

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

February Topics:

- **Fertilizer Price Update & Rental Update**
- **Financial Standards Update**
- **Federal Farm Program Update**
- **ARC/PLC 2022 Program Decision**
- **Federal and State Legislative Update**

Register or watch replays at
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.

**OSU Extension's
Farm Office Team**

**Peggy Kirk Hall
David Marrison
Dianne Shoemaker
Barry Ward**

**February 16, 7 - 8:30 pm
February 18, 10 - 11:30 am**

**Save the date!
We will be back Mar. 16, 7-8:30 pm
Mar. 18, 10:00 – 11:30 am**

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



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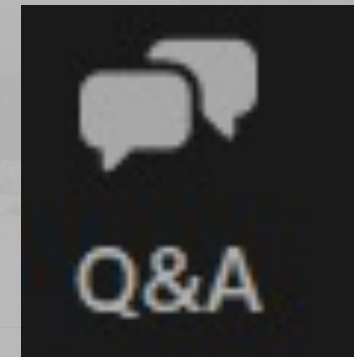
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Slides and a recording for today's
presentation can be found at:
go.osu.edu/farmofficelive

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 completion of the webinar.

- ❖ The internet-based evaluation will start when you exit the zoom.
- ❖ Takes roughly 3 minutes
- ❖ Responses will be completely private

<https://farmoffice.osu.edu/farm-management/enterprise-budgets>



Fertilizer Price Update

Cash Rent Update

Barry Ward

Leader, Production Business Management

Director, OSU Income Tax Schools

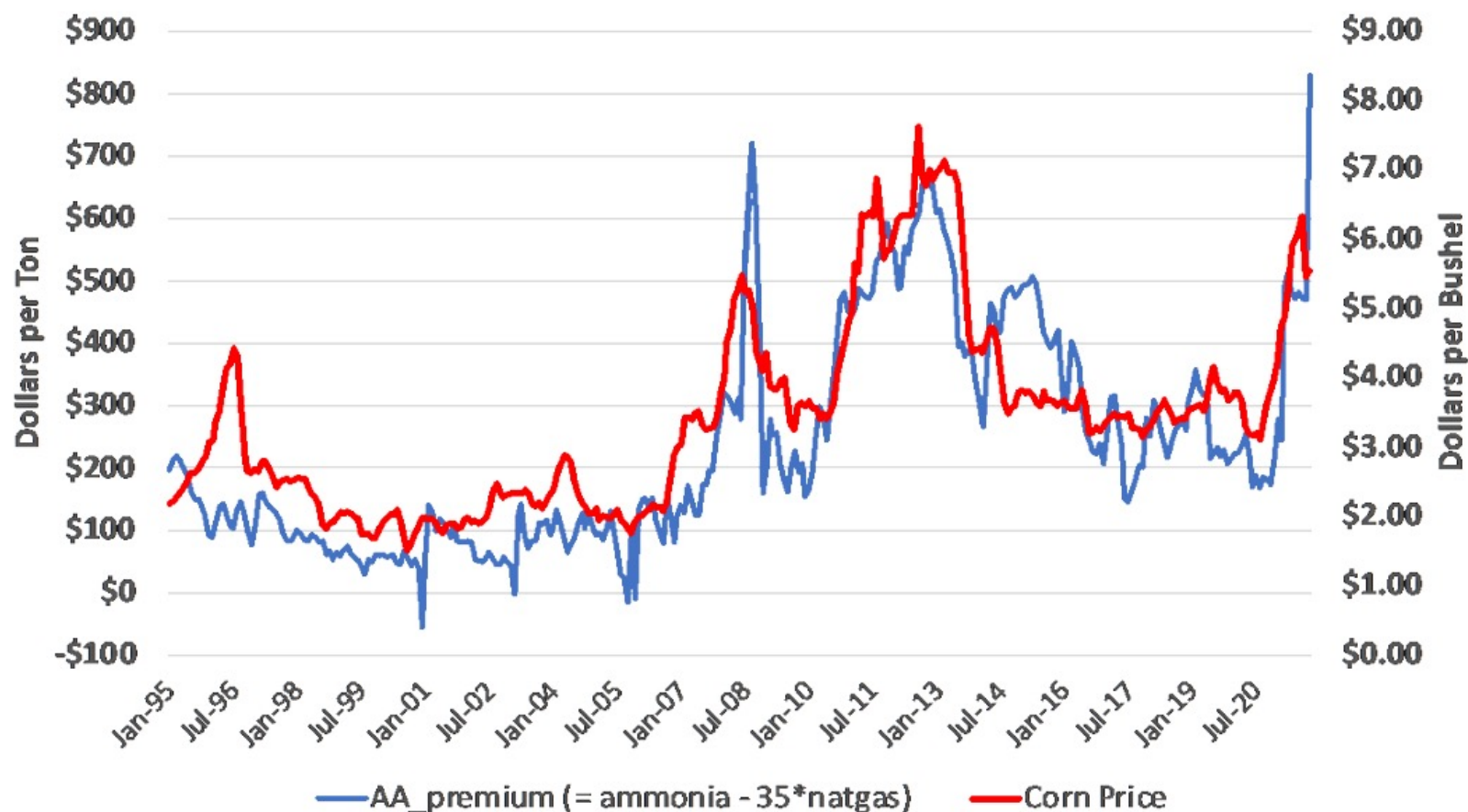
Ohio Fertilizer Price Summary

Source: CFAES Extension Survey

Summary					
Product	Locations	Average Jan. Price	Δ November	Minimum	Maximum
28%	6	\$ 578	\$ (18)	\$ 405	\$ 640
Urea	6	\$ 908	\$ 81	\$ 845	\$ 980
NH3	3	\$ 1,547	\$ 590	\$ 1,540	\$ 1,550
MAP	4	\$ 910	\$ 34	\$ 898	\$ 925
DAP	2	\$ 800	\$ (4)	\$ 750	\$ 850
10-34-0	6	\$ 859	\$ 115	\$ 685	\$ 1,000
Potash	5	\$ 762	\$ 15	\$ 625	\$ 825

Anhydrous Ammonia Price Less Value of Natural Gas and U.S. Corn Price January 1995 to October 2021.

Source: Texas A&M, Henry Hub, Bloomberg



Fertilizer Supply/Demand Fundamentals

- ✓ Demand
 - ✓ High crop prices – strong domestic and global demand
- ✓ Supply
 - ✓ Whiplash in fertilizer production outlook in '20
 - ✓ Delayed and lengthier fertilizer plant “turnarounds” – COVID labor shortages
 - ✓ Shipping issues
 - ✓ Hurricane Ida, February '21 freeze in Texas
 - ✓ High natural gas prices / availability issues in Europe
 - ✓ China halts phosphate and UAN fertilizer exports
 - ✓ Sanctions on Belarus - slowed Potash shipments to U.S. and E.U.
 - ✓ Ukraine Russia?

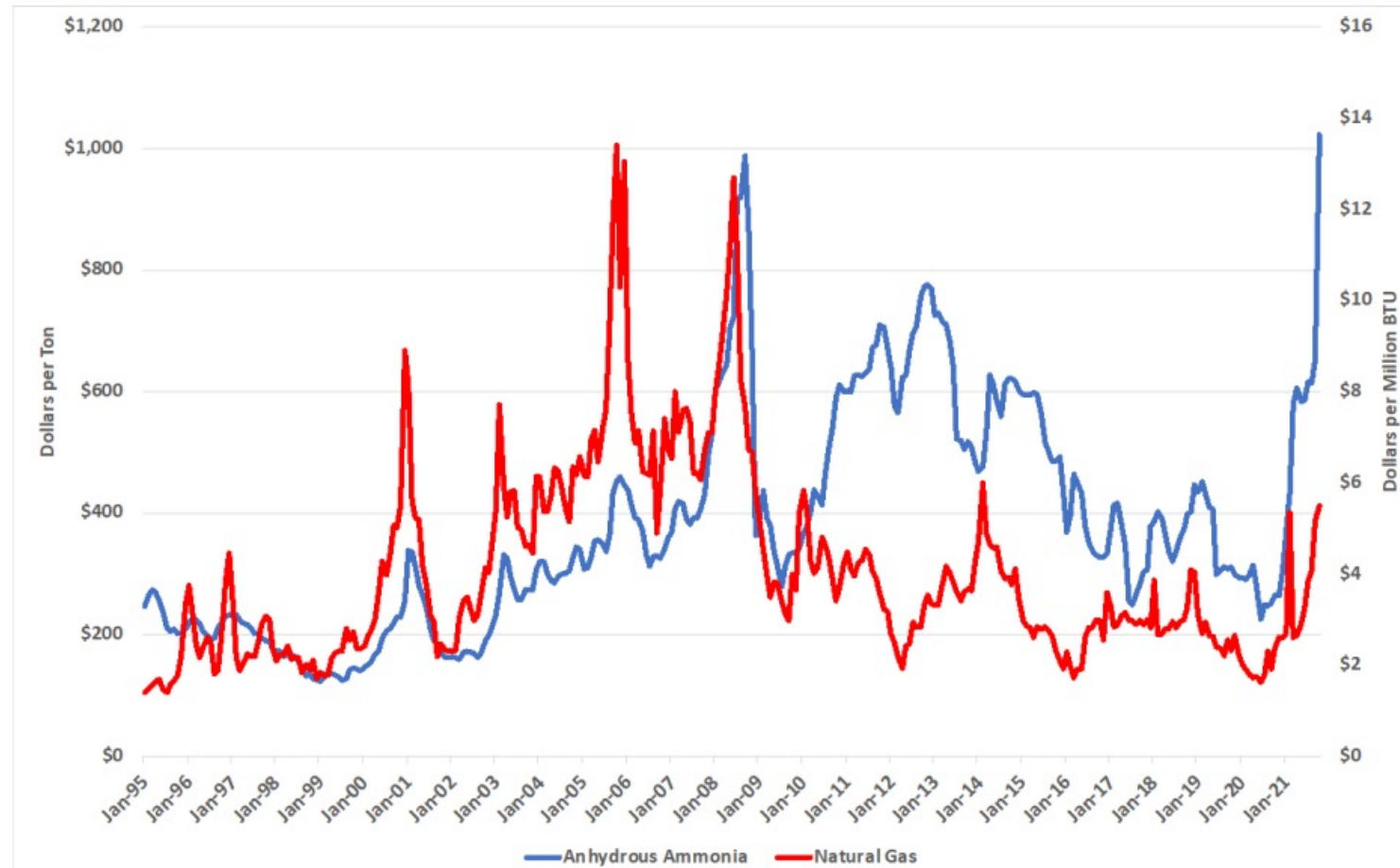
 - ✓ *Anti-dumping case (Mosaic) - Countervailing duties on phosphate fertilizers from Russia and Morocco (U.S. International Trade Commission and Department of Commerce)*
 - ✓ *Anti-dumping case (CF Industries) – DOC preliminary determination UAN from Russia and Trinidad and Tobago sold into U.S. less than FMV*

 - ✓ *Industry consolidation – profit taking?*

Anhydrous Ammonia and Natural Gas Prices

January 1995 to October 2021

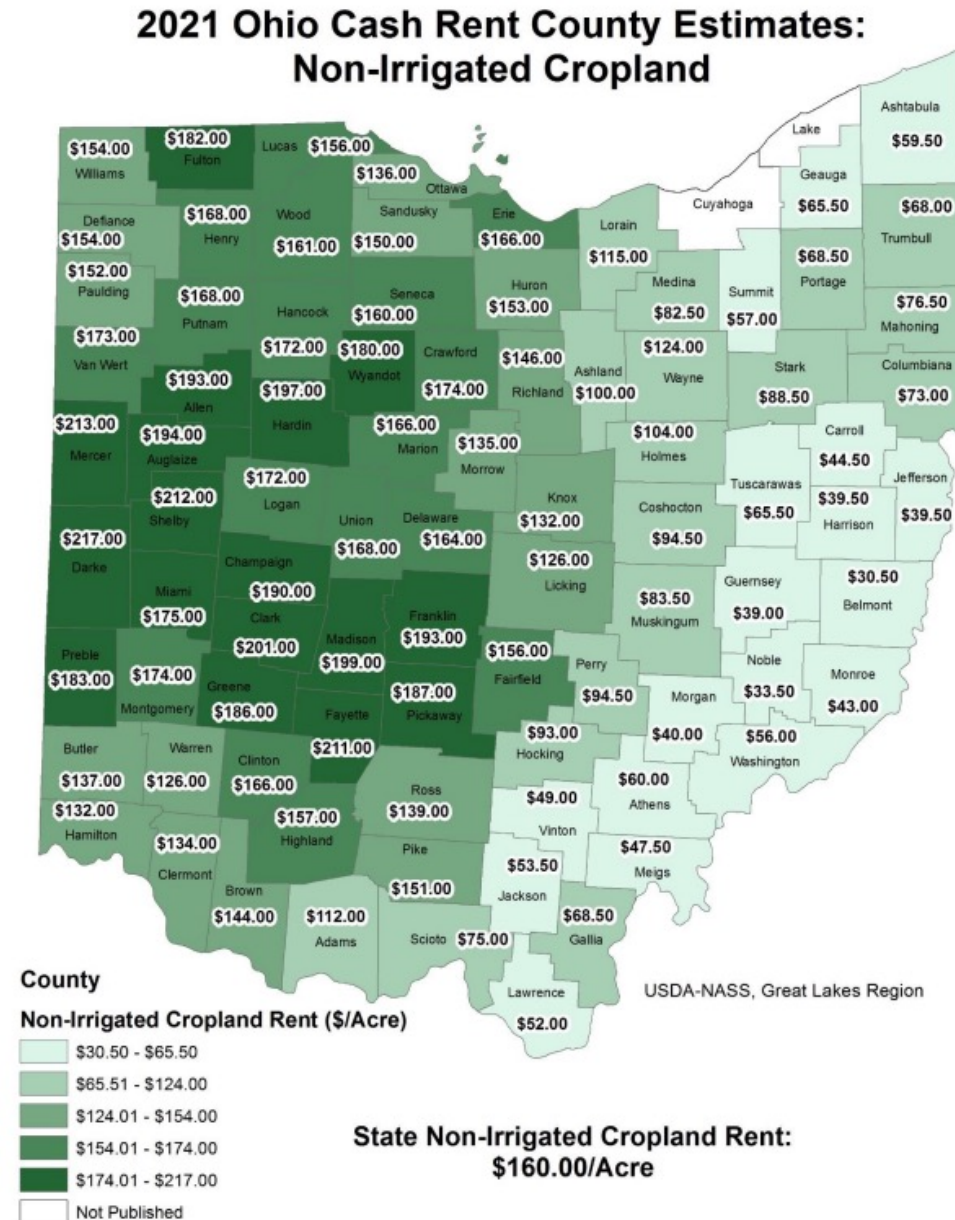
Source: Texas A&M, Henry Hub, Bloomberg



USDA NASS Survey

Cash Rents

✓ According to this survey cash rents increased 2.6% in 2021



Western Ohio Cropland Values and Cash Rents 2020-21

Survey Report

Cash rents increased from 3.6 to 3.9 percent depending on the region and land class.



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

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

Western Ohio Cropland Values and Cash Rents 2020-21

Survey Report

Cash rents increased from 3.6 to 3.9 percent depending on the region and land class.



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

Land Class		Average	Std	Range*	
Average	Avg Corn Yield (b/a)	179.9	9.7	189.6	170.2
	Avg Soybean Yield (b/a)	55.0	5.1	60.1	49.9
Market Value per Acre	2020	\$7,518	\$991	\$8,510	\$6,527
	2021	\$7,896	\$1,144	\$9,041	\$6,752
Rent per Acre	2020	\$190	\$18	\$208	\$171
	2021	\$197	\$23	\$220	\$174
Top	Avg Corn Yield (b/a)	213.7	14.2	227.9	199.5
	Avg Soybean Yield (b/a)	65.4	4.5	70.0	60.9
Market Value per Acre	2020	\$8,789	\$1,138	\$9,927	\$7,651
	2021	\$9,251	\$1,292	\$10,543	\$7,960
Rent per Acre	2020	\$238	\$28	\$266	\$211
	2021	\$247	\$47	\$294	\$200
Poor	Avg Corn Yield (b/a)	146.1	8.2	154.3	137.9
	Avg Soybean Yield (b/a)	42.8	5.4	48.2	37.4
Market Value per Acre	2020	\$5,833	\$906	\$6,739	\$4,927
	2021	\$6,087	\$907	\$6,993	\$5,180
Rent per Acre	2020	\$150	\$18	\$169	\$132
	2021	\$156	\$22	\$179	\$134

Other Survey Results from the Eastern Corn Belt

- ✓ Federal Reserve Bank of Chicago Quarterly Survey showed that cash rental rates increased 4% (April 1, 2020 through April 1, 2021)

(The Federal Reserve Bank of Chicago (7th Fed District) surveys ag lenders in their districts each quarter. (The 7th Fed District includes parts of Michigan, Indiana, Illinois, Wisconsin and all of Iowa.)

- ✓ Indiana statewide cash rental rates increased across all land quality classes in 2021. Statewide average rental rates increased by 3.9% for top quality land, from \$259 to \$269 per acre. The cash rental rates for average and poor quality lands both increased by 4.6% to \$227 and \$183, respectively. (Purdue Ag Econ Report.)

Rental Rates: Outlook

Supportive Fundamentals:

- ✓ Net Farm Income Increases 23.2% in 2021
- ✓ Net Farm Income Increased 19.9% in 2020
- ✓ Price/margin outlook positive for 2022
- ✓ Ad-hoc governments payments – MFP and CFAP
- ✓ PPP Forgivable Loans
- ✓ Farmer equity positions remain relatively healthy (D/A Ratio ~13.64)
- ✓ CAUV/Property Taxes still on landowner minds

Non-Supportive Fundamentals:

- ✓ Higher input costs will impact 2022 margins
- ✓ Lower/No ARC/PLC payments likely
- ✓ No add'l ad-hoc payments
- ✓ Livestock/Dairy income mixed
- ✓ CAUV/Property Taxes lower

Thoughts on Cash Rents

- ✓ Short-term high margin periods in crop production may create higher long-term cost structure
- ✓ Landowners may seek higher rents that may be unsustainable in the long run
- ✓ Landlords - understand value of non-cash benefits
- ✓ Farmers – stress test balance sheet and cash flow
- ✓ Cash rent bonuses may be a good alternative
- ✓ Flex leases on net income

Rent Discovery Methods

- ✓ One-on-one negotiation
- ✓ Targeted sealed-bid solicitation
- ✓ Open sealed-bid solicitation
- ✓ Professional farm management firms
- ✓ Rent appraisal
- ✓ Rental auction

❖ Ohio Farm Custom Rates Survey 2022

❖ <https://go.osu.edu/ohiofarmcustomratesurvey2022>



OSU EXTENSION

County
Ohio Farm Custom Rate Survey – 2022

We need your assistance in securing up-to-date information about farm custom work rates, machinery and building rental rates and hired labor costs in Ohio. Please respond even if you know only a few rates. We want information on actual rates, either what you paid to hire work or what you charged if you perform custom work. Custom Rates should include all ownership costs of implement & tractor (if needed), operator labor, fuel and lube.

Please Indicate Whether Your Survey Responses (Custom Rate Quotes):

☐ Include Fuel
☐ Do Not Include Fuel

If you wish to complete the survey online, please use this QR code.

Soil Preparation

Stalk Chopper \$ _____/A

Moldboard Plow \$ _____/A

Chisel Plow \$ _____/A

Disk Chisel \$ _____/A

Disk-Tandem \$ _____/A

Disk- Heavy or Offset \$ _____/A

Soil Finishing \$ _____/A

Field Cultivator \$ _____/A

Land leveling per acre \$ _____/A

Land leveling per hour \$ _____/hr

Subsoiling (8-15 inches deep) \$ _____/A

V-ripping (over 15 in. deep) \$ _____/A

Strip Tillage \$ _____/A

Strip Tillage w/Fert. injection \$ _____/A

Fertilizer Application – Ground (Materials not included)

Dry Bulk \$ _____/A

Liquid, Knife \$ _____/A

Liquid, Spray \$ _____/A

Anhydrous \$ _____/A

Late Season N - Coulters \$ _____/A

Late Season N - Drops \$ _____/A

Lime \$ _____/A _____/Ton

Variable rate fert. app. \$ _____/A

_____ Number of products applied

Chemical Control of Weeds/Insects/Diseases (Materials not included)

Spraying – self-propelled \$ _____/A

Spraying – pull-type \$ _____/A

Spraying late season(fungicide) \$ _____/A

Mechanical Weed Control

Rotary hoeing \$ _____/A

Conventional cultivating \$ _____/A

Weed electrocution \$ _____/A

Aerial Application (Materials not included.)

Chemical (Fungicide etc.) \$ _____/A

Seed \$ _____/A

Fertilizer \$ _____/A

Planting Operations (no seed or material furnished)

Conventional Till

Plant Corn, 30 in. Rows \$ _____/A

Plant Corn, 30 in. Rows with Fertilizer Application \$ _____/A

Variable rate corn planting \$ _____/A

Plant Soybeans, 15 or 30 in. Rows \$ _____/A

Variable rate soybean planting \$ _____/A

Drill Soybeans \$ _____/A

Drill Small Grains \$ _____/A

No-Till

Plant Corn, 30 in. Rows \$ _____/A

Plant Corn, 30 in. Rows with Fertilizer Application \$ _____/A

Variable rate corn planting \$ _____/A

Plant Soybeans, 15 or 30 in. Rows \$ _____/A

Variable rate soybean planting \$ _____/A

Drill Soybeans \$ _____/A

Drill Small Grains \$ _____/A

Grass/Legume/Pasture Seeding

Broadcast \$ _____/A

Grain drill \$ _____/A

❖ Ohio AgLink

❖ <https://tos.ohio.gov/ag-link/>



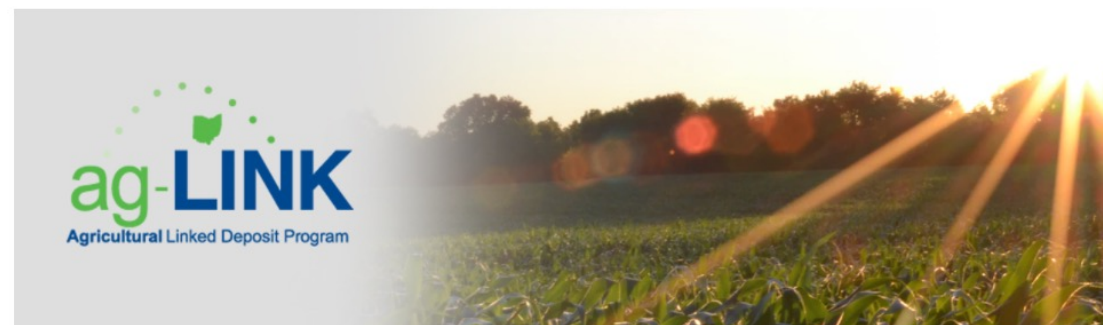
Treasurer Robert Sprague ✓
@OhioTreasurer

📢 #AgLINK is now OPEN!

Eligible farmers and agribusinesses can now receive an interest rate reduction of 0.5% on new or existing operating loans up to \$150,000. Learn more and apply: tos.ohio.gov/ag-link/



REDUCED RATES ON OPERATING LOANS



Agriculture is the backbone of Ohio's economy and is critical for the state's prosperity. However, one of the biggest challenges farmers and agribusinesses face is financing for operations.

During the Ag-LINK application period, farm operators and agribusinesses can receive up to a 3% interest rate reduction on new or existing operating loans up to \$150,000.

Ag-LINK helps farmers and agribusinesses finance upfront operating costs for feed, seed, fertilizer, fuel, and other expenses by providing interest rate reductions on new or existing loans at eligible financial institutions.

Ag-LINK Requirements ▼

How Ag-LINK Works ▼

Getting Started ▼

The background of the slide is a dense, overlapping pattern of US dollar bills, primarily \$100 bills, in various orientations. The bills are slightly faded and layered, creating a textured, financial-themed background. A semi-transparent white rectangle is centered over the bills, containing the title and speaker information.

Financial Standards Update

Dianne Shoemaker
Field Specialist, Dairy Production Economics
shoemaker.3@osu.edu



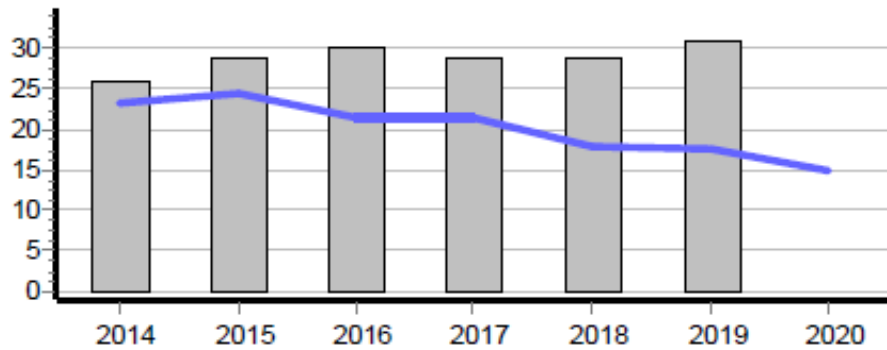
Tucker Ray Shoemaker January 30, 2022

What do we want to know?

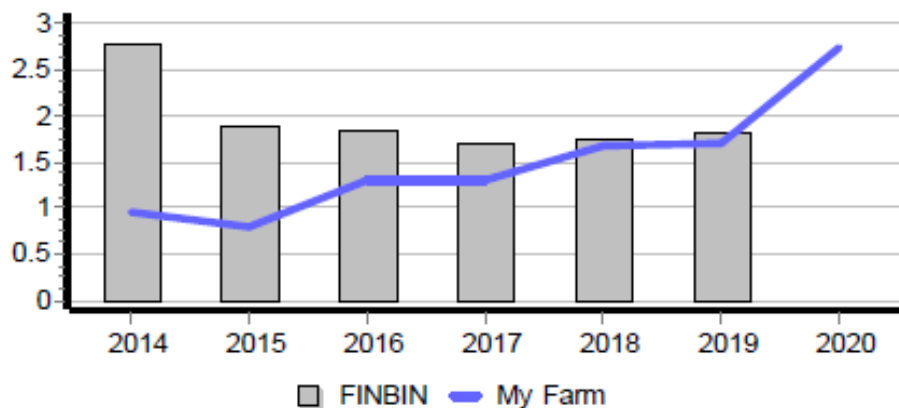
What is the financial position of the farm business?

How is the farm business performing?

Debt to Asset Ratio (mkt)

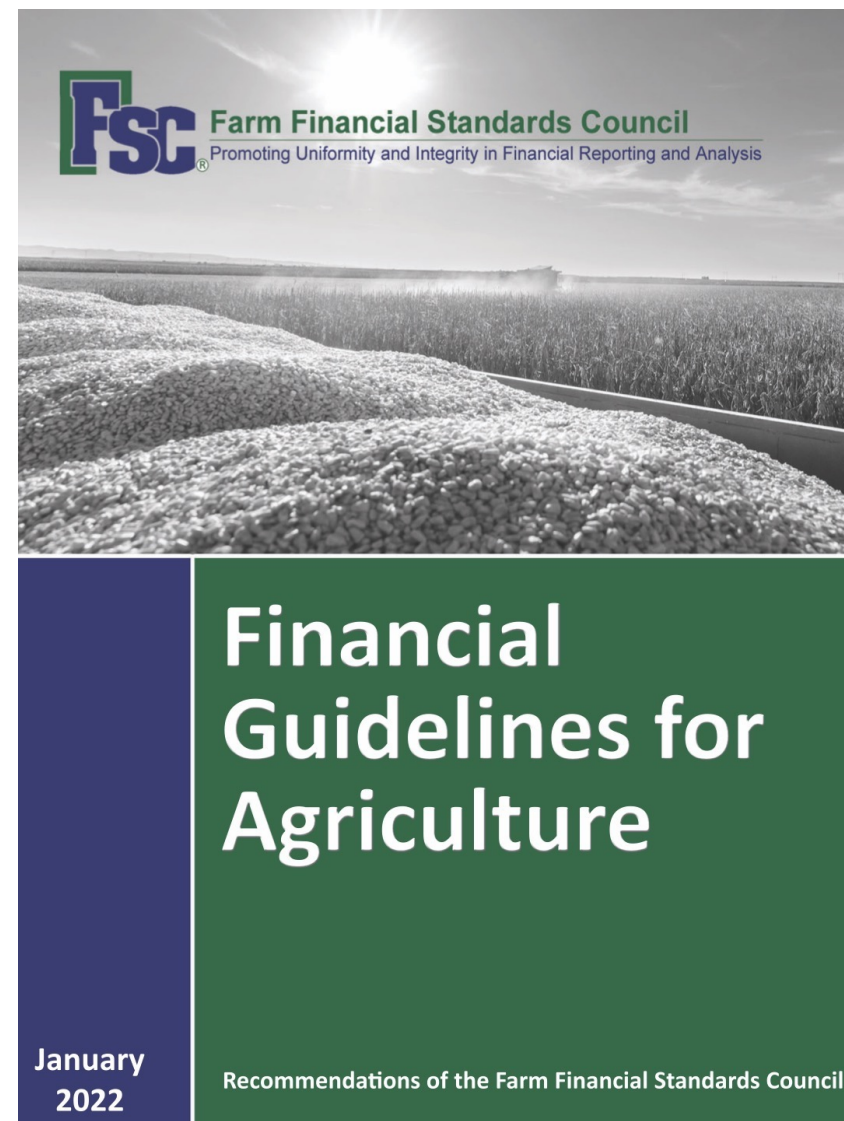


Current Ratio



Farm Financial Standards Council

“The MISSION of the FFSC is to provide a national forum for developing standards and implementation guidelines for preparers and users of agricultural financial information that will promote consistency, uniformity and integrity in financial analysis and reporting of agricultural producers.”



Liquidity

1. Current ratio
= Total current farm assets
/ Total current farm liabilities
2. Working capital
= Total current farm assets
– Total current farm liabilities
3. Working capital to gross revenues
= Working capital / Gross farm income

Solvency (market)

4. Farm debt-to-asset ratio
= Total farm liabilities / Total farm assets
5. Farm equity-to-asset ratio
= Farm net worth / Total farm assets
6. Farm debt-to-equity ratio
= Total farm liabilities / Farm net worth

Profitability

Repayment capacity

12. Capital debt repayment capacity
= Net farm income
+ Depreciation
+ Net non-farm income
– Family living & income taxes
+ Interest expense on term loans
13. Capital debt repayment margin
= Capital debt repayment capacity
– Scheduled principal & interest on term loans*
14. Replacement margin
= Capital debt repayment margin
– Unfunded (cash) capital replacement allowance
15. Term debt coverage ratio
= Capital debt repayment capacity
/ Scheduled principal & interest on term loans*
16. Replacement margin coverage ratio
= Capital debt repayment capacity

Coming Soon: The “Baker’s Dozen”

Liquidity

- Current Ratio
- Working Capital as a % of Gross Revenues

Solvency

- Debt/Asset Ratio

Profitability

- Rate of Return on Farm Assets
- Rate of Return of Farm Equity
- Operating Profit Margin Ratio
- Asset Turnover Ratio

Repayment & Replacement Capacity

- Debt Coverage Ratio
- Replacement Coverage Ratio

Efficiency

- Operating Expense Ratio
- Depreciation Expense Ratio
- Interest Expense Ratio
- Income from Operations Ratio

Source: Pauline Van Nурden, Center for Farm Financial Management

Update: Alternate Financial Ratios

– provides options, considered acceptable alternatives

- **Liquidity**

- Working Capital as % of Operating Expense

- **Solvency**

- Equity/Asset Ratio
- Liabilities/Equity Ratio (Debt/Equity)

- **Repayment & Replacement Capacity**

- Term Debt and Finance Lease Coverage Ratio



Ratio Updates – How do the changes compare?

- **Debt Coverage**

VS

Term Debt Coverage



- **Working Capital as % Gross Revenue**

VS

Working Capital as % Operating Expense



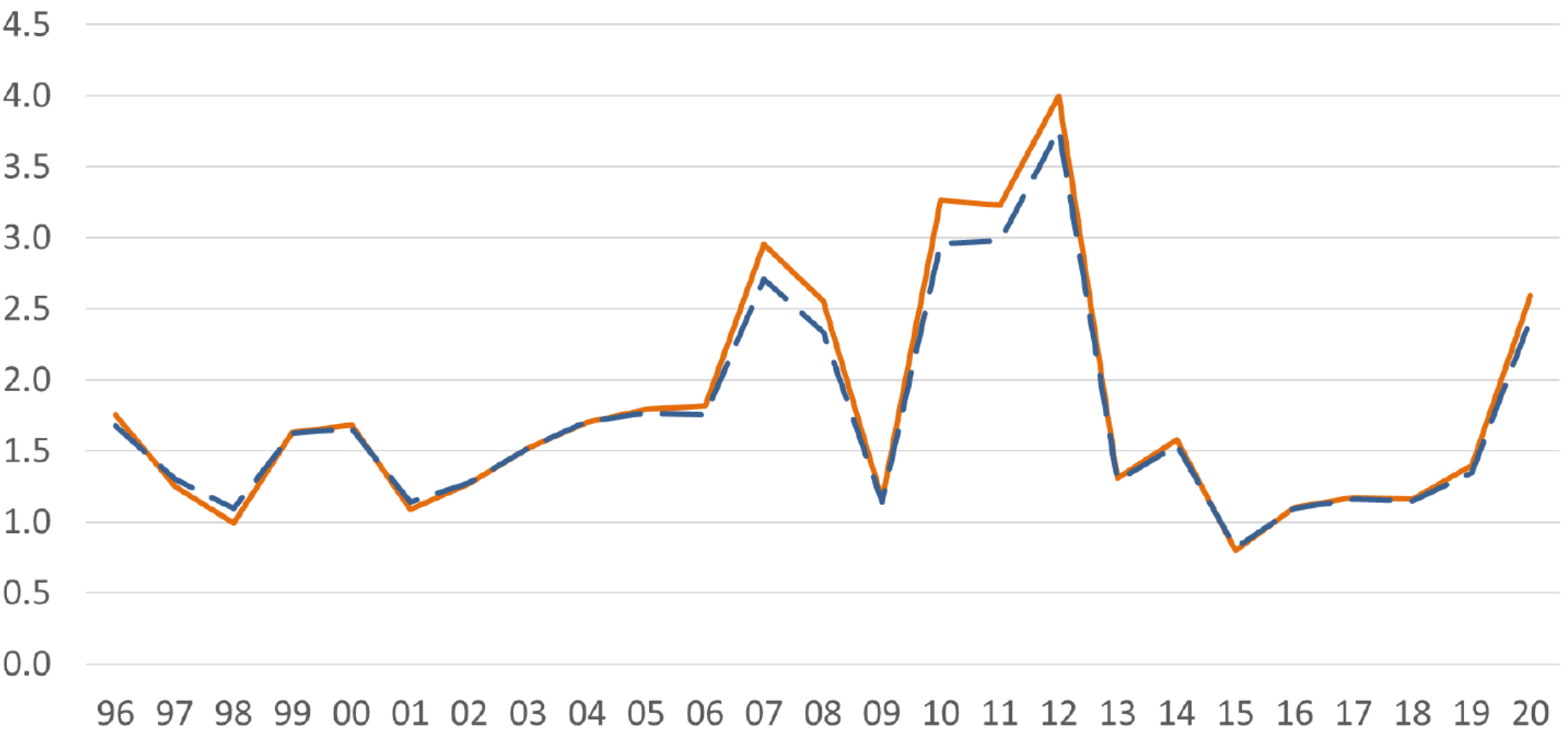
Debt Coverage Calculations – an example

	Term Debt Coverage	(Total) Debt Coverage
Net Farm Income from Operations	\$443,305	\$443,305
+ Non-farm Income	+ 60,848	+ 60,848
+ Depreciation	+ 131,892	+ 131,892
- Family Living	- 78,031	- 78,031
- Income Taxes	- 29,831	- 29,831
+ Interest	+ 53,187 (term)	+ 86,431 (total)
= (Term) Repayment and Replacement Capacity	\$576,297	\$609,541
Total Principal & Interest on Term Debt	\$160,680	\$160,680
+ Interest on Current Debt	xxxxx	+ 33,244
= Uses of Repayment and Replacement Capacity	\$160,680	\$193,924
Repayment & Replacement Capacity/Uses of RRC	$\$576,297 \div 160,680 = \mathbf{3.6}$	$\$609,541 \div 193,924 = \mathbf{3.1}$

Source: Pauline Van Nurden, CFFM, UMN

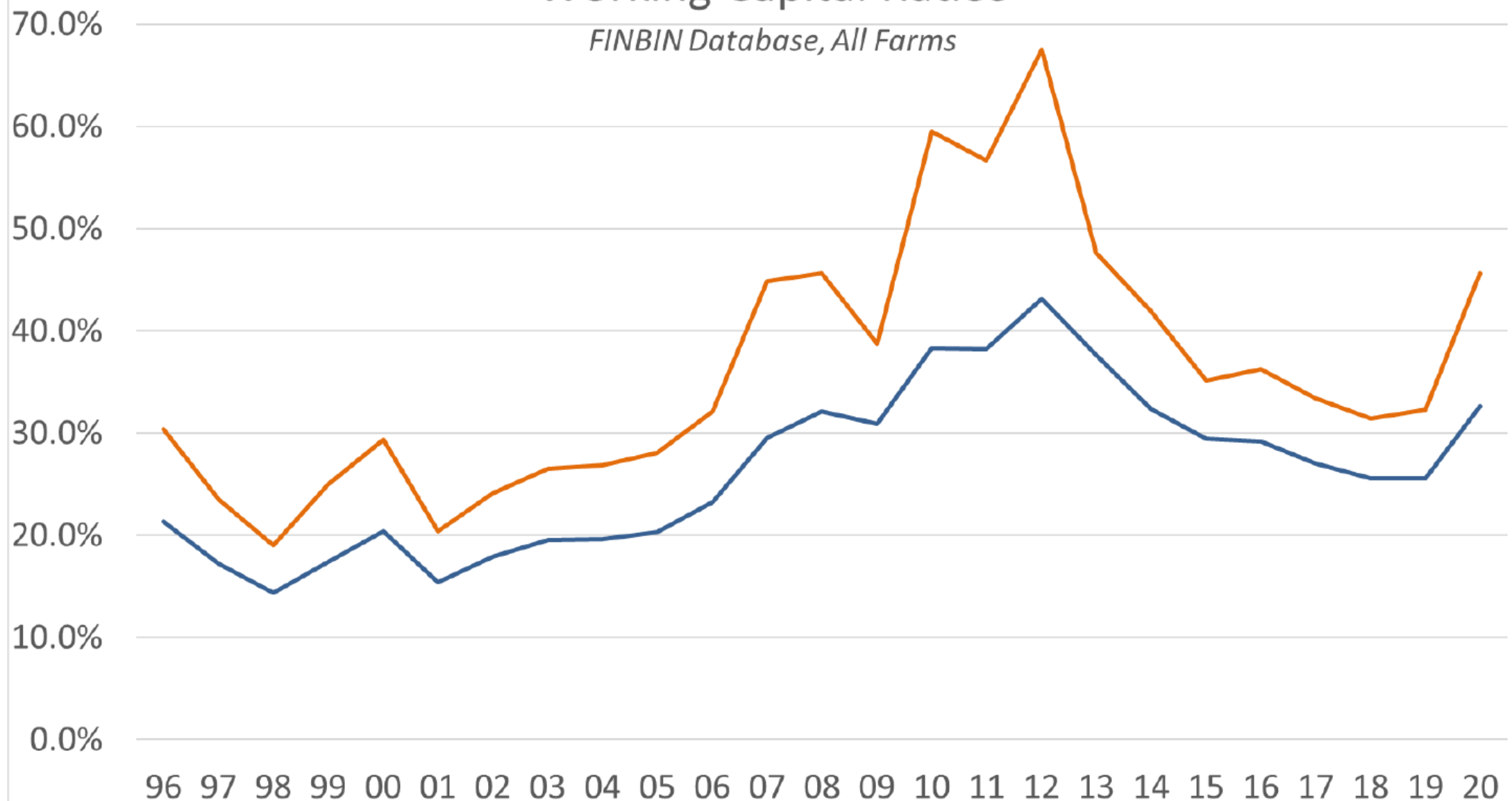
Debt Coverage Ratios

FINBIN Database, All Farms



Working Capital Ratios

FINBIN Database, All Farms



Center for Farm Financial Management
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— Working Capital to Gross Revenue

— Working Capital to Total Expense

Lease Accounting Updates

- Adopted in 2019 by FFSC.
 - Result of 2016 FASB Accounting Standards Update
 - Goal – increase transparency and comparability of business
 - Requires lessees to record assets & liabilities on the balance sheet for almost all leases
 - Starting in 2022



2 Types of Leases

- Financing
- Operating





Finance Lease

- AN INSTALLMENT PURCHASE
- PREVIOUSLY A CAPITAL LEASE
- REPORTING REMAINS (BASICALLY)
THE SAME



Center for Farm Financial Management
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Source: Pauline Van Nurden, CFFM, UMN

Operating Lease

- **OP. LEASES WITH TERM > 1 YEAR**
- **NOW REPORTED ON BALANCE SHEET**
- **LEASE EXPENSE ON INCOME STMT**



Center for Farm Financial Management
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Source: Pauline Van Nurden, CFFM, UMN

Operating Lease Accounting

- **Balance Sheet**

- **Asset**

- Termed **Right of Use (ROU) Asset**
 - Valued at present value of future lease payments

- **Liability**

- Lease Liability

* Just like finance lease reporting



Comparing Finance & Operating Leases

	Finance Lease	Operating Lease
Has control of the asset passed to the lessee?	Yes	No
Balance sheet	Right-of-use asset Lease Liability	Right-of-use asset Lease Liability
Income statement	Interest expense Amortization expense	Lease expense
Pattern of expense	Front-loaded	Straight-line
Cash Flow statement	Operating – cash paid for interest Financing – cash paid for principal	Operating – cash paid for lease pymts

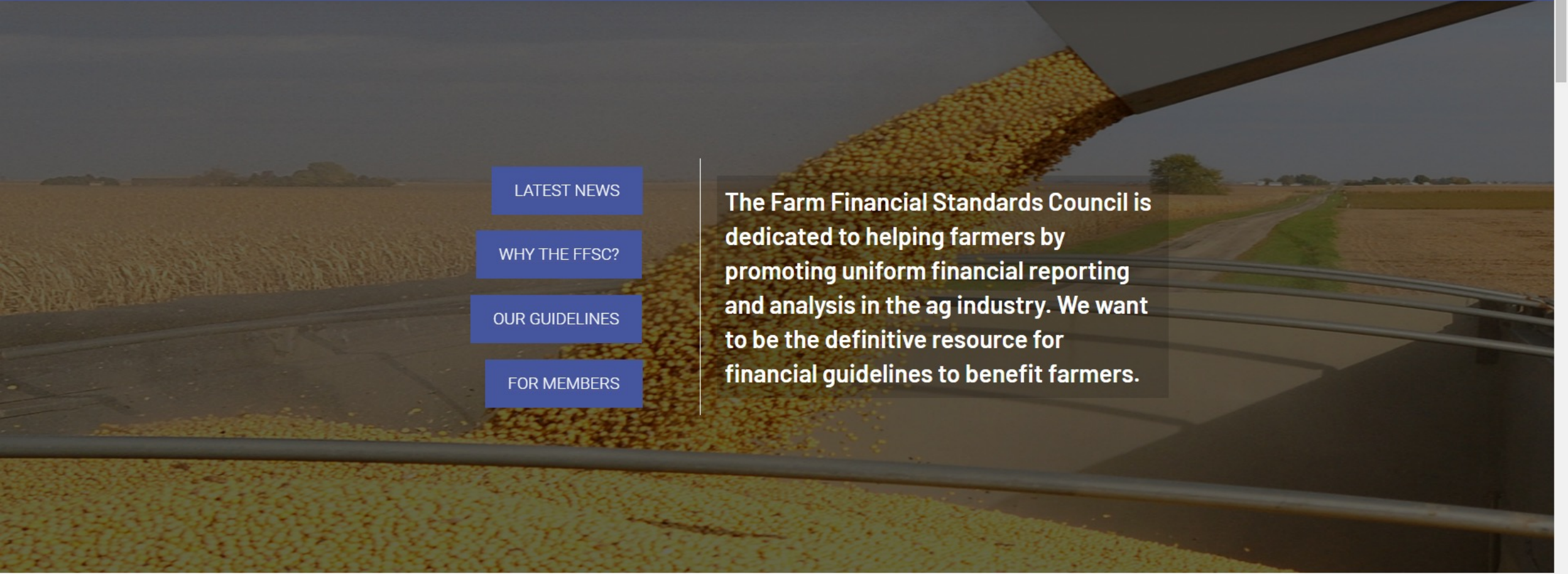


Lease Reporting Exception

- Land leases
 - Actual terms are hard to determine, so applying GAAP guidelines is difficult
 - Report like an **Operating Lease** on the Income Statement



Source: Pauline Van Nurden, CFFM,UMN



LATEST NEWS

WHY THE FFSC?

OUR GUIDELINES

FOR MEMBERS

The Farm Financial Standards Council is dedicated to helping farmers by promoting uniform financial reporting and analysis in the ag industry. We want to be the definitive resource for financial guidelines to benefit farmers.



Pandemic Relief Programs

Pandemic Cover Crop Program (PCCP)

- PCCP was first offered in 2021, and producers with crop insurance received \$59.5 million in premium subsidies for 12.2 million acres of cover crops.
- 2nd year announced on February 10, 2022.
- Provides premium support of up to \$5 per acre to producers who insured their spring crop with most insurance policies and planted a qualifying crop during the 2021 crop year.
- Will receive benefit if file a Report of Acreage form (FSA-578) with their cover crops identified by March 15, 2022.
- As part of filing the Report of Acreage, you will need to provide: cover crop type or variety; number of acres of the cover crop; map with approximate boundaries for the cover crop; planting date(s); planting pattern, when applicable; producer shares; and irrigation practice(s).
- <https://www.farmers.gov/cover-crops/faq>

Spot Market Hog Pandemic Program (SMHPP)

- Spot Market Hog Pandemic Program (SMHPP) announced on 12/13/2021.
- Hogs sold through “negotiated sale” from 4/16/2020 through 9/01/2020 eligible for additional assistance.
- Application period is 12/15/2021 through 2/25/2022.
- Eligible Hogs * \$54 (not to exceed 10,000 head).



Livestock Indemnity Program (LIP)

- LIP provides benefits to livestock producers for livestock deaths in excess of normal mortality caused by adverse weather or by attacks by animals reintroduced into the wild by the Federal Government.
- LIP payments are equal to 75 percent of the average fair market value of the livestock.
- Reporting Deadline is March 1.
- <https://www.fsa.usda.gov/programs-and-services/disaster-assistance-program/livestock-indemnity/index>

 United States Department of Agriculture

FARM SERVICE AGENCY

 **DISASTER ASSISTANCE**
Livestock Indemnity Program

Overview

The Agriculture Improvement Act of 2018 (the 2018 Farm Bill) authorized the Livestock Indemnity Program (LIP) to provide benefits to eligible livestock owners or contract growers for livestock deaths in excess of normal mortality caused by eligible loss conditions, including eligible adverse weather, eligible disease and attacks by animals reintroduced into the wild by the federal government or protected by federal law, including wolves and avian predators. In addition, LIP provides assistance to eligible livestock owners that must sell livestock at a reduced price because of an injury from an eligible loss condition.

LIP is administered by the U.S. Department of Agriculture (USDA) Farm Service Agency (FSA). The occurrence of an eligible loss condition in and by itself - does not determine eligibility for eligible livestock losses. The livestock owner or contract grower must provide evidence acceptable to FSA that the eligible cause of loss not only occurred but directly caused loss or death.

LIP payments for owners are based on national payment rates that are 75 percent of the market value of the applicable livestock as determined by the USDA's Secretary of Agriculture. Rates for contract growers of poultry or swine will not exceed the rates for owners but are based on 75 percent of national average input costs for the applicable livestock.

The 2018 Farm Bill amended certain provisions related to LIP effective in 2019. Those amendments included:

- livestock death losses due to extreme cold are considered eligible losses without regard to vaccination protocol, or lack of vaccination; and
- providing for compensation for livestock death losses due to diseases that are caused or transmitted by a vector and are not controlled by vaccination or an acceptable management practice. These diseases were previously covered under ELAP.

Eligible Livestock Owners

To be eligible for LIP:

- A livestock owner must have legally owned the livestock on the day the livestock died and/or were injured by an eligible loss condition



Eligible livestock must have either:

- died in excess of normal mortality as a direct result of an eligible loss condition, or
- been injured as a direct result of an eligible loss condition and were sold at a reduced price.

Eligible livestock must:

- Have been maintained for commercial use as part of a farming operation on the day they died; and
- Not have been produced or maintained for reasons other than commercial use as part of a farming operation. Excluded livestock includes wild free-roaming animals, pets or animals used for recreational purposes, such as hunting, roping or for show.

FACT SHEET • APRIL 2021

Dairy Margin Coverage Program Highlights

- 2022 Program Sign Up Open
 - December 13, 2021 through February 18, 2022 **now March 25th!**
 - At USDA County Farm Service Agency offices
- Supplemental DMC Coverage
 - Farms with <5 million pounds of established production history
 - Have increased milk sales

Sign-up Deadlines

- Spot Market Hog Pandemic Program (SMHPP) Sign-up from 12/15/2021 to 2/25/2022
- Livestock Indemnity Program (LIP) for 2021 Losses Sign-up until 3/01/2022
- Conservation Reserve Program (CRP) – Sign-up from 1/31/2022 to 3/11/2022
- Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) Program – Sign-up from 10/18/2021 to 3/15/2022
- Dairy Margin Coverage (DMC) and Supplemental Dairy Margin Coverage (SDMS)- Sign-up from 12/13/2021 to 3/25/2022

2022 Farm Bill and Crop Insurance Decision

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THE OHIO STATE UNIVERSITY

COLLEGE OF FOOD, AGRICULTURAL,
AND ENVIRONMENTAL SCIENCES

Reminders

March 15, 2022: 2022 enrollment deadline

March 15, 2023: 2023 enrollment deadline

Producers must *enroll* to be eligible for payments.

- Many producers have already enrolled while in the FSA office for CFAP.

Producers may make changes to program *elections*.

- If changes are not made by the March 15th deadline, the election defaults to the programs selected for the 2021 crop year with no penalty

Effective February 14th all Ohio USDA Service Centers in Ohio are open for business. No walk-in appointments are allowed. All Service Center visitors wishing to conduct business with FSA should call ahead and schedule an in-person or virtual appointment.

Elect a Federal Commodity Program

Agricultural Risk
Coverage-
County

Paid on 85% of
Base Acres

Agricultural Risk
Coverage-
Individual

Paid on 65% of
Base Acres

Price Loss
Coverage

Paid on 85% of
Base Acres

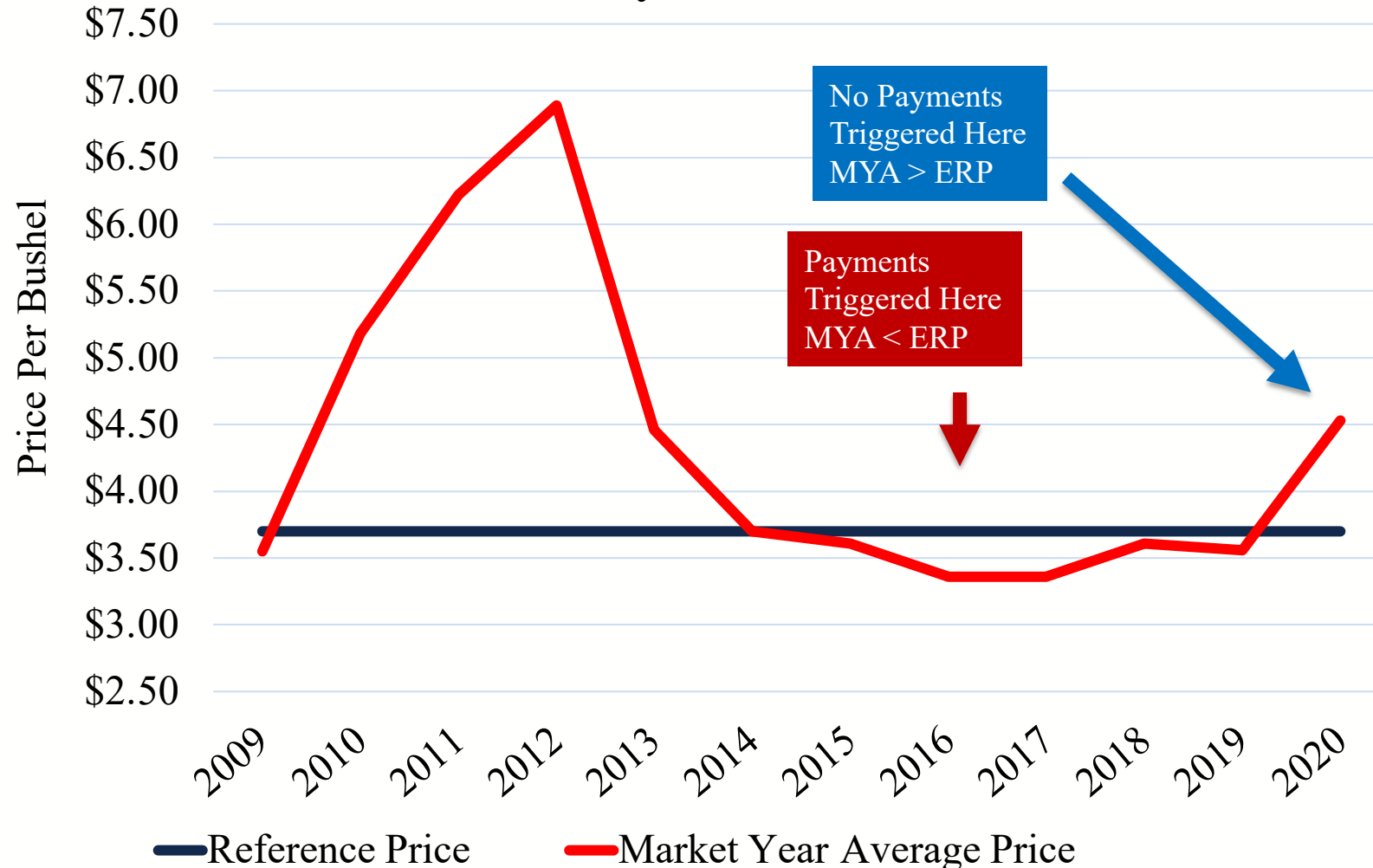
Supplemental Coverage
Option

Decision
Date
March
15, 2022

- ❖ The decision is made on an FSA farm by farm level.
- ❖ Producers can make the decision on a crop-by-crop basis for ARC-CO and PLC.
- ❖ All crops on the FSA Farm and all FSA Farms enrolled in ARC-IC in the same state are blended when choosing ARC-IC.

Program Refresher: General Information

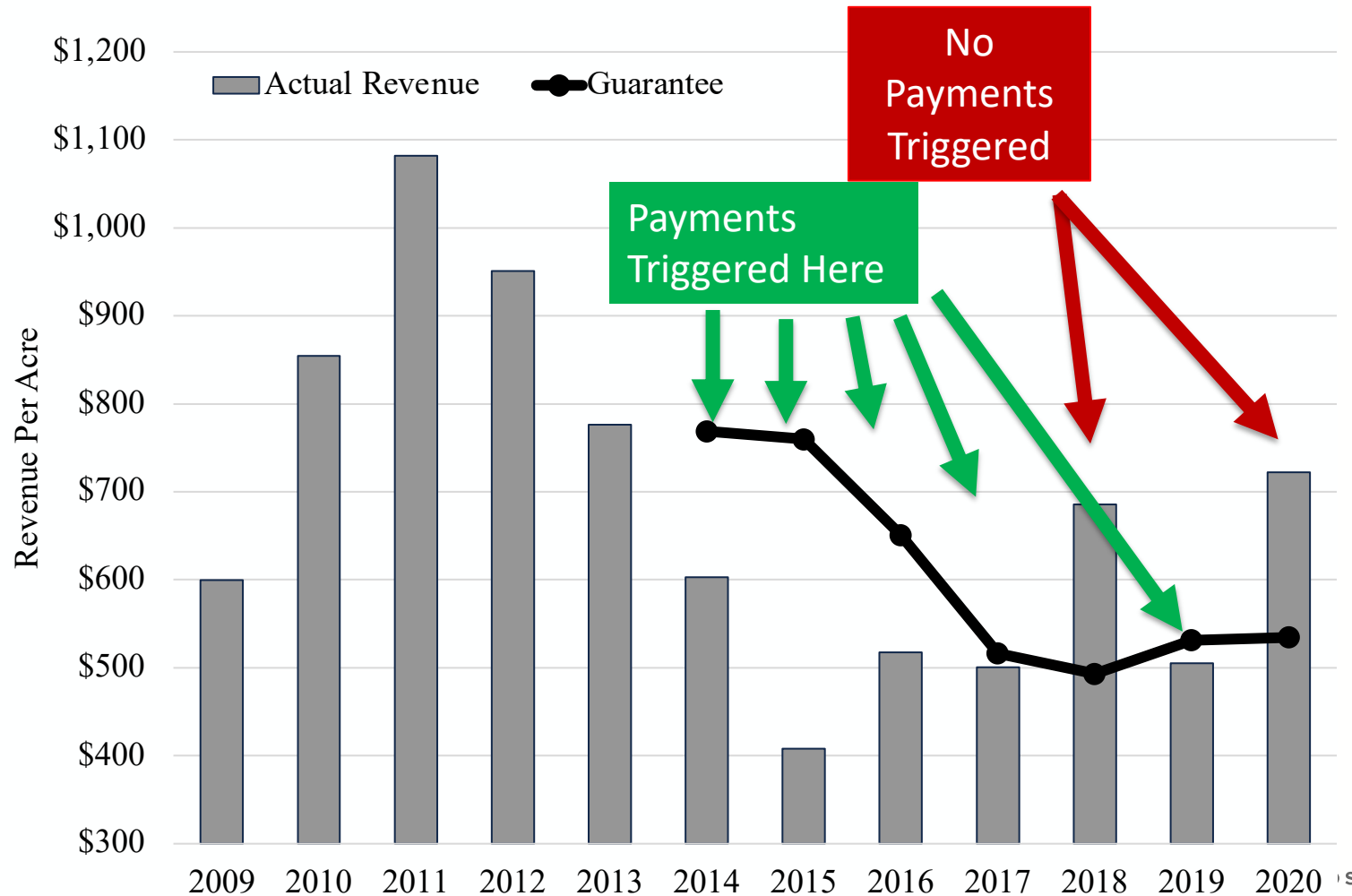
Historical 2014-2020 PLC Performance for Hardin County, Ohio-Corn



- ❖ PLC makes a payment when the Market Year Average Price falls below a calculated effective reference price:
 - ❖ Corn- \$3.70
 - ❖ Soybean- \$8.40
 - ❖ Wheat- \$5.50
- ❖ The payment rate is then multiplied by individual FSA Farm Yields to generate a payment that is paid on 85% of commodity specific base acres.
- ❖ MYA prices are the national product of the percent of grain sold during a month times that month's price. Market year for program year 2021 starts Sept. 1, 2021.
- ❖ There is a price escalator, **but we would still need higher prices** to increase the reference price for future years.

Program Refresher: General Information

Historical 2014-2020 ARC-CO Performance for Hardin County, Ohio-Corn



- ❖ ARC is a revenue program where there is protection between 76% and 86% of a county's historical revenue (yield x price)
 - ❖ Risk Management Agency trend adjusted yields
- ❖ ARC-CO makes a payment when the national price multiplied by the county yield or individual yield for ARC-IC for the year falls below a 5-year Olympic Average of prices and yield times 86%.
 - ❖ In other words- a payment is triggered when the gray bar (actual revenue) is below the black line (guarantee).
- ❖ The payment rate is then paid on 85% of commodity specific base acres for ARC-CO and 65% for ARC-IC.
- ❖ ARC-CO are county yields- not farm yields.
- ❖ Counties can have different payment rates. 2018 Farm Bill now blends individual payment rates by share of acres in each county.

Program Refresher: **ARC-Individual**

- ❖ A completely different type of beast than what we are used to with ARC-CO, but the concept is basically the same- payments are triggered when actual revenue falls below a calculated benchmark using individual yields.
- ❖ Three major differences:
 - ❖ All commodities of this FSA Farm Number are combined to create the farm specific revenue.
 - ❖ Based on actual plantings from the current year for the actual and historical revenue.
 - ❖ Payments are made on 65% of base acres instead of 85% under ARC-CO or PLC.

FSA Farm that might benefit from ARC-IC

1. 100% Prevent Plant acres on any FSA Farms
2. FSA Farm Yields 15% below the historical 5-Year FSA Farm average of all crops.
3. High year-to-year production variability.
(example river bottom)
4. "Large" acreage of fruits and vegetables
(+15%)

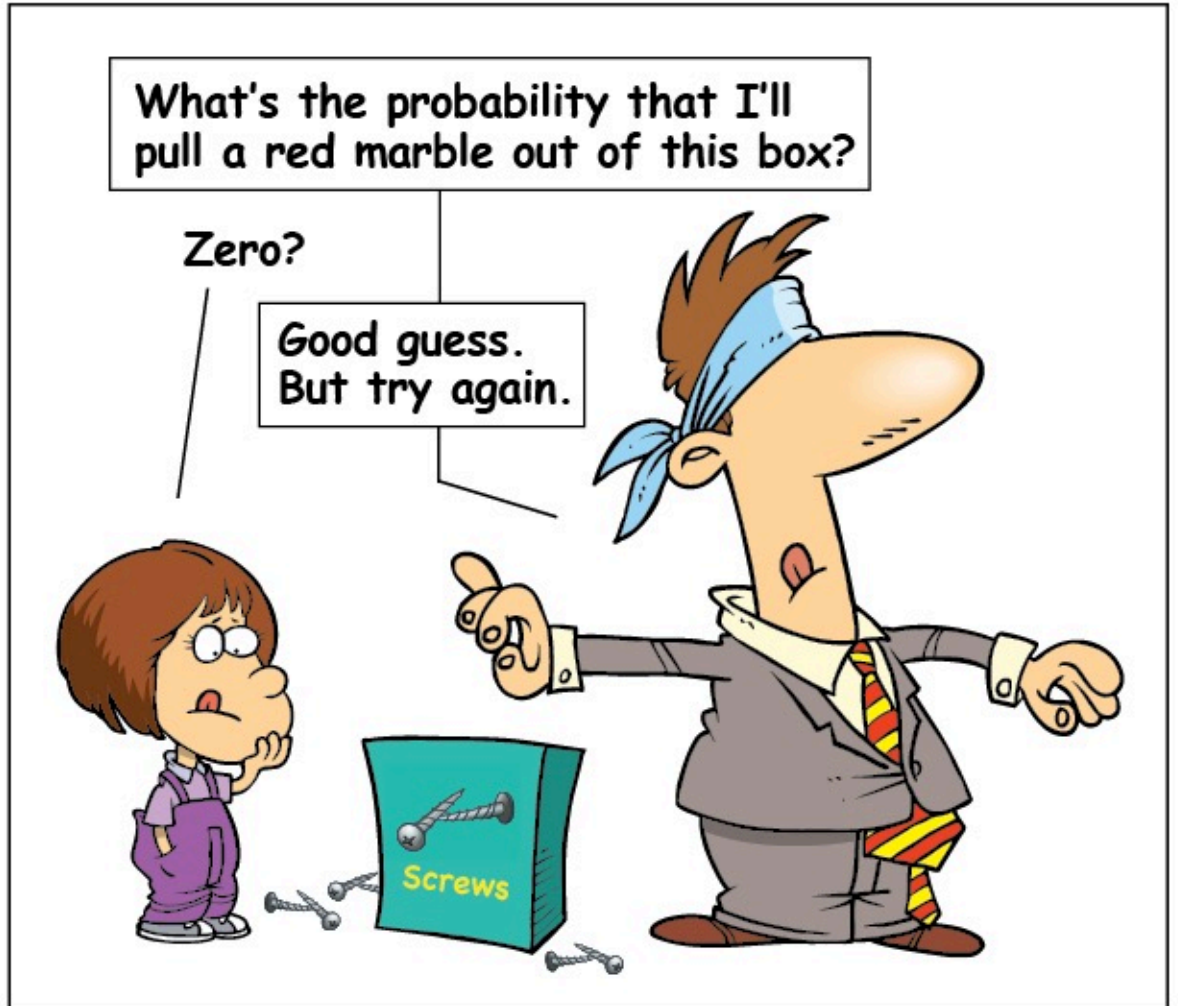
This played large for parts of Ohio in 2019 since we already knew our yields.

We won't know them in 2022 since the deadline is before planting.

Outlook- **What's going to happen???**

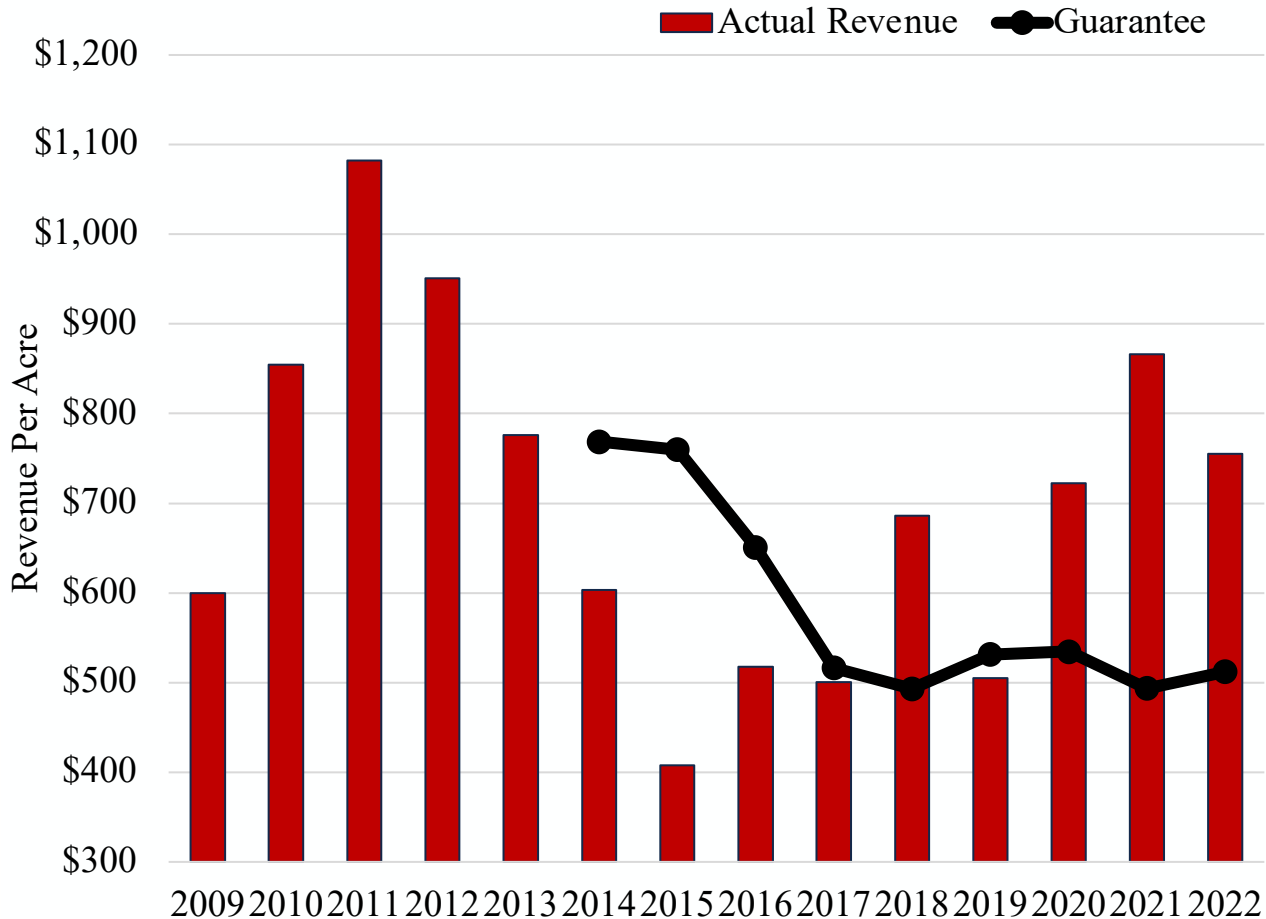
What do Economist, Weathermen and Pollsters all have in common??

They love and use the principles of probability, but nobody really knows

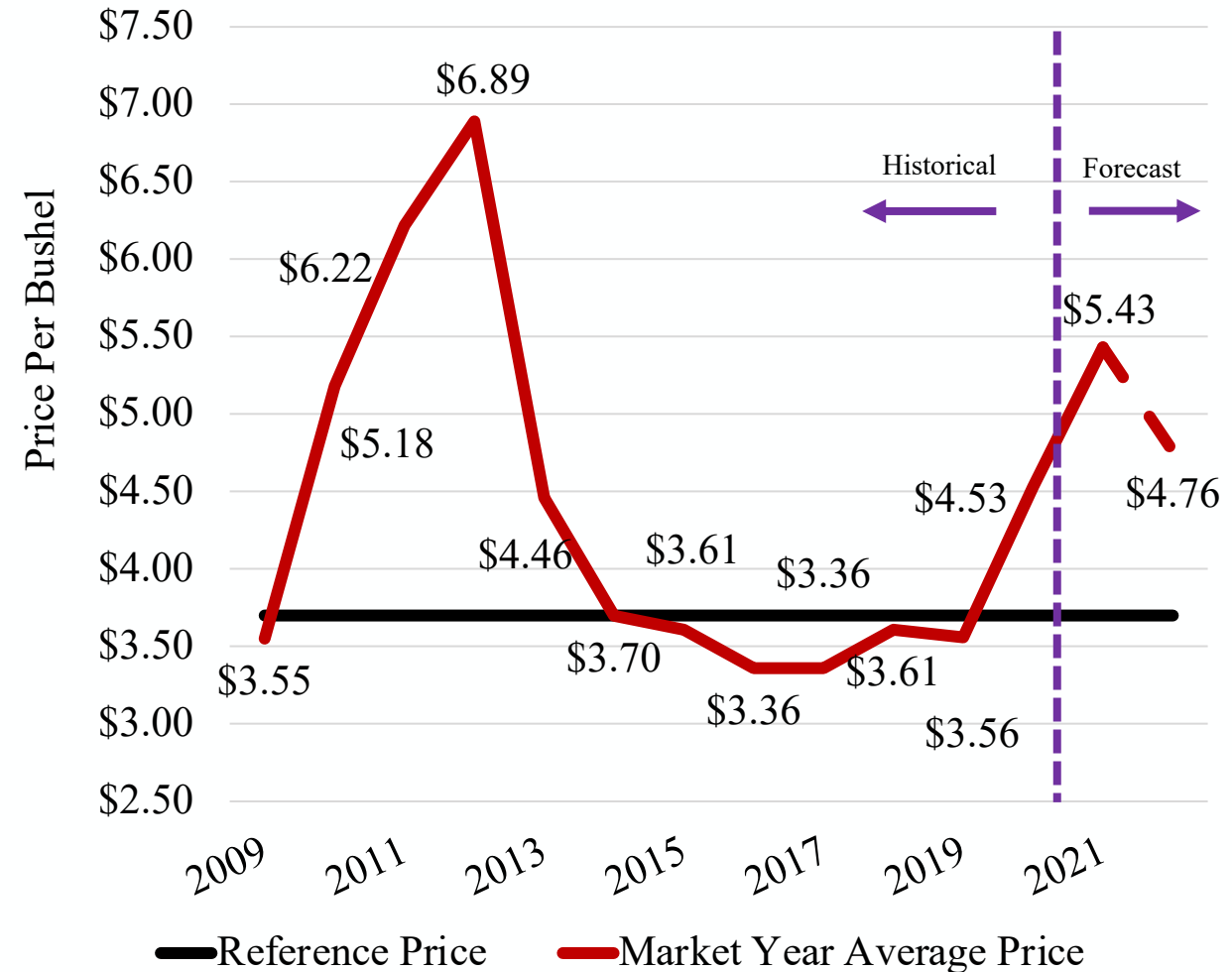


Looking Ahead: Corn

**Estimated 2021 & Projected 2022 ARC-CO
Performance for Hardin County, Ohio-Corn**



**Estimated 2021 & Projected 2022 PLC
Performance for Hardin County, Ohio-
Corn**



Potential Black Swan Factors for 2022

Risks facing us in 2022

- ❖ There is always weather risk
 - ❖ 2021 had:
 - ❖ Winter Storm Uri hit Texas
 - ❖ Significant Drought in South America and Western US
 - ❖ Pests like Grasshoppers and Fall Army Worms
 - ❖ Hurricane Ida hitting US Gulf
 - ❖ December Derecho impacting winter wheat
- ❖ Geo-Political Relations
 - ❖ Build up of Russian Troops next to Ukraine Boarder
 - ❖ China's determination to reunify Taiwan
 - ❖ US/China Phase 1 Deal
- ❖ Supply Chain Issues into 2022
 - ❖ Slow adjustment of production in global fertilizer
 - ❖ Difficult challenge of adjusting to smaller US workforce



Reuters
Moisture seen critical for wheat blasted by U.S. Plains dust storm
CHICAGO, Dec 20 (Reuters) - Hurricane-force winds that raked the U.S. Plains ... Kansas is the largest producer of hard red winter wheat,...
2 weeks ago

NBC News
9 months after the Texas freeze, the power grid remains vulnerable
MIDLOTHIAN, Texas — After last winter's freeze hamstrung the flow of ... Natural gas slowed to a trickle during the storm, leaving the...
1 month ago



WSJ Wall Street Journal
Russia-Ukraine Tension: Could What's Happening on the Border Lead to War?
A satellite image reportedly showing Russian military equipment near Yelnya, Russia. Photo: handout/Agence France-Presse/Getty Images. What's at...
3 weeks ago



12 WCTI
Chinese state media warns of attack on US troops if they intervene in takeover of Taiwan
... an article Thursday saying China would "heavily attack US troops" if they attempted to intervene during its forceful takeover of Taiwan.
4 weeks ago



Farm Bill Decision Aid Tool

- Updated for 2022 decision with historical yields and current price projections
- Located at <https://farmoffice.osu.edu/farm-management-tools/decision-aids>

The Ohio State University Farm Bill Decision Tool

Legal Disclaimer- By selecting the tabs below and using this tool, the user agrees that this tool and the information accompanying it is produced by The Ohio State University for educational purposes. All decisions on federal commodity programs that utilize this information are those of the user and are not to be considered decisions or recommendations made by The Ohio State University and the authors of this information.

Click for Corn
Decision Tool

Click for Soybean
Decision Tool

Click for Wheat
Decision Tool

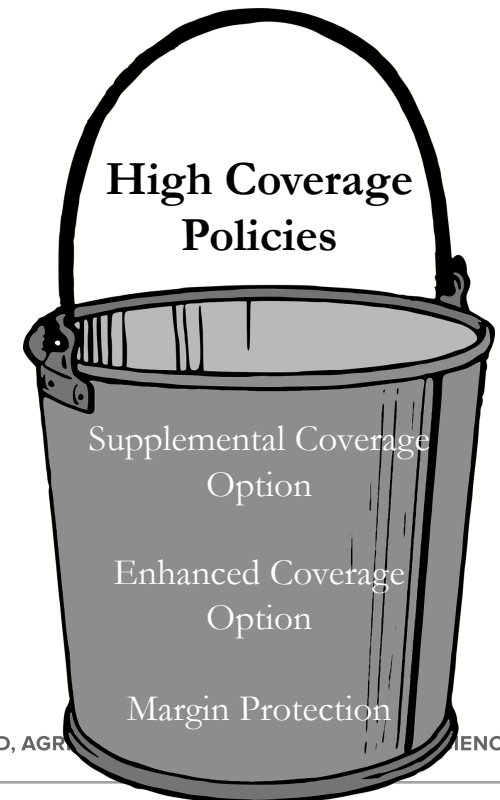
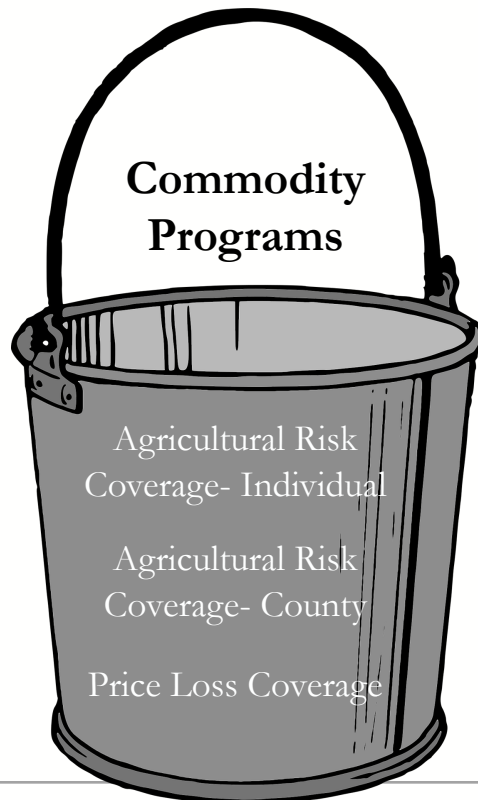
Major Crop Insurance Options

Most producers get overwhelmed with crop insurance decision and for good measure because there are lots of options

There are 21 different policies without even breaking that down to coverage levels, unit structure, or all the private products.... There about 160 of those...



Three Bucket Approach to Risk Management



Commodity Price Change

2021

- Corn Projected Price: **\$4.58**
- Soybean Projected Price: **\$11.87**

2022^{**estimate**}

- Corn Projected Price: **\$5.73**
(+25%)
- Soybean Projected Price: **\$13.67** (+15%)

**Corn premium is only up about 8% and
Soybean premium is up about 3%.**

Crop Insurance - Underlying Policies

- Revenue Protection (RP)
 - Provides yield and price coverage at your desired coverage level.
- Revenue Protection Harvest Price Excluded (RP_HPE)
 - Provides yield protection and downside price protection only.
- Yield Protection (YP)
 - Provides yield loss protection at the set spring price.
- Area Revenue Protection (ARP)
 - Provides county-based yield and revenue protection.
- Area Yield Protection (AYP)
 - Provides county-based yield loss protection at the set spring price.

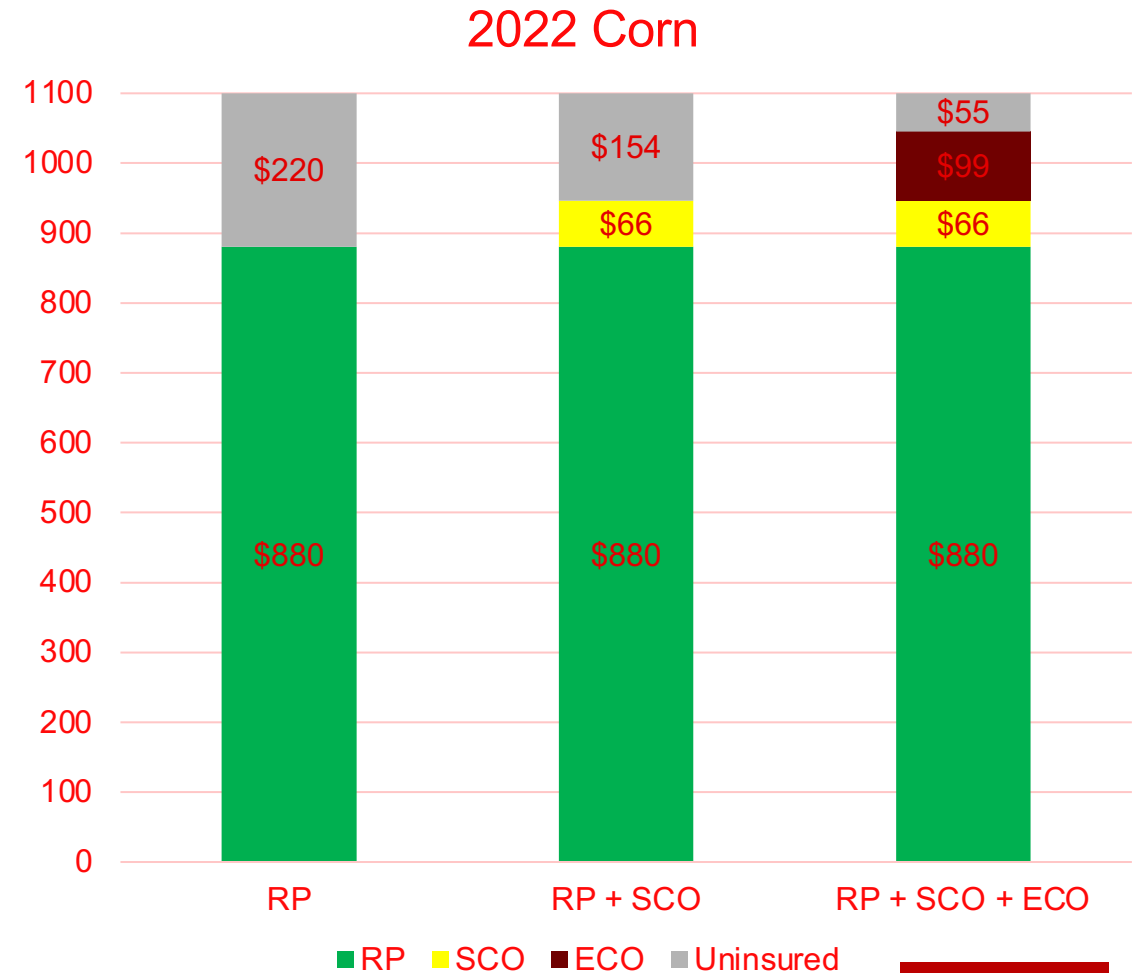
Additional Crop Insurance Options

High Coverage Policies (*Subsidized*)

- Supplemental Coverage Option (SCO)
 - Additional coverage that triggers when the actual county revenue falls below 86% of the expected county revenue.
 - Coverage is provided from 86% down to your base policy coverage level.
 - Only available if enrolled in PLC as FSA commodity program.
- Enhanced Coverage Option (ECO)
 - Additional coverage that triggers when the county actual revenue falls below 95% or 90% of the expected county revenue.
 - Each ECO option provides a coverage band from the trigger level down to 86%.
 - Applies to **ALL** FSN's enrolled in either ARC or PLC as FSA commodity program.

2022 Corn Coverage Example

- **Clermont County RP 80% EU Example**
 - County Expected Yield = **186.1 bpa**
 - Price (estimate) = **\$5.50**
 - 95% ECO Revenue Trigger = **\$972.37**
 - 86% SCO Revenue Trigger = **\$880.25**
- **Corn RP 80% EU Coverage**
 - APH = **200 bpa**
 - Underlying Policy Coverage = **\$880.00**
- **RP 80% Premium = \$31.91**
- **SCO Premium = \$8.07**
- **ECO Premium = \$32.45**
- **Total Premium = \$72.43**



Summary

- Program election, enrollment and crop insurance are due March 15, 2022
- Looking forward
 - Price are not likely to fall below effective reference prices
 - ARC-CO has the probability to trigger more often based on variation in county yields compared to PLC
 - PLC with SCO continues to provide the most complete risk management program since SCO behaves similar to ARC-CO.
 - Difference is MYA compared to season price
 - Excel tool can help you play with different scenarios



Ohio Legislative Update

Beginning the
second year of
134th Assembly



Newly introduced Ohio legislation

H.C.R. 14 – Repeal individual income tax

Introduced by Rep. Tom Brinkman January 25, 2022.

First hearing before Ways and Means Committee February 15, 2022.

(companion to SCR 13 – Introduced in Senate December 9, 2021.

RESOLVED, That we, the members of the 134th General Assembly of the State of Ohio, intend to repeal the state personal income tax altogether within ten years.

Ohio legislation on the move

H.B. 515 – Income tax

*Introduced December 15, 2021 by Reps. James Hoops and Craig Riedel.
Second hearing before House Ways and Means February 15, 2022.
(companion to S.B. 247, on hold in Senate Ways and Means Committee)*

- The sale of an ownership interest in a business will be considered business income for Ohio income tax purposes if:
 - Federal income tax law treats the sale as a sale of assets.
 - Seller materially participates in the business activities during taxable year in which interest was sold or any of preceding five taxable years.
- Would apply to any audits, refund applications, petition for reassessments, and appeals pending on or after the bill's 90-day effective date.

Ohio legislation on the move

H.B. 507 – Poultry chicks

*First hearing before House Agriculture & Conservation Committee
February 15, 2022.*

- Changes minimum lot size for sales of chicks from six to three.
- Sponsor testimony cited reduction of processing capacity and waste to 4-H members showing turkeys as primary reasons.

Ohio legislation on the move

H.B. 365 – Safe Drinking Water Act

*First hearing before House Agriculture & Conservation Committee
House February 15, 2022.*

- Requires EPA to adopt rules establishing water quality standards and maximum allowable contaminant levels in drinking water for PFAS (“forever chemicals”), chromium-6 and 1-4 dioxane.
- And to annually review the standards.

Ohio legislation on the move

H.B. 484 – Fish designation

*First hearing before House Agriculture & Conservation Committee
House February 15, 2022.*

- Designates the Lake Erie Walleye as the state fish.
- Sponsor testimony:
 - Ohio is one of three states without a designated state fish.
 - In online poll on NBC4 news, walleye captured 27.5% of vote, beating out yellow perch and smallmouth bass.

Ohio legislation on the move

H.B. 30 – Slow-moving vehicles

Passed House June 23, 2021.

*Third hearing before Senate Transportation Committee
February 15, 2022.*

- Increases visibility of animal-drawn vehicles by changing marking and lighting requirements.

Ohio legislation on the move

H.B. 397– Agricultural leases

Passed House December 8, 2021.

Second hearing before Senate Agriculture and Natural Resources Committee February 15, 2022.

- For agricultural crop leases that don't address termination, requires a landlord who wants to terminate the lease to provide written notice of termination by September 1.

Ohio legislation on the move

H.B. 321– Auctioneers

Passed House December 9, 2021.

Second hearing before Senate Agriculture and Natural Resources Committee February 15, 2022.

- Eliminates apprentice requirement and license and replaces with course of study in auctioneering at approved institution.
- Eliminates special auctioneer license and changes to auction firm license.
- Removes oral exam requirement and increases number of written exams offered.
- Allows auction firms to provide online or live auction services.
- Allows ODA authority over internet auctions, previously exempt.

Ohio legislation on the move

H.B. 440/S.B. 241– Agricultural Linked Deposit Program

H.B. 440 passed House December 9, 2021.

S.B. 241 passed Senate January 26, 2022.

- Expands availability of Agricultural Linked Deposit Program loans to agricultural cooperatives and replaces \$150,000 loan limit to amounts as determined by the Treasurer.
- Emergency clause added to make effective immediately.

Ohio legislation on the move

S.B. 210 – Postnuptial Agreements

Passed Senate November 16, 2021

First hearing before House Civil Justice Committee February 8, 2022

- Expands ability of spouses to alter their legal relations by written agreements.
 - Allows spouses to modify or terminate the agreements.
- Recognizes postnuptial agreements and treats them the same as prenuptial agreements.

Federal Legislative Update



Where exactly are we on federal legislation?

Topic	Latest developments	Action expected by...	Final Action
Government funding	Sept. 30 short-term bill passed; second short-term bill passed Dec. 2 extends funding to Feb. 18 House and Senate passed short-term extension to March 11	Dec. 3, when funding runs out; full-year appropriations bill expected by Feb. 18—March 11	
Federal debt limit <input checked="" type="checkbox"/>	\$480 billion increase until Dec. 3; \$2.5 trillion increase passed Dec. 15, bringing limit to \$31.4 trillion Sen. Manchin using to oppose BBB	Dec. 3, or a Treasury default in first quarter of 2022?	Signed Dec. 16
Infrastructure bill <input checked="" type="checkbox"/>	\$1.2 trillion bill by Senate passed Aug. 10; House holding off passed Nov. 5	October 31, when federal highway funding runs out	Signed Nov. 15
Build Back Better	\$3.5 trillion? 1.5 trillion? \$1.75 trillion House passed \$1.75 trillion bill Nov. 19; Appears dead	October 31, with infrastructure bill? —Schumer pushing for Senate to pass by Christmas; Biden concedes will go to 2022.	

What might survive from Build Back Better?



**If with
proposals
for deficit
reduction?**

- Climate change
- Clean energy
- Tax policies
 - Corporate tax increase to 25%
 - Corporate minimum tax of 15%
 - Capital gains tax of 28%
 - Higher tax rates for wealthy
- Affordable Care Act subsidies
- Medicaid expansion

Legislation on the move?

H.R. 4996 - Ocean Shipping Reform Act of 2021

Introduced in Senate February 3, 2022 by Sen. Thune and Sen. Klobuchar.

- Addresses supply chain issues and international shipping practices
- Bars Vessel-Operating Common Carriers from “unreasonably declining export cargo bookings if the cargo can be loaded in a safe and timely manner,” thus preventing China from paying the carriers to return empty.
- Reforms “demurrage and detention” rules that charge containers stuck in ports due to congestion.
- Sen. Klobuchar with Sen. Booker also introduced a separate *Ocean Shipping Competition Reform Act* would:
 - Allow for third parties such as shippers and ports to participate in legal cases brought by the Federal Maritime Commission against ocean carriers for anticompetitive harm from vessel sharing agreements.
 - Let successful third parties in those legal cases receive money damages, with additional financial penalties designed to deter anticompetitive conduct.

No action on bills sent to Senate Ag, Nutrition & Forestry Committee in December

H.R. 4489 – National Forest Restoration and Remediation Act

- Allows the U.S. Forest Service to use interest earned on settlement funds for clean-up and restoration of damaged forest lands.

H.R. 5608 – Chronic Wasting Disease Research and Management Act

- Proposes research program, support for state management efforts, public education and \$70 million each year from 2022 to 2028 to tackle chronic wasting disease, a fatal neurological disease in deer, elk, and moose.

H.R. 5609 – Cattle Contract Library Act

- Addresses beef supply and pricing transparency issues by requiring packers to report contracts and USDA to report and maintain contract library.

H.R. 5290 – Livestock Mandatory Reporting

- Extends authorization for LMR to September 30, 2022.
- LMR – price and transaction reporting by livestock buyers and sellers of meat products.

Gearing up for the 2023 Farm Bill hearings

The **National Association of State Departments of Agriculture** released its list of Farm Bill priorities:

1. Agricultural research and extension programs
2. Animal disease prevention and management
3. Conservation and climate resiliency
 - Conservation easements, EQIP, climate initiatives
4. Cyber security
5. Food Safety Modernization Act compliance
6. Hemp program changes
7. Invasive species management and prevention
8. Local food systems
 - Food supply chain solutions, farm to school grants, nutrition incentives
9. Specialty crop block grants
10. Trade promotion



CFAES

Thanks for joining us for this
webinar

Our Next Farm Office Live
March 16 & 18, 2022



THE OHIO STATE UNIVERSITY

COLLEGE OF FOOD, AGRICULTURAL,
AND ENVIRONMENTAL SCIENCES