Welcome!

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



Farm Office Live April 9, 2021











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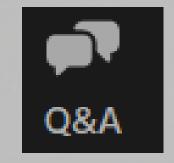
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Questions??

- ❖ 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



Today's Topics

- ➤ USDA Pandemic Assistance Program
- ➤ Socially Disadvantaged Farm Issues
- ➤ Paycheck Protection Update
- > Employee Retention Credits
- >Legislative Update
- Economic Injury Disaster Loan
- ➤ Ohio Farm Business Analysis- A look at crops
- **≻**Your Questions

COVID Assistance Programs

- CFAP1 (April 2020)
 - \$9.5B of CARES Act funding + \$6.5B Commodity Credit Corporation (CCC) funded CFAP1
 - \$10.56 billion paid to 652,309 applicants (Ohio \$216.8 million/19,150)
- CFAP2 (July 2020)
 - CCC borrowing authority increased by \$14B
 - \$13.27 billion paid to 879,011 applicants (Ohio \$340.6 million/32,654)
- CFAP-Additional Assistance or CFAP 2.1 (January 2021)
 - Support estimated at \$2.3 billion
 - Put on administrative review
- Pandemic Assistance for Producers (March 2021)
 - Support estimated at \$12 billion

https://www.farmers.gov/cfap

CFAES

USDA Pandemic Assistance

- Announced March 24, 2021.
- Updates Coronavirus Food Assistance Programs (CFAP) for certain commodities.
- Dedicates at least \$6 billion towards new programs or to modify existing programs to reach a broader set of producers.
 - uses funding from Consolidated Appropriations Act.
- Dedicates \$500 million of new funding.
- Complete details at: https://www.farmers.gov/pandemic-assistance

Coronavirus Food Assistance Updates

- Includes increase in CFAP1 payment rates for cattle.
- Additional CFAP 2 assistance of \$20 per acre for producers of eligible flat-rate or price trigger crops.
- USDA is re-opening sign-up for CFAP-2 for at least 60 days beginning 4/05/2021.
- Processing of eligible payments for CFAP Additional Assistance.
- Payment limits still apply.
- Has committed at least \$2.5M to improve outreach and will establish partnerships with organizations with strong connections to socially disadvantaged communities.

CFAP Payments for Cattle

Eligible Commodity	CFAP 1 (Cattle Sold 01/15/20 to 4/15/20)	CFAP 1 (Highest Inventory 4/16/20 to 5/14/20)	CFAP 2 (Highest Inventory 4/16/20 to 8/31/20) Excludes breeding livestock
Feeder Cattle: less than 600 pounds	\$102	\$33	\$55
Feeder Cattle: 600 pounds or more	\$139	\$33	\$55
Slaughter Cattle: Fed Cattle	\$214	\$33	\$55
Slaughter Cattle: Mature Cattle	\$92	\$33	\$55
All Other Cattle	\$102	\$33	\$55

CFAP 1 Livestock Payments

- Increase in CFAP 1 Payment Rates for Cattle.
- Based on inventory of cattle between 4/16/2020 5/14/2020.
- No new application is needed.
- Only producers who previously applied will receive this additional payment.
- Note: Additional payments for swine producers and payments for contract growers under CFAP Assistance are still on HOLD.

CFAP 1 Adjustment for Cattle

Eligible Commodity	Payment Rate
Feeder Cattle: less than 600 pounds	\$7.00 head
Feeder Cattle: 600 pounds or more	\$25.50/head
Slaughter Cattle: Fed Cattle	\$63.00/head
Slaughter Cattle: Mature Cattle	\$14.75/head
All Other Cattle	\$17.25/head

CFAP 1 Adjustment for Cattle

Eligible Commodity	CFAP 1 (Cattle Sold 01/15/20 to 4/15/20)	CFAP 1 (Highest Inventory 4/16/20 to 5/14/20)	2021 Payment Rate
Feeder Cattle: less than 600 pounds	\$102	\$33	\$7.00 head
Feeder Cattle: 600 pounds or more	\$139	\$33	\$25.50/head
Slaughter Cattle: Fed Cattle	\$214	\$33	\$63.00/head
Slaughter Cattle: Mature Cattle	\$92	\$33	\$14.75/head
All Other Cattle	\$102	\$33	\$17.25/head

CFAP 2 Crop Payments

- Eligible crops included alfalfa, barley, corn, oats, rye, sorghum, soybeans, speltz, sunflowers, teff, triticale, and all classes of wheat.
- Consolidated Appropriations Act of 2021 provides additional assistance for row crops under CFPA 2.
- Payment rate is \$20 per eligible planted acre in 2020.
- Payments will be automatically issued.
- Reminder CFAP 2 enrollment has been re-opened.

Emphasis of \$6 Billion

- Dairy farmers through the Dairy Donation Program or other means.
- Euthanized livestock and poultry.
- · Biofuels.
- Specialty crops; beginning farmers; and local, urban, and organic farms.
- Costs for organic certification or to continue or add conservation activities.
- Other possible expansion and corrections to the Coronavirus Food Assistance Program such as to support dairy or other livestock producers.
- Timber harvesting and hauling.
- Personal Protective Equipment (PPE) and other protective measures for food and farm workers and specialty crops and seafood processors and distributors.
- Improving the resilience of the food supply chain.
- Developing infrastructure to support donation and distribution of perishable commodities, including food donation and distribution through farm-to-school, restaurants, or other community organizations.
- Reducing food waste.

\$500 Million - New Funding

- \$100M for Specialty Crop Block Program.
- \$100M for Local Agricultural Marketing Program.
- \$80M for Domestic Textile Mills Program
- \$75M for Farmers Opportunities Training and Outreach Program.
- \$75M for Gus Schumacher Nutrition Incentive Program.
- \$28M for National Institute of Food and Agriculture
- \$20M for Animal and Plant Health Inspection Service (APHIS)
- \$20M for Agricultural Research Service (ARS)
- Complete details at: https://www.farmers.gov/pandemic-assistance

As a Producer-What do I do?

- Listen for updates here on Farm Office Live.
- Maintain contact with local FSA office.
- Check out FAQs at: https://www.farmers.gov/cfap/faq

Who are socially disadvantaged farmers?

USDA:

- A socially disadvantaged group is a group whose members have been subjected to racial, ethnic, or gender prejudice because of their identity as members of a group without regard to their individual qualities.
- These groups include American Indians or Alaskan Natives, Asians, Blacks or African Americans, Native Hawaiians or Pacific Islanders, Hispanics, and in the case of FSA loan farm programs, women.

Socially disadvantaged farmers - Ag Census data, Ohio

Table 61. Selected Farm Characteristics by Race: 2017

[Data were collected for a maximum of four producers per farm. For meaning of abbreviations and symbols, see introductory text.]

	Any producer reporting race as -					
Characteristics	American Indian or Alaska Native only	American Indian or Alaska Native alone or in combination with other races	Asian only	Asian alone or in combination with other races	Black or African American only	Black or African American alone or in combination with other races
FARMS AND LAND IN FARMS						
Farms number Land in farms	163 17,714	486 44,394	149 11,369	196 15,743	167 10,772	296 27,783
FARMS BY SIZE						
1 to 9 acres 10 to 49 acres 50 to 179 acres 180 to 499 acres 500 acres or more	21 86 37 13 6	91 213 124 45 13	34 78 27 5 5	38 105 35 11 7	31 64 57 14 1	81 97 85 27 6

Characteristics	Native Hawaiian or Other Pacific Islander only	Native Hawaiian or Other Pacific Islander alone or in combination with other races	White only	White alone or in combination with other races	More than one race reported
FARMS AND LAND IN FARMS					
Farmsnumber Land in farmsacres	22 921	28 1,303	77,384 13,932,478	77,562 13,950,068	467 46,631

USDA initiatives for socially disadvantaged farmers

- Funds for outreach projects to increase access and participation of socially disadvantaged applicants in FSA programs and services.
- Improve technical assistance related to county committees focused on urban agriculture as well as FSA programs, including loan, disaster assistance, conservation and safety-net programs.
- Improve land access.
- Implement the American Rescue Plan Act debt relief mandate.
 - Relieves 120% of outstanding indebtedness including taxes on direct payments for direct or guaranteed farm loans and Farm Storage Facility Loans as of 1/1/21.
 - Will not target women uniquely.

As a socially disadvantaged producer, what do I do?

- Listen for updates here on Farm Office Live.
- Ensure ethnicity and race designation is current with local FSA office (AD-2047).
- Check in at https://www.farmers.gov



Paycheck Protection Program

Employee Retention Credit

Affordable Care Act (ACA) Premium Tax
Credit Changes

Paycheck Protection Program (PPP) Loans - Headlines

- ✓ PPP application window extended through May 31, 2021
 - ✓ SBA processing deadline June 30, 2021
- ✓ Self-Employed Farmers can apply based on gross Schedule F Income rather than net Schedule F Income (Up to \$100K)
 - ✓ Schedule C filers now can apply based on gross income
- ✓ Still no change in guidance for partnerships
- ✓ Expenses paid for with proceeds from forgiven loans are tax deductible.
- √ Tax Deadlines Extended May 17

Paycheck Protection Program (PPP) Loans - Eligibility

- √ Farmers are eligible:
 - 1. To apply for a First Draw loan
 - 2. To request an increase (recalc or resize) to a First Draw loan (as long as forgiveness has not been received)
 - 3. To request a Second Draw loan, if eligible.
 - Covered periods cannot overlap
- ✓ Good Faith Certification:
 - ✓ In operation on Feb. 15, 2020
 - ✓ Economic uncertainty makes the loan request necessary

Paycheck Protection Program Loans – PPP Second Draw Loans

- ✓ The new legislation establishes a PPP Second Draw Loan program that generally applies to businesses:
- ✓ With 300 or fewer employees and
- ✓ With Gross Receipts during any quarter in 2020 that were reduced by at least 25 percent from the gross receipts of the business during the same quarter in 2019. (Or had gross receipts for all four quarters in 2020 reduced by at least 25 percent compared to 2019.)

Paycheck Protection Program Loans – Additional Issues

- ✓ Self-employed Schedule C Filers can now use gross income instead of net to calculate maximum loan amount
- ✓ PPP Loans For Partnerships (LLCs)
 - ✓ Rules unclear partnerships weren't clearly addressed in CAA
 - ✓ Some banks allowing partnership applications based on gross income
 - ✓ Application for forgiveness will likely be limited to net income?

Employee Retention Credit (ERC)

- ✓ The legislation extends and expands the employee retention credit, allowing employers to remain eligible up until July 1, 2021. A.R.P. extends this credit through the end of 2021.
- ✓ Previously, employers who received a PPP loan were ineligible to claim the ERC. The C.A.A. retroactively allows employers who receive PPP loans to claim the ERC and to treat payroll costs paid during the loan-covered period as qualified wages to the extent the wages are not included for purposes of a forgiven PPP loan.

Employee Retention Credit (ERC)

- ✓ For the period January 1, 2021 & prior to December 31, 2021 the ERC percentage increases from 50 percent of qualified wages to 70 percent.
- ✓ Employers can count qualified wages up to \$10,000 per employee per quarter (instead of for all quarters) in calculating the credit.
- ✓ Employers qualify for the credit if their gross receipts for a calendar quarter are less than 80 percent of the gross receipts (previous rules <50%) of the corresponding calendar quarter in calendar year 2019.

PPP and ERC Interplay

- ✓ Employee wages used to calculate PPP loan amounts cannot be used for the ERC.
- ✓ If other qualifying costs are reported plus wages for PPP forgiveness (60/40 Rule), then part of the employee wages will be allowed for ERC.

Affordable Care Act (ACA) Premium Tax Credit Changes

- ✓ The American Rescue Plan (ARA) makes significant changes
- ✓ Expansion of Premium Tax Credits (PTC) for those that carry (or plan to carry) ACA Marketplace Insurance
- ✓ Removes the income qualification ceiling (400% of Federal Poverty Level) to qualify for the PTC
 - ✓ Result is a limit on the required premium of 8.5% of household income

Affordable Care Act (ACA) Premium Tax Credit Changes

- ✓ Some possibilities if you don't have access to affordable employee provided health insurance:
- 1. <u>May</u> need to file amended 2020 tax return to take advantage of provision that exempts taypayers from repaying Advance Premium Tax Credit (APTC)
 - ✓ IRS is counseling not to file an amended return related to this issue until they provide further guidance
- 2. Update your current Marketplace coverage
- 3. Sign-up for the first time

Tax Issues - Watch List

- ✓ Taxable Income >\$400,000
- √ 1031 Like-Kind Exchange
- ✓ Corporate Tax Rate
- ✓ Ohio Business Income Deduction (BID)
- ✓ Ohio H.B. 95 Tax Credits Assist Beginning Farmers
- ✓ Estate Tax Exemption (Unified Credit) \$11.7M
- √ Stepped-Up Basis Elimination
- ✓ Decedent Capital Gains Tax
- ✓ Gift-tax Exclusion
- √ "Sensible Taxation and Equity Promotion" (STEP) Act
 - ✓ Special provisions for closely held businesses
- ✓ "For the 99.5%" Act



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Ohio Cropland Values and Cash Rents Survey

- We are once again surveying ag professionals across Ohio to generate information for those interested in farmland. The **Ohio Cropland Values and Cash Rents 2020-21 Survey** is being conducted by The Ohio State University College of Food, Agricultural and Environmental Sciences.
- We are asking you to please complete the online or attached survey by March 31st, 2021.
- The online survey is available at:
- OhioCroplandValuesCashRents202021
- or
- https://osu.az1.qualtrics.com/jfe/form/SV eXIA7B6jbgSoRGC

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Death Tax Repeal Act S. 617/H.R. 1712, March 9, 2021

- Permanent repeal of federal estate and generationskipping taxes.
- Modifications to the gift tax.

Sensible Tax and Equity Promotion (STEP) Act S.____, March 29, 2021

- Tax on transfer of property that has a net gain either during lifetime or at death.
 - At death, first \$1 million of appreciated assets would pass without taxation.
 - During lifetime, a completed transfer to a non-grantor trust or individual other than spouse is subject to tax but first \$100,000 of cumulative gain is exempt.
 - Transfers to charity, spouses, charitable trusts, qualified disability trusts and cemetery trusts are exempt.
 - Gains on residence would be exempt up to \$250,000 individual or \$500,000 for married couple.
 - Gains to be reported every 21 years for non-grantor trusts.
- For transfers of illiquid property such as farms and some farm assets, can pay tax in installments over 15-year period
- Tax would be deductible from the federal estate tax.

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For the 99.5 Percent Act S.____, March 25, 2021

- Reduces federal estate tax exemption to \$3.5 million per individual,
 \$7 million per couple.
- Tax on estates exceeding the exemption:
 - 45% between \$3.5 and \$10 million
 - 50% between \$10 and \$50 million
 - 55% between \$50 million and \$1 billion
 - 65% over \$1 billion
- Reduces lifetime gift tax exemption from \$11.7 to \$1 million, \$15,000 per year exemption remains.

Corporate Tax Dodging Prevention Act S.____, March 25, 2021

- Restores top corporate tax rate to 35%.
 - Changed to 21% in Tax Cuts and Jobs Act
- Prohibit companies from taking profits offshore.

Farm Workforce Modernization Act - H.R. 1603

- Passed House March 18, 2021, sent to Senate but not yet introduced.
- Earned legal status for certified agricultural workers with 180 days of employment in last 2 years.
 - 5 year renewable agriculture visas or option for permanent resident status by paying \$1K fine and working additional 8 years in agriculture, or 4 years if already worked here for 10 years.
- Reforms H-2A agricultural guest worker program:
 - Single filing portal, single petition, electronic recruiting, differing wages and limits on fluctuations, reducing housing costs, mediation programs, 40K more green cards, 3-year visas for year-round workers.
- Mandatory nationwide E-Verify for all agricultural workers.

Recently introduced

- Water quality bonds SJR 2
 - To amend Constitution via November ballot issue to permit the issuance of general obligation bonds to fund clean water improvements (H2Ohio).
 - Up to \$1B over 10 years, no more than \$100M per fiscal year.

On hold, possible revisions

- Wind and solar facilities S.B. 52/H.B. 118
 - Township referendum process for large wind and solar facility certificates.

Caught up with:

- Energy generation H.B. 192 House Energy & Natural Resources Second hearing
 - Prohibits counties, townships, and municipal corporations from prohibiting energy generation from fossil fuels and gas pipelines.
- Natural gas H.B. 201 House Energy & Natural Resources Second hearing
 - Prevents local governments from limiting use of natural gas.

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Moving

- **Broadband services** H.B. 2/S.B. 8 Passed House, Fourth hearing in Senate Financial Institutions and Technology Committee
 - Grant program for broadband providers, use of electric cooperative easements and poles.
 - Possible changes to expand grant program to government providers and electric distribution utilities.
- Beginning farmers H.B. 95 Reported out of House
 - Income tax credits for businesses that sell or rent land, animals, facilities or equipment to beginning farmers and to beginning farmers for cost of participating in certified financial management program.
- OSU Farm Financial Management Institute S.B. 128/H.B. 239 Second hearing in Senate, introduced in House
 - Renames to Farm Production, Policy, and Financial Management Institute
 - Adds farm owners and managers as target audiences.
 - Appropriates \$250K per year for FY 2022 and FY 2023.

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No recent action

- Minimum wage S.B. 51
 - \$12/hr in 2022 and \$1/hr increases up to \$15 in 2025.
- Employment applications S.B. 68
 - Prohibits private employers asking about felony convictions or guilty pleas on applications
- Eminent domain H.B. 63 Stalled at 2nd hearing March 2
 - Allows municipality or township to veto the use of eminent domain for recreational trails upon landowner request.

EIDL - Economic Injury Disaster Loans

EIDL - Economic Injury Disaster Loans SBA



Purpose:

To meet financial obligation and operating expenses that could have been met if the pandemic had not occurred

- Long-term fixed-rate loans (3.75%), up to 30 year term
- 6 months of working capital
- Up to \$150,000
- 1st payment deferred up to one year (interest is accruing)
- Collateral required for loans >\$25,000

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EIDL - Economic Injury Disaster Loans SBA



Starting this week:

- Long-term fixed-rate (3.75%) loans, up to 30 years.
- 24 months of "economic injury" working capital
- Up to \$500,000
- 1st payment deferred until 2022 (interest is accruing)
 - 24 month from date of loans received in 2020
 - 18 month from date of loans received in 2021
 - Collateral required for loans >\$25,000

Farm Business Analysis and Benchmarking: Crop Farm Financial Efficiency

2019 Ohio Farm Business Analysis Farms:

30 farms with crop production and sales emphasis



Average farm size: 1,057 crop acres

2019 Average yields:

- 158 bu corn
- 48 bu soybeans
- 69 bu wheat

2019 Ohio Crop Farms – Financial Efficiency Measures

Financial Measure	Average of all Farms	Benchmark
Asset Turnover Rate (Cost Valuation)	24.8%	> 45%
Operating Expense Ratio	76.4%	< 60%
Depreciation Expense Ratio	7.2%	<5%
Interest Expense Ratio	4.8%	<5%
Net Farm Income Ratio	11.6%	>20%

2019 Ohio Crop* Farms, Financial Efficiency by Size

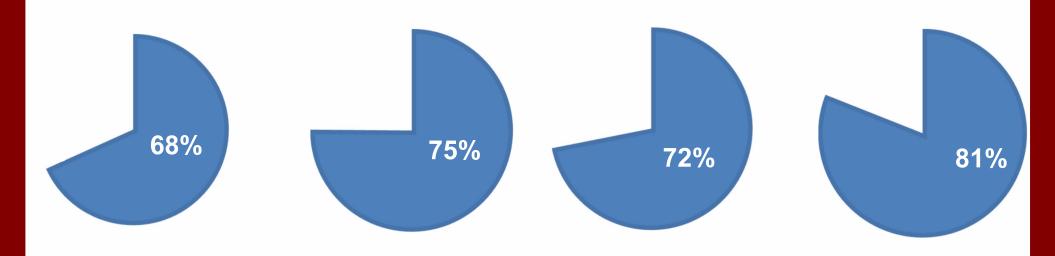
	Avg of All Farms	101 – 500 Acres	500 – 1,000 Acres	1,001 – 1,500 Acres	> 1,500 Acres
Farms	30	6	11	5	7
Asset Turnover Ratio	24.8%	34.8%	22.4%	29.8%	22.3%

Benchmark: Greater than 45%

^{*} Farms with emphasis on crop production for direct sale

2019 Ohio Crop* Farms, Operating Expense Ratio

101 – 500 Acres	500 – 1,000 Acres	1,001 –1,500 Acres	> 1,500 Acres
68.2%	75.2%	71.9%	81%

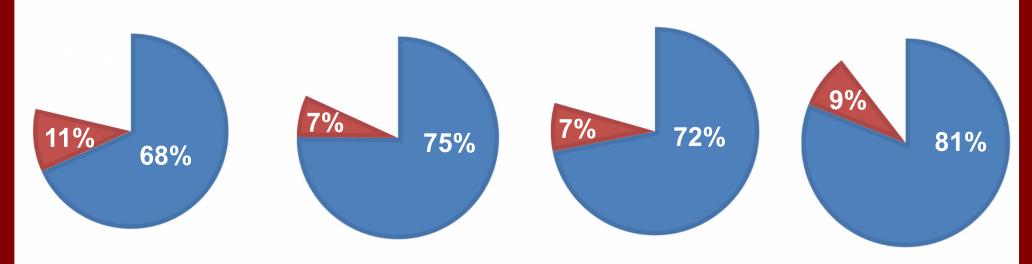


Benchmark: Less than 60%

^{*} Farms with emphasis on crop production for direct sale

2019 Ohio Crop* Farms, Depreciation Expense Ratio

101 – 500 Acres	500 – 1,000 Acres	1,001 –1,500 Acres	> 1,500 Acres
10.4%	6.7%	7.5	8.5

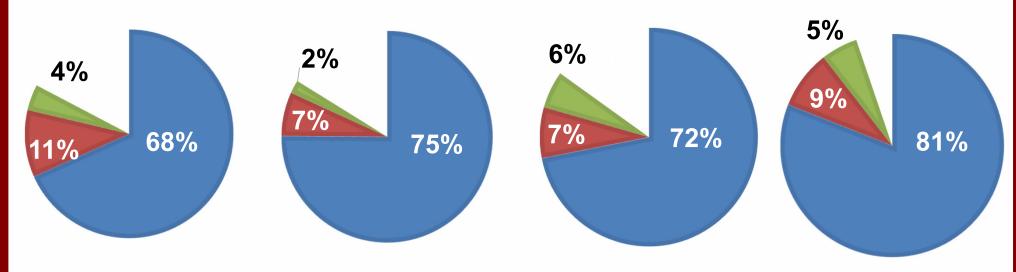


Benchmark: Less than 5%

^{*} Farms with emphasis on crop production for direct sale

2019 Ohio Crop* Farms, Interest Expense Ratio

101 – 500 Acres	500 – 1,000 Acres	1,001 –1,500 Acres	> 1,500 Acres
4.03%	2%	5.5%	5.3%

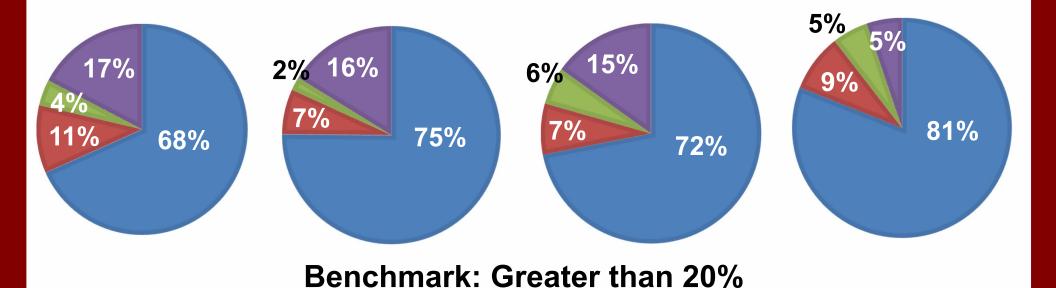


Benchmark: Less than 5%

^{*} Farms with emphasis on crop production for direct sale

2019 Ohio Crop* Farms, Net Farm Income Expense Ratio

101 – 500 Acres	500 – 1,000 Acres	1,001 –1,500 Acres	> 1,500 Acres
17.3%	16.2%	15.1%	5.2%



* Farms with emphasis on crop production for direct sale

For More Information about Farm Business Analysis:

Visit:

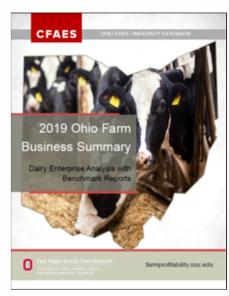
http://farmprofitability.osu.edu/

https://farmoffice.osu.edu

Contact:

A Farm Business Analysis Technician near you or shoemaker.3@osu.edu; 330.257.3377





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United States
Department of
Agriculture

National Institute of Food and Agriculture

\$ Billions of 2021 Dollars Paycheck Protection Program (PPP) Coronavirus Food Assistance Program (CFAP) 🖽 \$50 Market Facilitation Program (MFP) Disaster Assistance PPP Miscellaneous III \$40 Conservation Price Contingent Fixed, Decoupled Payments \$30 **CFAP** MLA \$20 1996 2004 2008 2012 2016 2020F

Figure 3. U.S. Government Farm Support, 1996-2021 (forecast)

Source: CRS using data from USDA, ERS, "2021 Farm Income Forecast," February 5,2021. All values adjusted for inflation with the BEA chained GDP deflator, where 2021 = 100.

Note: For details on the program categories, see CRS Report R46676, U.S. Farm Income Outlook: December 2020 Forecast.

• Source: https://farmpolicynews.illinois.edu/2021/03/usda-announces-pandemic-assistance-for-producers-new-cfap-aid/

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