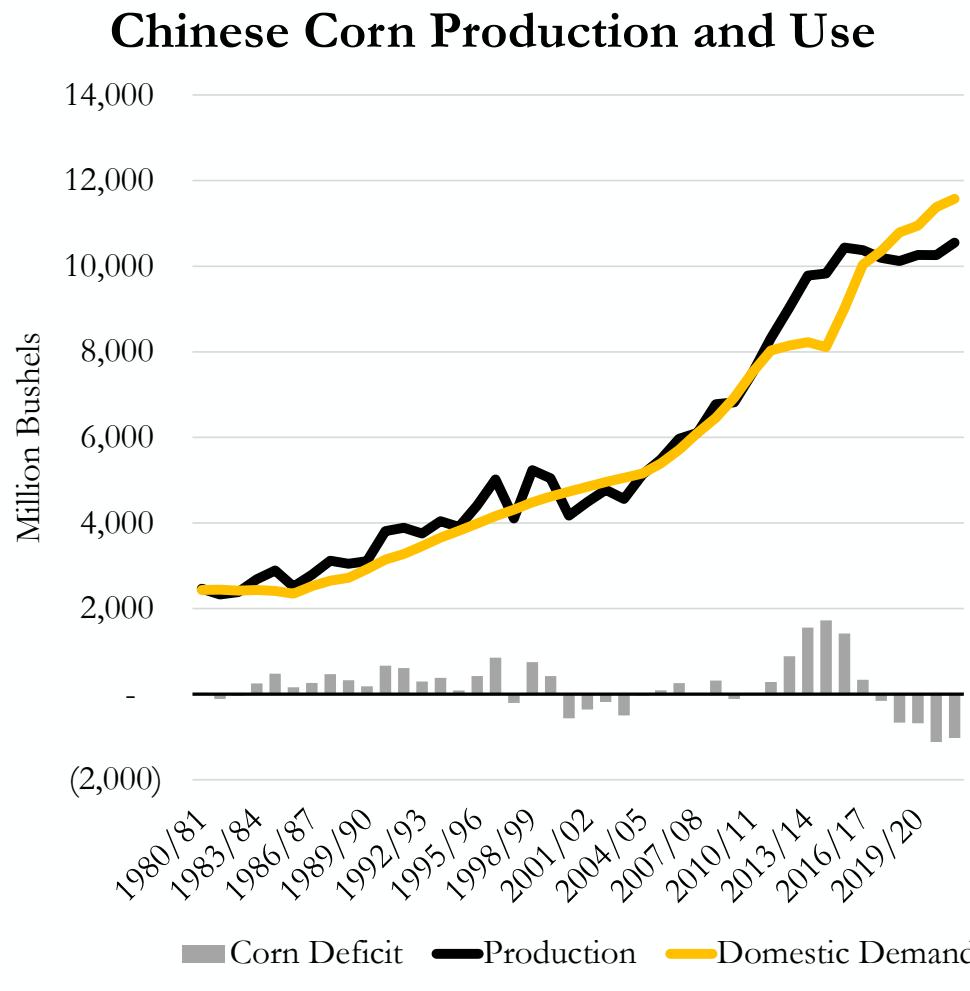


# Corn Export Shifts

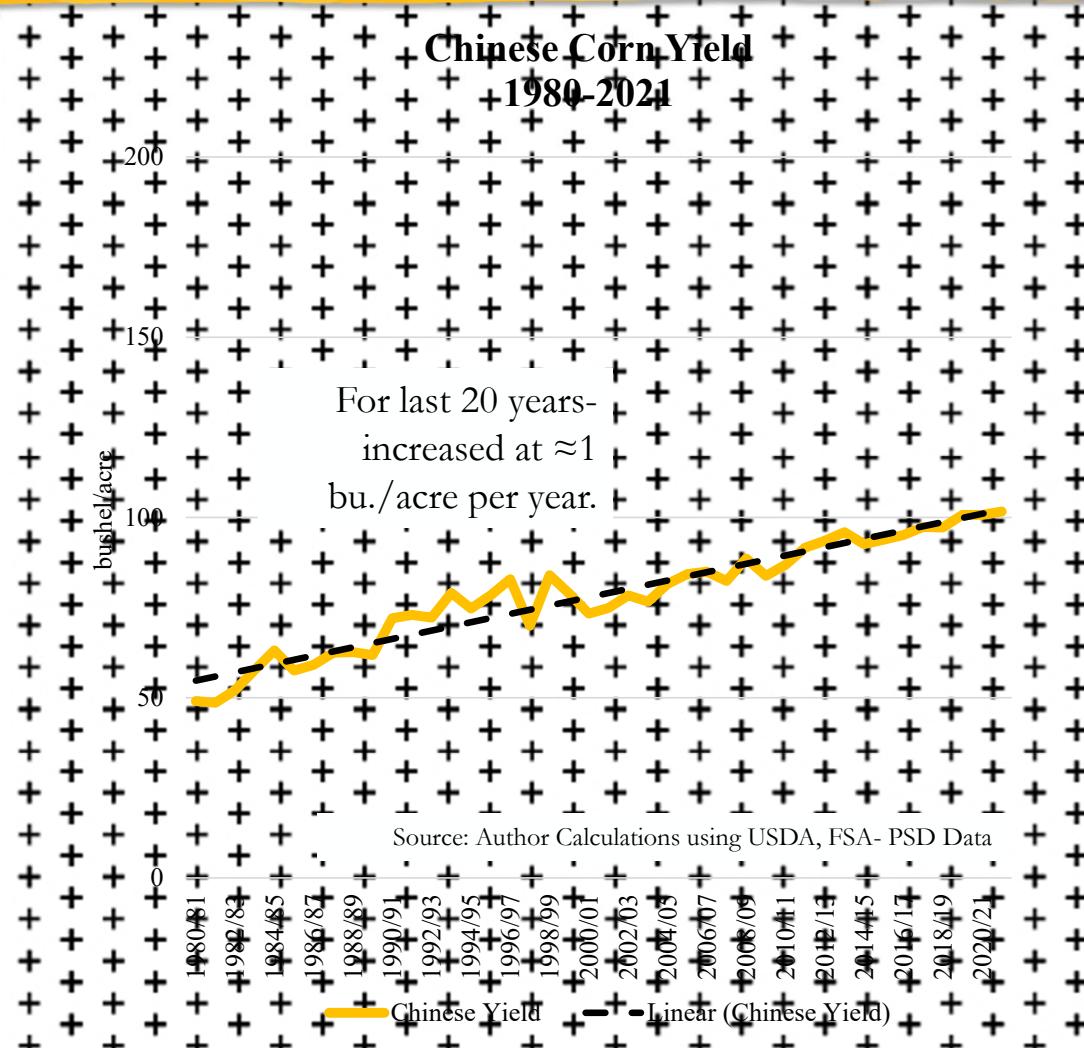
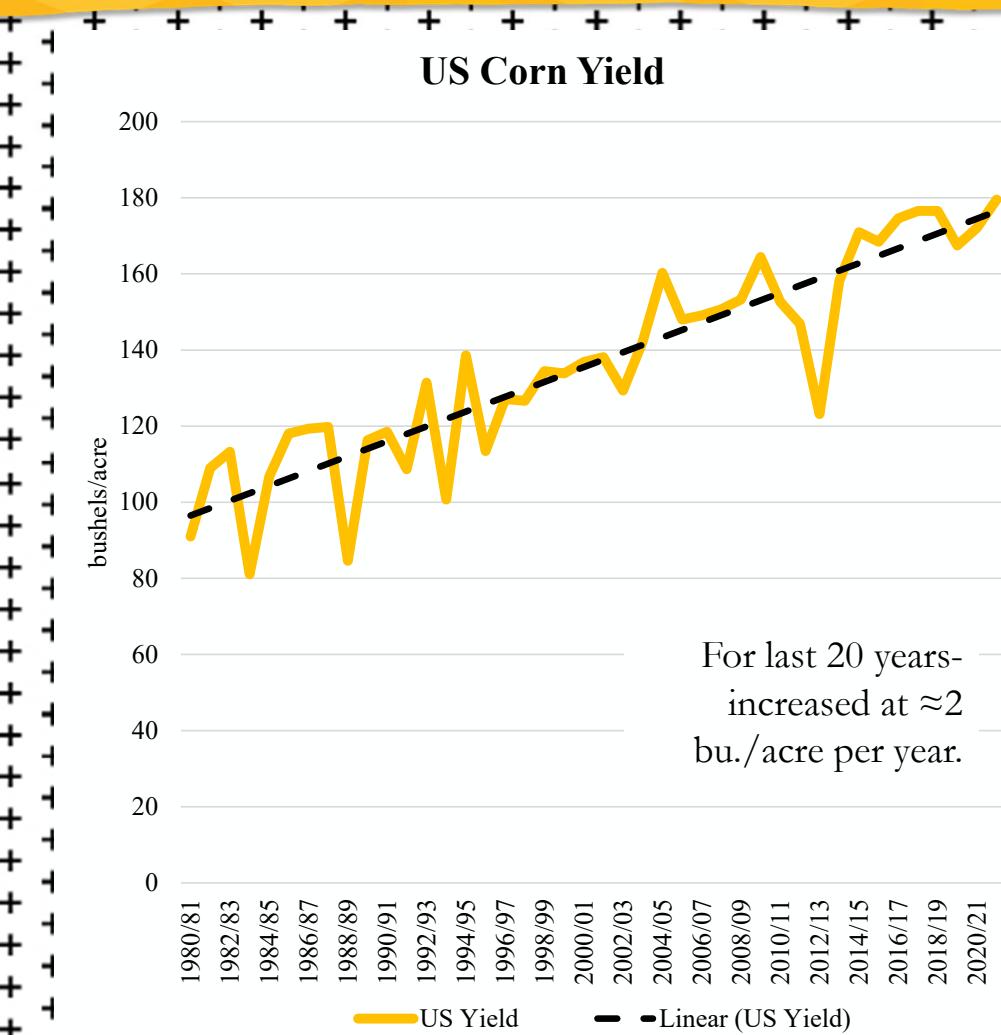
US Corn Exports in 2020/21 and Percent Change from Prior Year



# Chinese Deficit (grain not dollars)

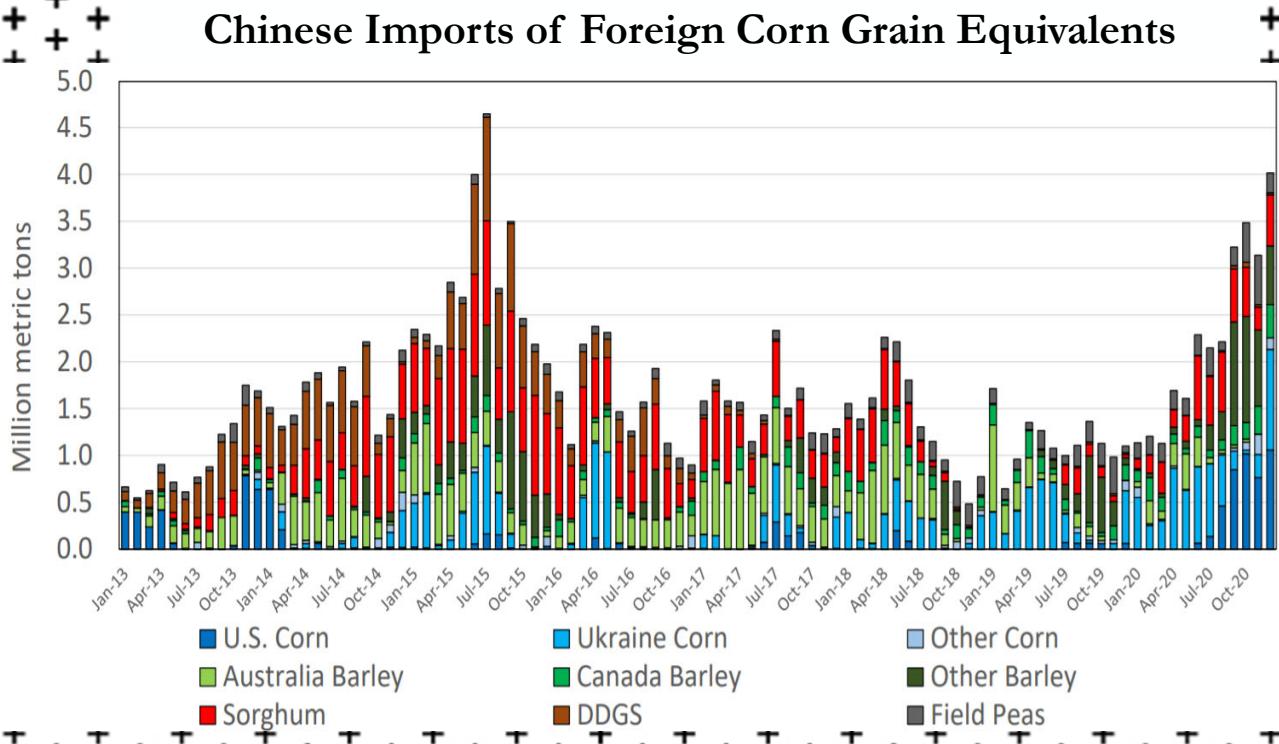
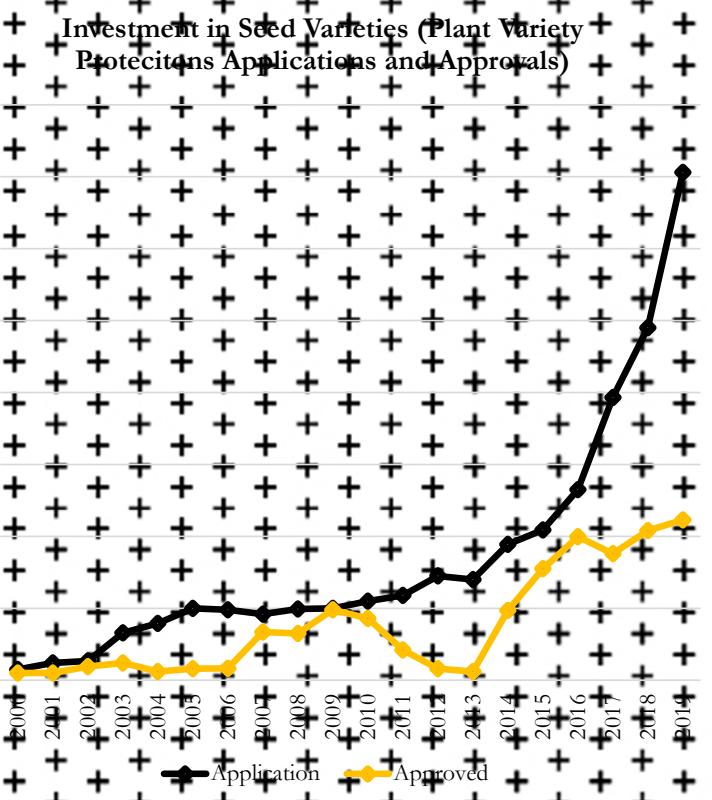


# Part of the Chinese Issue



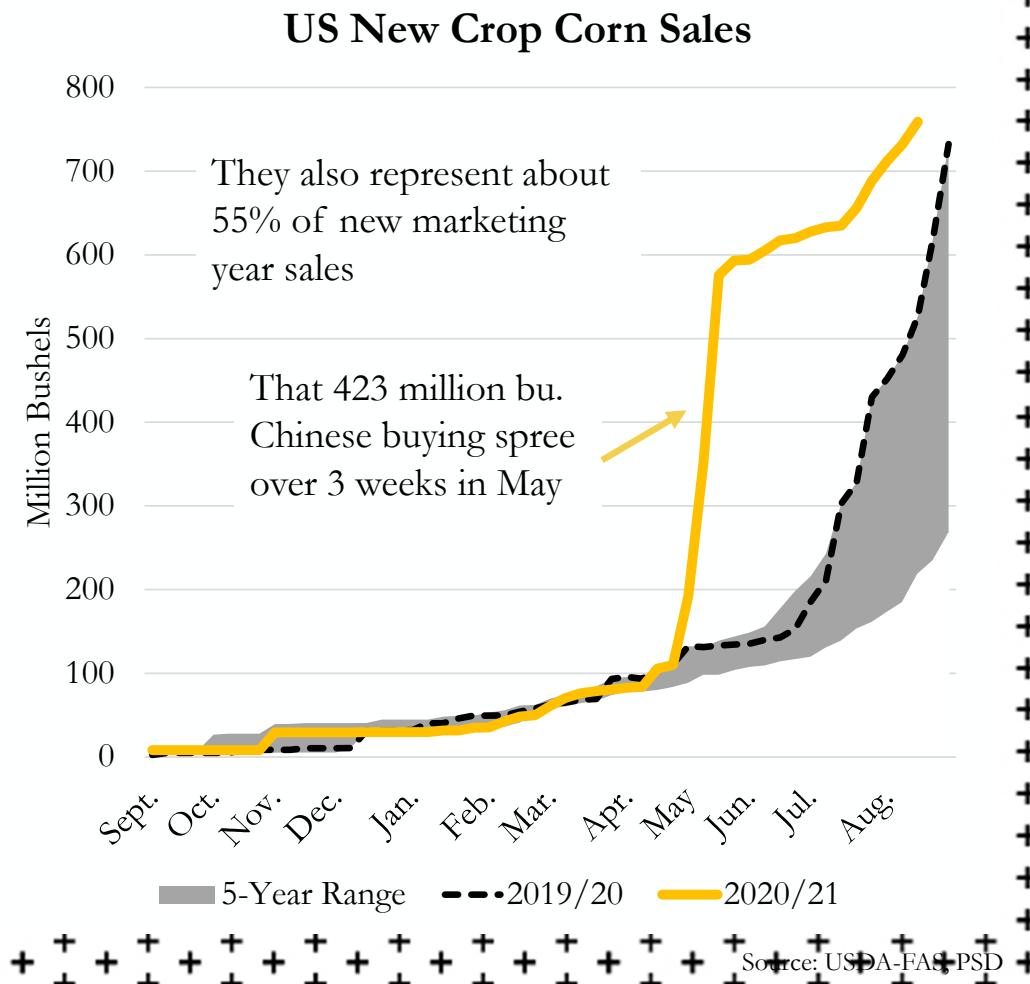
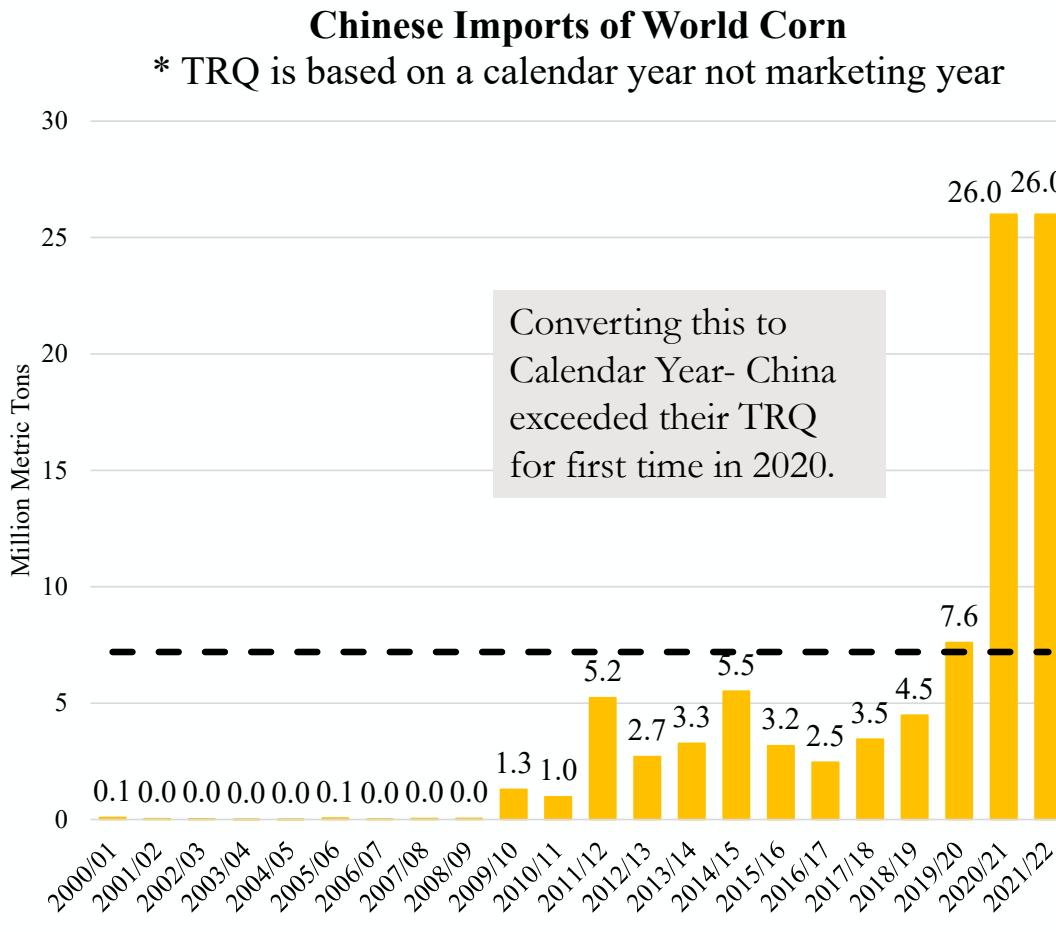
# Can they buy themselves out of the hole?

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.



Sources: Left (China's Agricultural Biotechnology Annual)  
Top (Trade Data Monitor- January)

# Chinese Corn Tariffs Rate Quotas???



# Corn Balance Sheet

Corn Balance Sheet	Unit	2016/17	2017/18	2018/19	2019/20	2020/21 Aug. Est.	2020/21 Aug. Est.
Area Planted	Mil.ac.	94.0	90.2	88.9	89.7	90.8	92.7
Area Harvested	Mil. Ac.	86.7	82.7	81.3	81.3	82.5	84.5
Yield	Bu./acre	174.6	176.6	176.4	167.5	172.0	174.6
Beg. Stocks	Mil. Bu.	1,737	2,293	2,140	2,221	1,919	1,117
Production	Mil. Bu.	15,148	14,609	14,340	13,620	14,182	14,750
Imports	Mil. Bu.	57	36	28	42	25	25
<b>Total Supply</b>	<b>Mil. Bu.</b>	<b>16,942</b>	<b>16,939</b>	<b>16,509</b>	<b>15,883</b>	<b>16,127</b>	<b>15,892 (-380)</b>
Feed and Res.	Mil. Bu.	5,470	5,304	5,429	5,827	5,725	5,625 (-100)
Food, Seed, In	Mil. Bu.	6,885	7,057	6,793	6,282	6,510 (+40)	6,625 (+10)
Ethanol Crush	Mil. Bu.	5,432	5,605	5,378	4,852	<b>5,075 (+25)</b>	<b>5,200 (NC)</b>
Exports	Mil. Bu.	2,294	2,438	2,066	1,778	2,775	2,400 (-100)
<b>Total Use</b>	<b>Mil. Bu.</b>	<b>14,649</b>	<b>14,798</b>	<b>14,288</b>	<b>13,887</b>	<b>15,010 (-35)</b>	<b>14,650 (-190)</b>
Ending Stocks	Mil. Bu.	2,293	2,140	2,221	1,995	1,117 (+35)	1,242 (-190)
<b>Farm Price</b>	<b>\$/Bu.</b>	<b>\$3.36</b>	<b>\$3.36</b>	<b>\$3.61</b>	<b>\$3.56</b>	<b>\$4.40</b>	<b>\$5.75 Fut.= \$5.50</b>

# Soybean Balance Sheet

Soybean Balance Sheet	Unit	2016/17	2017/18	2018/19	2019/20	2020/21 Aug.	21/22 Est.
Area Planted	Mil. Acres	83.4	90.2	89.2	76.1	83.1	87.6
Area Harvested	Mil. Acres	82.7	89.5	87.6	74.9	82.3	86.7
Yield	Bu./Acres	52.0	49.3	50.6	47.4	50.2	50.0
Beg. Stocks	Mil. Bu.	197	302	438	909	525	160
Production	Mil. Bu.	4,296	4,412	4,428	3,552	4,135	4,339
Imports	Mil. Bu.	22	22	14	15	20	35
<b>Total Supply</b>	<b>Mil. Bu.</b>	<b>4,515</b>	<b>4,735</b>	<b>4,880</b>	<b>4,476</b>	<b>4,680</b>	<b>4,533 (-66)</b>
Soy Crush	Mil. Bu.	1,901	2,055	2,092	2,165	<b>2,155 (-15)</b>	<b>2,205 (-20)</b>
Exports	Mil. Bu.	2,166	2,134	1,752	1,679	<b>2,260 (-10)</b>	<b>2,055 (-25)</b>
Seed	Mil. Bu.	105	104	88	96	102	104
Residual	Mil. Bu.	41	5	39	16	4	14
<b>Total Use</b>	<b>Mil. Bu.</b>	<b>4,214</b>	<b>4,297</b>	<b>3,971</b>	<b>3,952</b>	<b>4,520 (-25)</b>	<b>4,379 (-41)</b>
Ending Stocks	Mil. Bu.	302	438	909	525	160	155
<b>Farm Price</b>	<b>\$/Bu.</b>	<b>\$9.47</b>	<b>\$9.33</b>	<b>\$8.48</b>	<b>8.57</b>	<b>\$10.90</b>	<b>\$13.70 (\$13.26)</b>

# 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 (CZC21) 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.





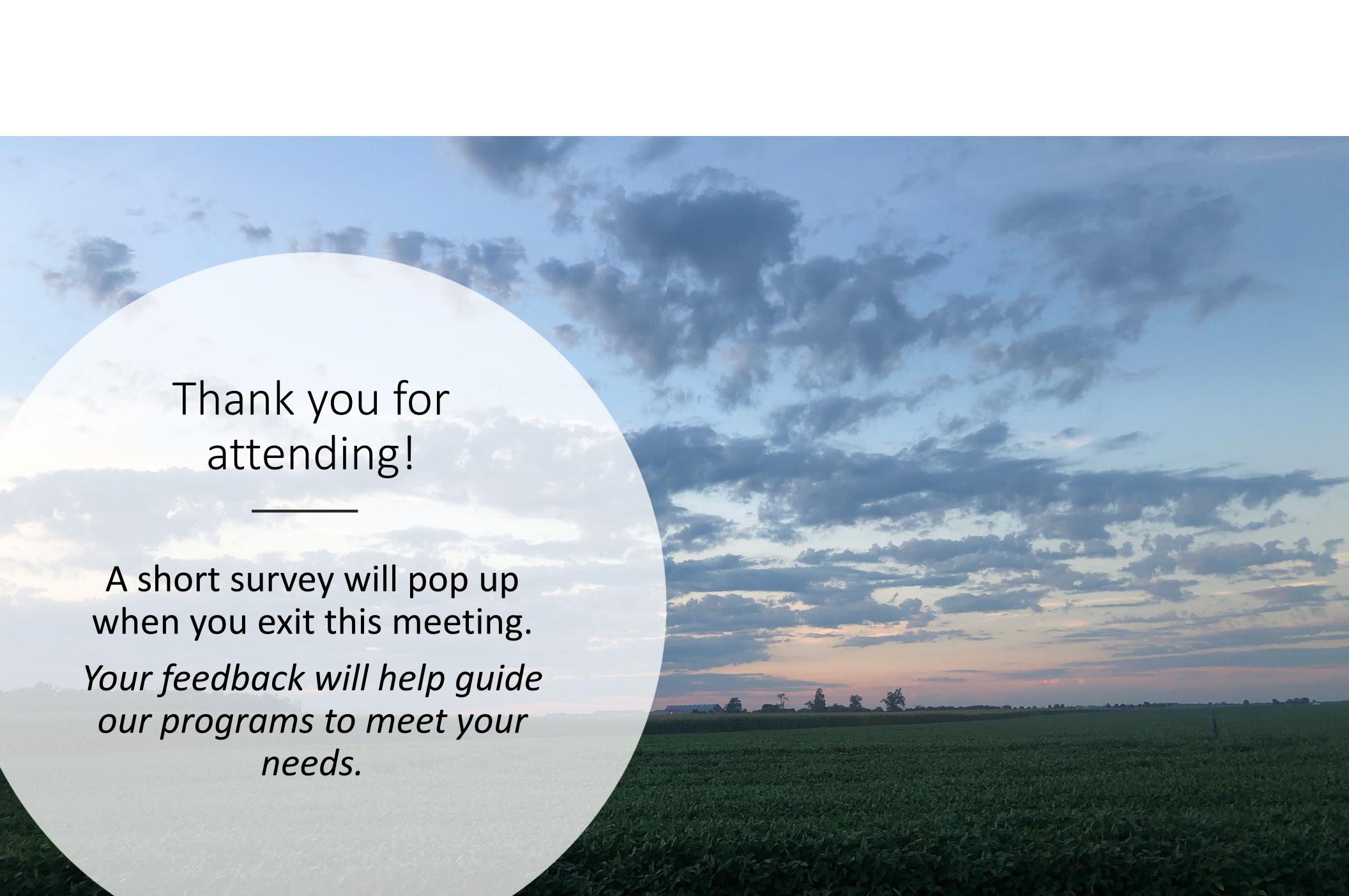
The OSU Extension  
**FARM OFFICE**  
WILL BE OPEN AGAIN

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

Details at:

<https://go.osu.edu/farmofficelive>

CFAES



Thank you for  
attending!

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A short survey will pop up  
when you exit this meeting.

*Your feedback will help guide  
our programs to meet your  
needs.*