



# OSU Extension invites you to join us for the next FARM OFFICE LIVE

#### July's Topics:

- ➤ State and Federal Legislative Updates
- **➤ Coronavirus Food Assistance Program 2**
- **➤ Legislative Proposals with Tax Implications**
- > Carbon Agreements
- >2020 Farm Business Analysis Results
- > Your Questions

Join us and share your questions, concerns, and topics of interest.

Each session will include a short update and lead into a Q&A time on additional topics of interest.

Register or watch replays at

go.osu.edu/farmofficelive

### OSU Extension's Farm Office Team

Peggy Kirk Hall
David Marrison
Dianne Shoemaker
Julie Strawser
Barry Ward

July 23, 2021

10:00 -11:30 a.m.

Save the date!
We'll be back August 27
10:00 -11:30 a.m.

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













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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

- >State Legislative Update
- >CFAP2 & USDA Pandemic Assistance for Producers Update
- > Federal Legislative Update
- > Federal Legislation with Tax Implications
- ➤ Carbon Credits Agreements
- ≥2020 Ohio Farm Business Analysis
- **≻**Your Questions



#### **Ohio legislation**

#### S.B. 52 — Solar and Wind Facilities Siting and Approval

Effective October 9, 2021.

- Requires developers to hold public meeting in proposed area at least 90 days before applying for a wind or solar project approval with OPSB and allows county commissioners to prohibit or limit the proposed application.
- Allows counties to designate "restricted areas" in county where wind and solar projects may not locate.
  - Creates a county referendum process for a public vote on a restricted area designation.
- Requires chair of county commissioners and township trustees from the proposed location to serve on the OPSB board that reviews a project.
- Requires developer to submit a decommissioning plan to OPSB for approval.
  - And post a performance bond for amount of decommissioning costs, to be updated every five years.



#### **Ohio legislation**

#### H.B. 201 – Natural Gas Services

- Effective September 28, 2021.
- Guarantees citizens a right to obtain natural gas and propane services, subject to certain restrictions.
- Prohibits political subdivisions from limiting or preventing gas and propane services within its boundaries.





#### **Ohio legislation**

## H.B. 110: State Budget Bill – Ag Provisions

**H2Ohio** – requires annual H2Ohio report to be presented to House and Senate finance committees every year; appropriates \$49.3 million each year to H2Ohio program.

**OSU Extension** – establishes a farm production, policy, and financial management institute in OSU Extension.

Ohio Proud – Allows ODA to sell Ohio Proud merchandise and use proceeds for marketing fund.

Liming inspections – Allows ODA to enter into agreements with private parties for the inspection, sampling, and analysis of liming material

Farmers market inspections – removes option for a farmers market to register and be inspected as a farm market with ODA.

**Wine taxes** – makes the wine tax revenue credit to Ohio Grape Industries Fund permanent.

**Farmland preservation** – allocates \$500,000 for the purchase of agricultural easements in 2022 and 2023.

**Soil and water phosphorus program** - \$10.7 million in 2022 and 2023 to assist in reducing phosphorus in Western Lake Erie Basin.

**SWCDs in Western Lake Erie Basin** - \$3.85 million to support Soil and Water Districts in Western Lake Erie Basin.

#### Ohio legislation on the move

#### H.B. 95: Beginning Farmers -- Passed House June 28, 2021.

- Allows individuals to be certified as beginning farmers.
- Creates two income tax credits:
  - For owners who sell land and agricultural assets to certified beginning farmers.
  - For beginning farmers who attend approved financial management programs.

#### H.B. 30: Slow-moving Vehicles -- Passed House June 23, 2021.

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

#### H.B. 187 – Earning Statements -- Passed House June 16, 2021.

 Requires all employers to provide employees with written or electronic statement of earnings and deductions for each pay period.



#### **New Ohio legislative proposals**

#### H.B. 349: Moratorium on animal feeding facilities

Referred to House Agriculture and Conservation Committee on June 16, 2021. Prohibits ODA from approving a permit for a new construction or expansion of a "regulated animal feeding facility" if:

- It is in the Maumee watershed, and
- ODA has determined that the spring load of total phosphorus for the Maumee River exceeded 860 metric tons and total dissolved reactive phosphorus exceeded 186 metric tons in the previous calendar year.
- "Regulated animal feeding facilities" are those housing over:
  - 250 dairy cattle; 300 beef cattle; 3,000 piglets; 750 hogs; 25,000 egg layers; 37,500 meat chickens; 9,000 egg layers and meat chickens if on liquid manure handling system; 16,500 turkeys; 3,000 sheep and 150 horses.



### Coronavirus Food Assistance Updates

- For CFAP 2: \$13.76 billion paid to 914,030 applicants across United States and \$347 million paid to 33,778 applicants in Ohio.
- USDA re-opened sign-up for CFAP-2 for at least 60 days beginning 4/05/2021. When will it close?
  - Included increase in payment rates for cattle (CFAP1), \$20 per acre for producers of eligible flat-rate or price trigger crops, and processing of eligible payments for CFAP Additional Assistance
- Watch our April 9 Farm Office Live Recording at: <a href="https://farmoffice.osu.edu/farmofficelive">https://farmoffice.osu.edu/farmofficelive</a>



## Pandemic Assistance for Timber Harvesters & Haulers Program (PATHH)

- Announced earlier this week. Applications taken from July 22 through October 14.
- \$200 million allocated
- For timber harvesting & hauling businesses that experienced >10% loss of gross revenue in calendar year 2020 as compared to 2019.
- Eligible up to \$125,000
- Expected PATHH Payment = (2019 Gross Revenue 2020 Gross Revenue) x
   0.80
- Up to \$2,000 immediately and then final \$ sent after end of sign-up period.
- Complete details at: <a href="https://www.farmers.gov/pandemic-assistance/pathh">https://www.farmers.gov/pandemic-assistance/pathh</a>



# Pandemic Livestock Indemnity Program (PLIP)

- Announced on July 13, 2021.
- Applications taken 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.
- Single payment rate per head (80% of loss and cost of depopulation/disposal).
- Reduced by previous payments from EQIP and CFAP1 and CFAP 2.
- No payment limitations on PLIP.
- Complete details at: <a href="https://www.farmers.gov/pandemic-assistance/plip">https://www.farmers.gov/pandemic-assistance/plip</a>



## **PLIP Swine Payment Rates**

Swine	PLIP Payment per Head (after 80%)
Boars and Sows; 451 pounds or greater	\$258.57 head
Sows, Boars, Barrows, and Gilts; 251-450 pounds	\$158.88/head
Sows, Boars, Barrows, and Gilts; 151-250 pounds	\$122.10/head
Lightweight Barrows and Gilts; 50-150 pounds	\$88.70/head
Suckling Nursery Pigs; Less than 50 pounds	\$55.31/head

## **PLIP Poultry Payment Rates**

Poultry	PLIP Payment per Head (after 80%)
Chicken: Chicks	\$0.32 head
Chickens: Pullets, Cornish Hens; less than 4.26 pounds	\$2.16/head
Chickens: Broilers, Pullets; 4.26-6.25 pounds	\$3.18/head
Chickens: Roasters; 6.26-7.75 pounds	\$4.04/head
Chickens: Super Roasters and Parts; 7.76 pounds or greater	\$5.31/head
Chickens: Layers	\$4.94/head
Turkeys: Poults	\$2.15/head
Turkeys: Toms, Fryers, and Roasters	\$15.57/head

## **Update on Other Pandemic Programs**

- Pandemic Cover Crop Program
  - Sign-up ended on June 15.
  - Provided premium support up to \$5/acre for most insurance policies
  - Info at: https://www.farmers.gov/archived/cover-crops
- American Rescue Plan Act (ARPA) Debt Payments
  - Had provisions to pay up to 120% of loan balances as of 1/1/21 for FSA Direct, Guaranteed Farm Loans and Farm Storage Facility Loans to socially disadvantaged producers.
  - Federal injunction halted USDA from making debt relief payments.
  - Learn more at:
     <a href="https://www.farmers.gov/americanrescueplan/litigation-update">https://www.farmers.gov/americanrescueplan/litigation-update</a>





#### Federal legislation on the move

#### S. 1251: Growing Climate Solutions Act of 2021

- Passed Senate June 24; now with House of Representatives.
- Aims to reduce entry barriers into carbon credit markets for farmers, ranchers, and private forest landowners.
- Requires USDA to assess the market for carbon credits, establish information website for producers, create a third-party verifier certification program to ensure farmers are receiving the proper value for carbon credits.
- USDA must report regularly to Congress on market performance, challenges and barriers to entry.
- Provides \$4.1 million initial funding and \$1 million additional for next 5 years.



#### Federal legislation on the move

## H.R. 4374: Broadband Internet Connections for Rural America Act

- Hearing held July 14, 2021 in House Agriculture Committee.
- Directs \$43.2 billion in infrastructure and technical and financial assistance for rural broadband through USDA Rural Development.
  - ReConnect Rural Broadband Loans and Grants -- \$4.5 billion
  - Community Connect Grants -- \$150 million
  - Distance Learning and Telemedicine Loans and Grants -- \$150 million
  - Expansion of infrastructure into Rural Areas -- \$300 million
  - Broadband Connectors Program -- \$25 million



#### Federal legislation on the move

#### H.R. 2467: PFAS Action Act of 2021

- Passed House July 21, 2021.
- Requires comprehensive regulation of per- and polyfluoroalkyl substances (PFAS)— the "forever chemicals."
- Lists certain PFAS chemicals as hazardous substances under CERCLA (Comprehensive Environmental Response, Compensation, and Liability Act) and as hazardous air pollutants and the Clean Air Act.
- EPA must test all other PFAS substances (currently over 9,000 PFAS substances) to determine health and safety risks and create regulations to ensure drinking water is safe from PFAS chemicals.

High levels of PFAS have closed dairies in Maine and New Mexico and forced another dairy to filter the water it uses.



#### Federal legislation on the move?

#### **Infrastructure bills**

- Part of President Biden's "Build Back Better" Initiativeto build roads, bridges, railroads, and airports and for water, power and broadband infrastructure projects.
- The House passed its "INVEST in America Act" with \$715 billion for infrastructure on July 1, 2021.
- A bill failed to advance in Senate on July 21, 2021, but another vote is expected next Monday.
  - Bipartisan group of senators is still finalizing text of the bill, based on agreed upon \$579 billion in new spending.

# **Executive Order: Promoting Competition in the American Economy**

Signed by President Biden on July 9, 2021.

To promote competition in the U.S. economy by urging federal agencies to crack down on anti-competitive practices.

"Consolidation in the agricultural industry is making it too hard for small family farms to survive. Farmers are squeezed between concentrated market power in the agricultural input industries – seed, fertilizer, feed, and equipment supplies – and concentrated market power in the channels for selling agricultural products. As a result, farmers' share of the value of their agricultural products has decreased, and poultry farmers, hog farmers, cattle ranchers, and other agricultural workers struggle to retain autonomy and to make sustainable returns."

# **Executive Order: Promoting Competition in the American Economy,**

must research and report on or consider new regulations on:

- Promoting fair practices by meat producers under the Packers and Stockyards
  Act; including prohibiting grower ranking systems used by poultry producers
  and anti-retaliation rules that allow farmers to report a company's unjust
  practices without fear of retribution.
- Using "Product of USA" label.
- Giving farmers greater opportunities to access markets and receive a fair return for their products.
- Intellectual property, anti-trust, and similar legal matters within the agricultural industry.
- Reducing barriers that impede market access for smaller and independent brewers, winemakers, and distilleries.



## Federal Legislative Proposals with Proposed Tax Provisions

July 23

Barry Ward
Leader, Production Business Management
Director, OSU Income Tax Schools

#### Federal Legislative Proposals - Then

√ The American Jobs Plan

√ The American Families Plan



#### 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.

#### ✓ Senate Democrat Budget Agreement (May include....)

✓ Four years free education, direct support to children & families, extend child tax credits, expand ACA premiums tax credits, investment in education and prep for teachers, investment in child-care to improve quality and make it more affordable, increase tax credits for childcare, national comprehensive paid family and medical leave program, expand nutrition programs for school children and others, unemployment insurance system modernization, EIC Tax Credit expansion for childless workers.



#### Bipartisan Infrastructure Plan – Offsets ("Pay-fors")

- ✓ 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



#### Bipartisan Infrastructure Plan Offsets ("Pay-fors")

- √ What is absent?
  - ✓ Increase in Corporate tax rates 21% to 28% or 25%





- ✓ Restore the 39.6 % individual tax rate that was in effect before the TCJA.
- ✓ Likely lower income thresholds subject to highest rate.
- ✓ Proposes to subject long-term capital gain to ordinary income tax rates where overall income (including gain) exceeds \$1 million.
- ✓ Proposes that all 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.



- ✓ The proposal 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.



- ✓ 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.
- ✓ Under proposal, the gain of \$8,000 (\$9,000 \$1,000) will be recognized and taxed



- ✓ 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?





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# Carbon Credit Agreements

## Carbon Credit Agreements

#### What are they?

- Agreements that offer farmers payment for generating "carbon credits" via practices that reduce greenhouse gas emissions.
  - Practices that lower GHG emissions <u>or</u> sequester carbon.
- Companies purchase carbon credits to comply with environmental regulations and/or establish a "net zero emissions footprint."

#### **Legal issues to consider**

- 1. Initial eligibility requirements
  - Location, type of crop, minimum acreage, practices
  - "Additionality" requirements: must be a "new or different" practice, not a pre-existing one
- 2. Length of time and renewal
  - Transfer of land during agreement period?
- 3. Certification of credits
  - Verification process and methodology
- 4. Payment
  - How calculated: tied to market with price floor or a guaranteed amount?
  - Cash, other type of payment; any holdbacks or required purchases?
- 5. Data privacy and sharing obligations
- 6. Remedies for disputes, breach

# 2020 Ohio Farm Business Analysis - Dairy

Helping Ohio's farm families achieve financial success



Whole Farm Analysis
Enterprise Analysis
Financial Benchmark Reports
Dairy Benchmark Reports
Crop Benchmark Reports





## 2020 Ohio Farm Business Analysis - Dairy

	2019	2020	<b>2021 –</b> Jan-June	
Class III Price	16.96	18.16	16.96	
Producer				
Price	0.26	-2.31	-0.78	
Differential				
Uniform Price	17.21	15.85	16.19	
Ohio All Milk	18.72	18.33	18.36	
Price			Jan-May	
US All Milk	18.60	18.32	17.92	
Price			Jan-May	











	Average of all Farms	Range	Average of High 20%
Number of Cows	427	72 – 1,200+	325
Milk Sold per cow	24,839	12,655 — 33,320	31,159

	Average of all Farms	Range	Average of High 20%
Number of Cows	427	72 – 1,200+	325
Milk Sold per cow	24,839	12,655 — 33,320	31,159
Feed Cost per cwt.	\$10.73	\$7.79 – \$16.04	\$9.41
Total Cost per cwt.	\$19.72	\$13.66 – \$29.43	\$17.35

	Average of all Farms	Range	Average of High 20%
Number of Cows	427	72 – 1,200+	325
Milk Sold per cow	24,839	12,655 — 33,320	31,159
Feed Cost per cwt.	\$10.73	\$7.79 – \$16.04	\$9.41
Total Cost per cwt.	\$19.72	\$13.66 – \$29.43	\$17.35
Milk Price per cwt.	\$18.41	\$15.90 – \$23.84	\$17.54
Net Return per cow	\$792	(\$300) — \$1,679	\$1,195

	Average of all Farms	Range	Average of High 20%
Number of Cows	427	72 – 1,200+	325
Net Return per cow	\$792	(\$300) — \$1,679	\$1,195
Government Payments per cow¹	\$684	\$0 - \$930	\$726



<sup>&</sup>lt;sup>1</sup>Includes Dairy Margin Coverage indemnities and/or Coronavirus Food Assistance Program payments

	Average of all Farms	Range	Average of High 20%
Number of Cows	427	72 – 1,200+	325
Net Return per cow	\$792	(\$300) — \$1,679	\$1,195
Government			
Payments per cow <sup>1</sup>	\$684	\$0 - \$930	\$726
Net Return w/out			
Government Pmts	\$108		\$469

<sup>&</sup>lt;sup>1</sup>Includes Dairy Margin Coverage indemnities and/or Coronavirus Food Assistance Program payments



## Risk Management – Dairy Margin Coverage Program

**USDA** Announced margins:

Difference between the US All-milk price and a calculated feed cost per cwt.

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Avg
2021	7.14	6.22	6.46	6.94	6.89								6.73
2020	10.72	10.06	9.15	6.03	5.37	9.99	12.41	10.83	9.40	11.13	11.87	8.78	9.65

**2020:** 2.75 billion pounds of production history enrolled, 526 farms

\$7,841,074 indemnities paid

**2021:** 3.58 billion pounds of production history enrolled, 739 farms

\$20,979,741 est. indemnities thru May



Financial Measure	Average of all Farms	Benchmark
Current Ratio	2.05 beginning 2.69 ending	> 2.0/ >3.0
Working Capital	Increased \$243,970	Positive and enough
Working Capital to Gross Income	8.4% beginning 16.9% ending	>30%/ >25%
Debt to Asset (market value)	35% beginning 33% ending	<30%/<30%

### For More Information about Farm Business Analysis:

Visit:

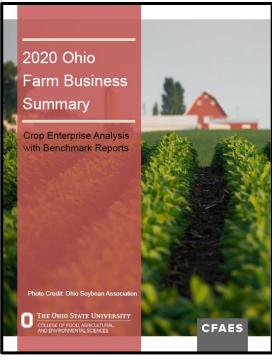
https://farmoffice.osu.edu

http://farmprofitability.osu.edu/

#### Contact:

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





This work is supported by the USDA National Institute of Food and Agriculture "Northern Plains Regional Farm Business Management and Benchmarking" project 2020/21.



United States
Department of
Agriculture

National Institute of Food and Agriculture

#### **Northwest**



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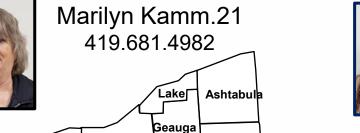
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#### Southwest



David Jenner.12

#### **North Central**



Monroe

Noble

Washington



Fairfield

Franklin

**Pickawa** 

Muskingum

Perry Morgan

**Athens** 

Meigs

Hocking Butler Warren Clinton Ross Vinton Hamilton Highland Pike Jackson Brown Scioto **Adams** Gallia

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