

# State of Soy: What Ohio Farmers Should Know This Year



Ohio Soybean Council-  
June 9, 2020  
Photo Credit- Corey Hillebro



**THE OHIO STATE UNIVERSITY**

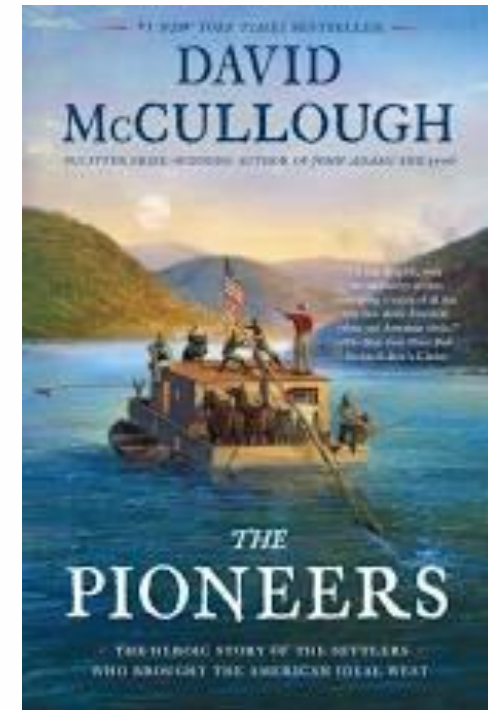
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AND ENVIRONMENTAL SCIENCES



# The outlook might be grim, but this helped me to remember the positives-

“it is without a doubt, the most fertile country, with the most varied soil, the best watered, and that which offers to agriculture and commerce, the most abundant and easy resources, of all those which the Europeans have ever discovered...”

- St. John de Crevecoeur



# Today's Agenda

1. Marketing opportunities for soybeans and corn



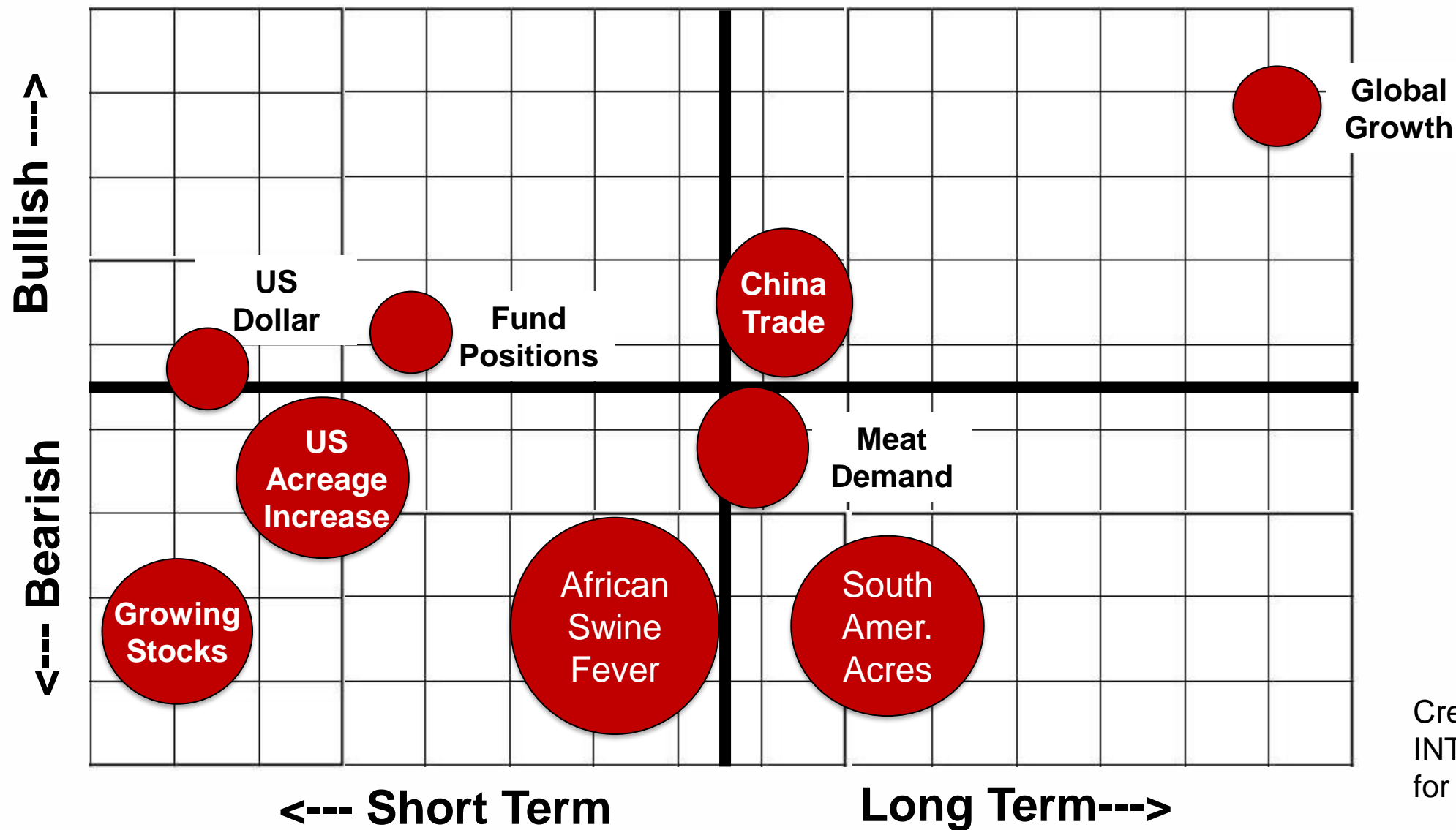
2. Federal aid and policy expectations

3. Evaluating future budgets and working capital



Photo Credits: Easy Stock Market, Pinnacle Agriculture, and American Soybean Association

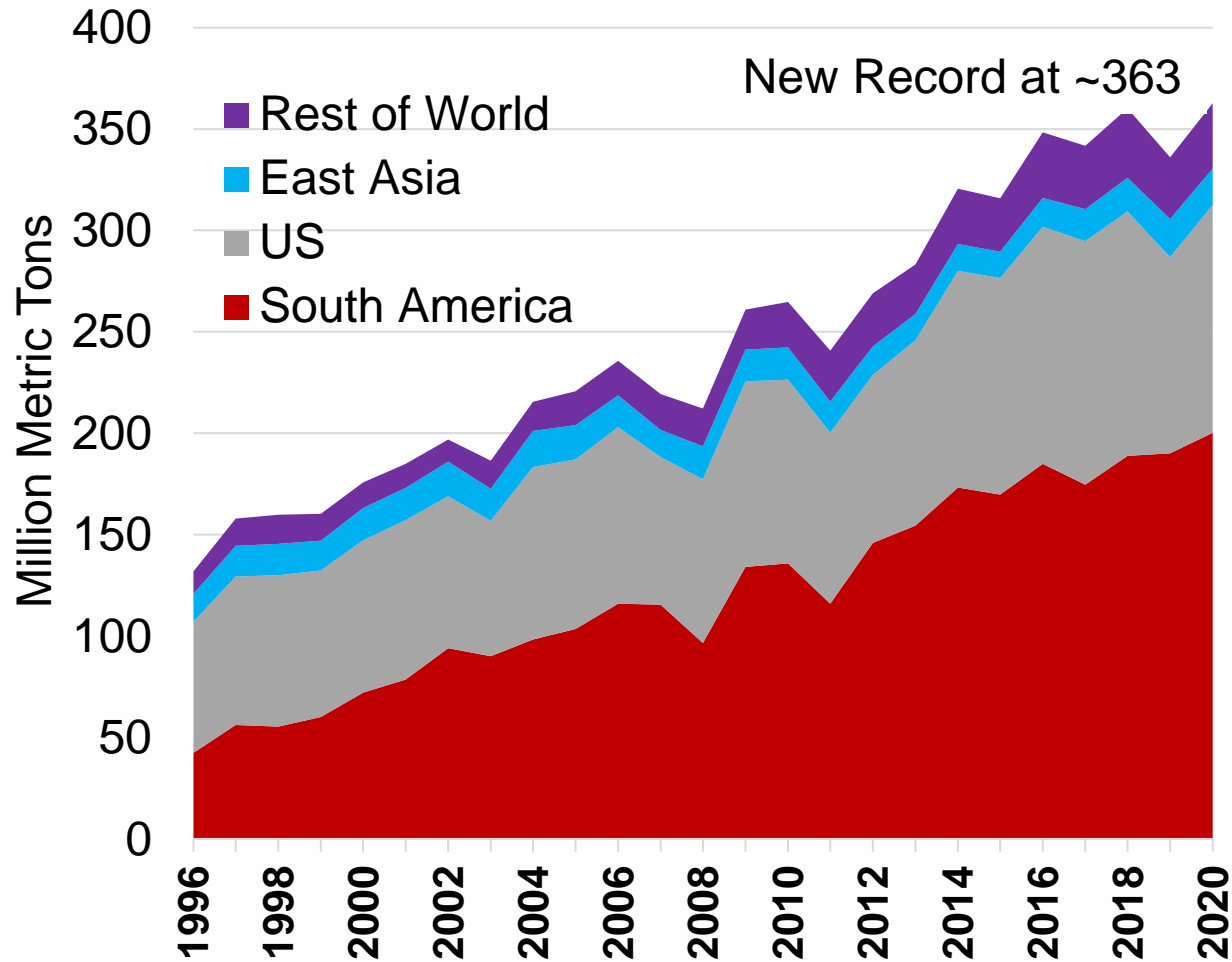
# Market Outlook: Soybean Fundamentals



Credit to  
INTL FCStone  
for concept

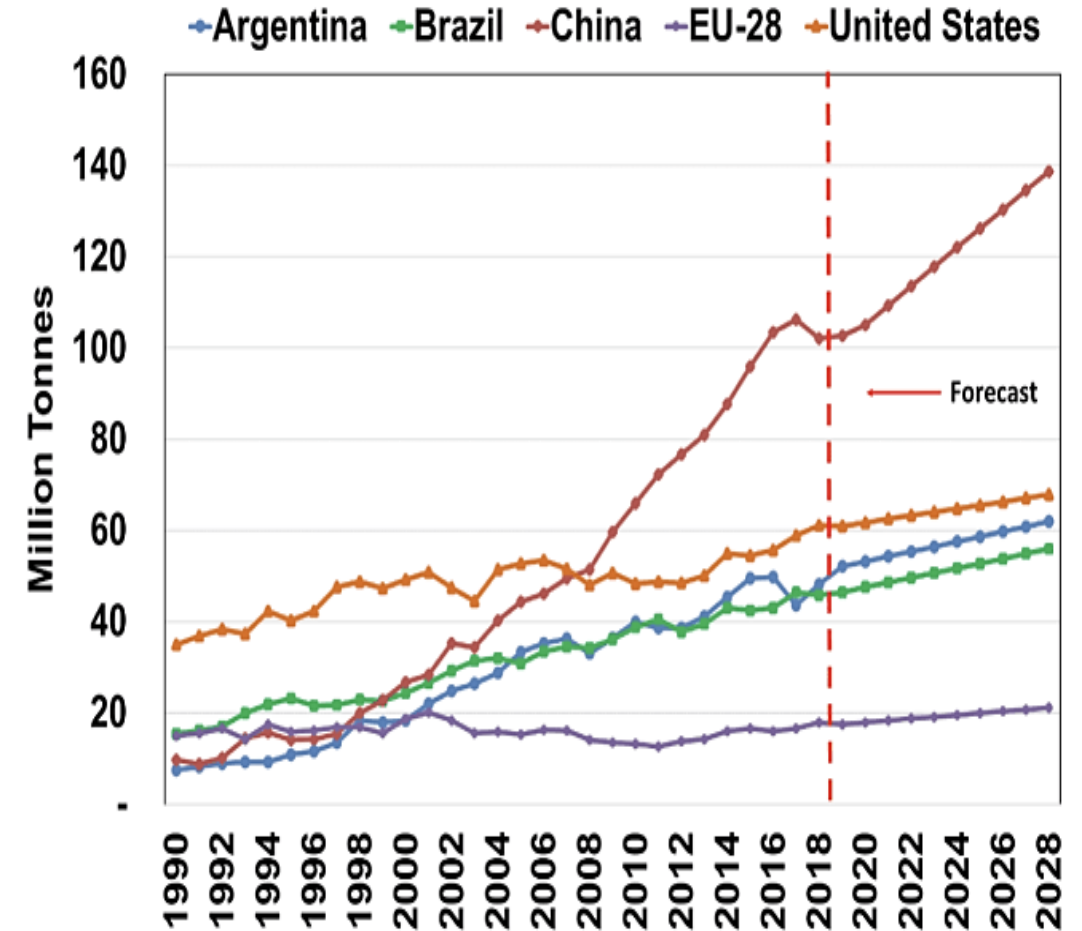
# Market Outlook: Global Soybean Picture

## Global Soybean Production



Source: USDA FAS

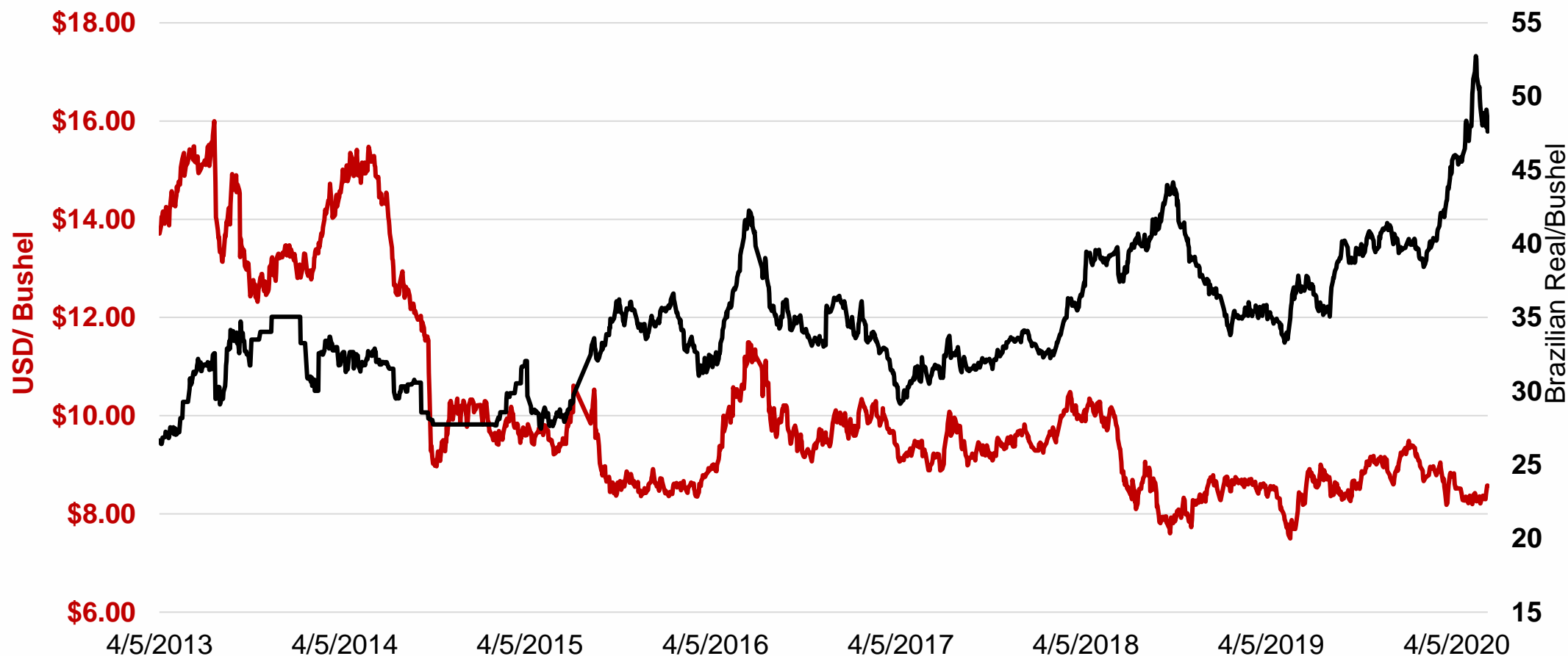
## Soybean Domestic Consumption



Source: USDA and Doane

# Market Outlook: Incentive to Produce Soybeans

Soybean Prices in to US and Brazilian Producers in Domestic Currency

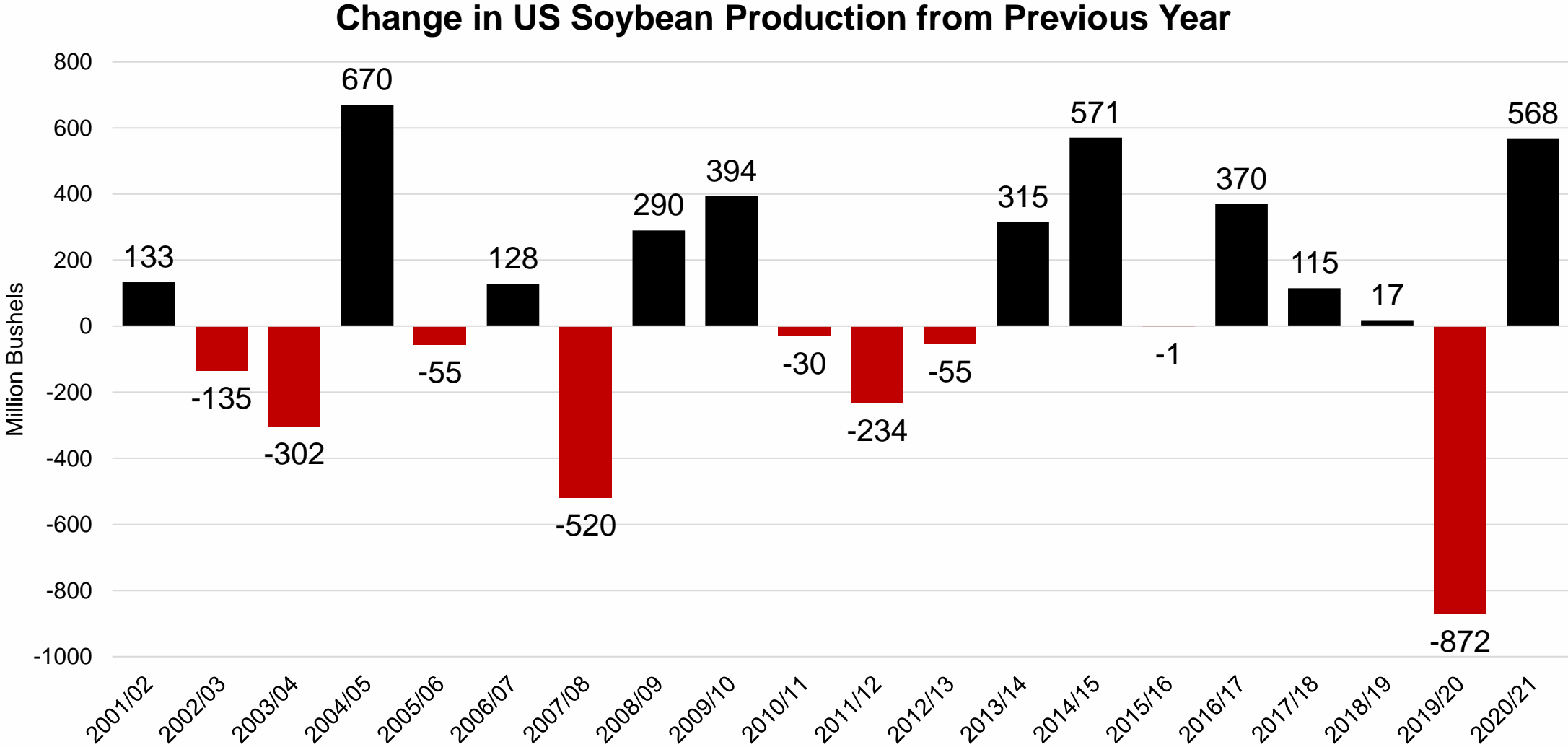


Author Calculation using CEPEA and USDA AMS Data

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**CFAES**

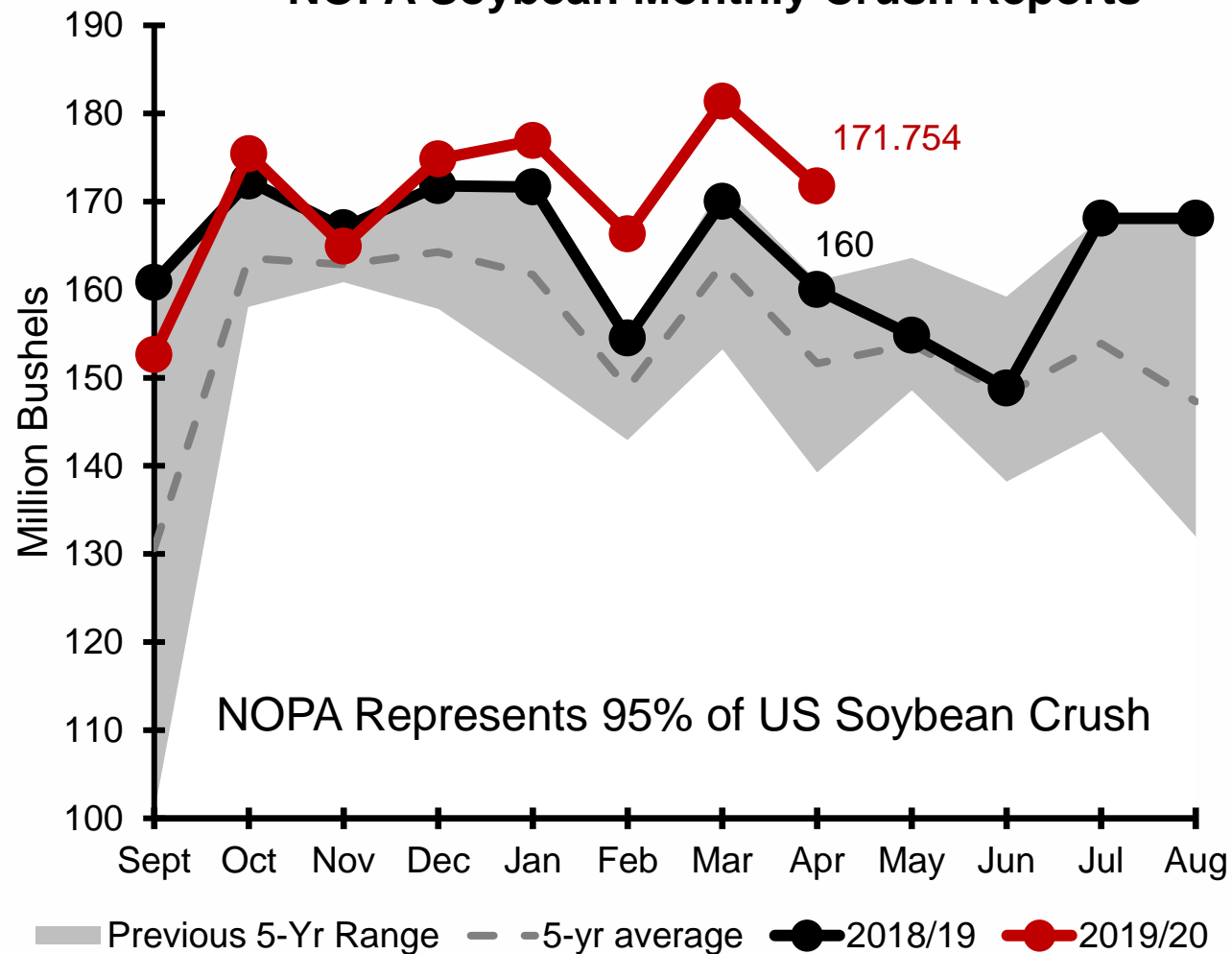
# Market Outlook: US Soybean Production



Data Source: Author Calculation using USDA FAS Data

# Market Outlook: Domestic Soybean Crush

## NOPA Soybean Monthly Crush Reports



NOPA Represents 95% of US Soybean Crush

Data Source: National Oilseed Processors

## Daily Soybean Crush Margin

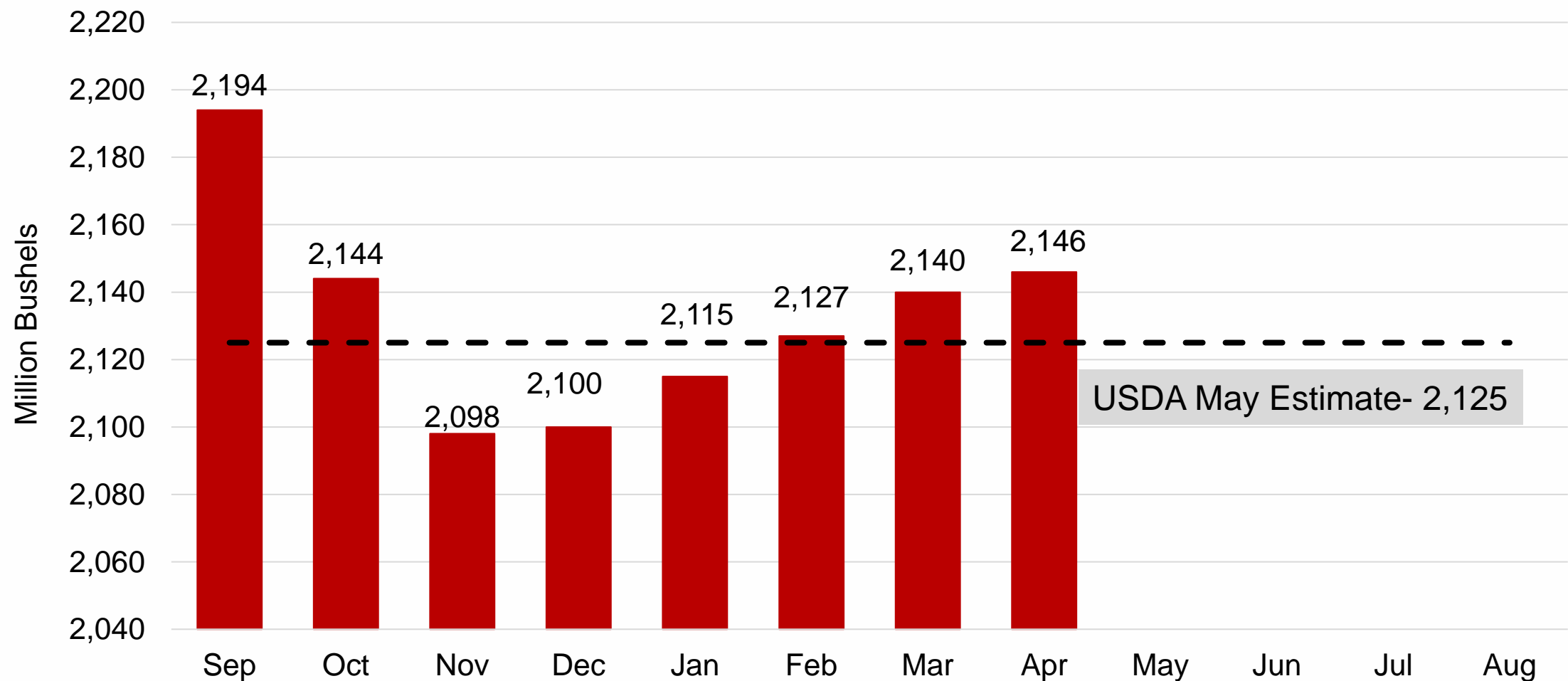


Data Source: DTN Prophet X



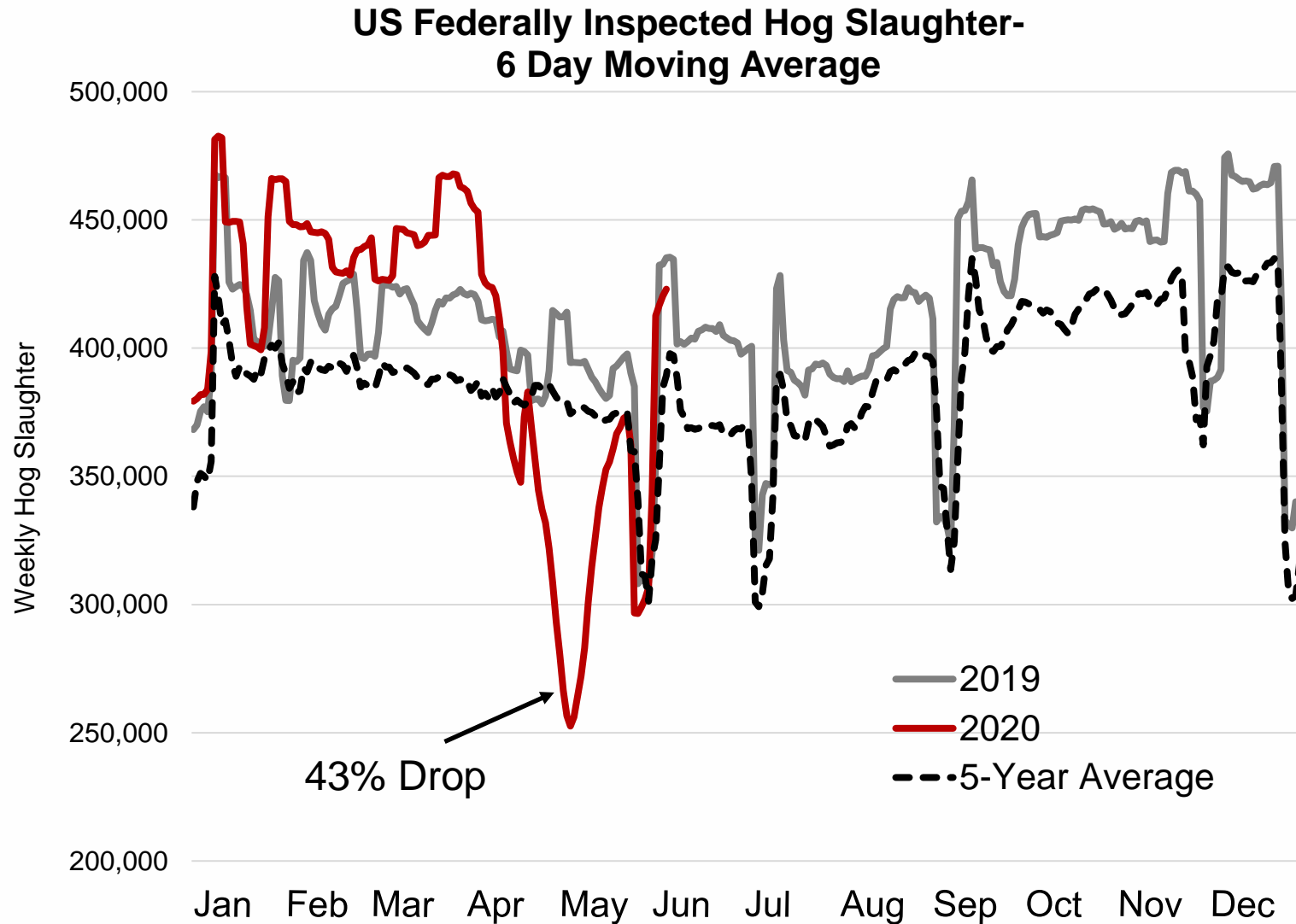
# Market Outlook: Domestic Soybean Crush

Implied 2019/20 Marketing Year Soybean Crush- by Month



Author Calculation using NOPA and USDA- NASS Data

# Coronavirus Impact: **Pork Industry**

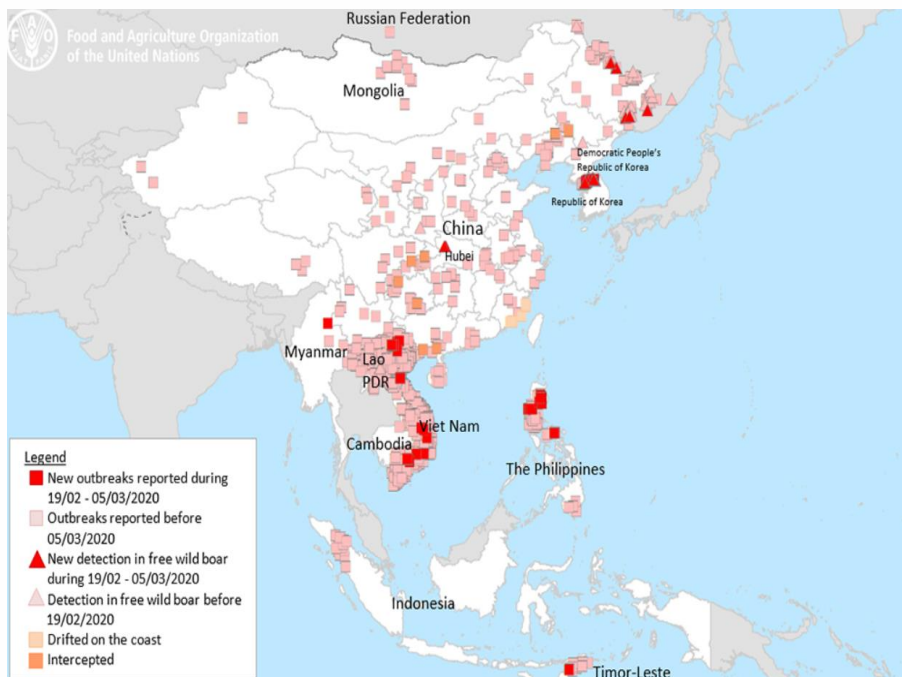


Source: Author Calculation using USDA Agricultural Marketing Service Data

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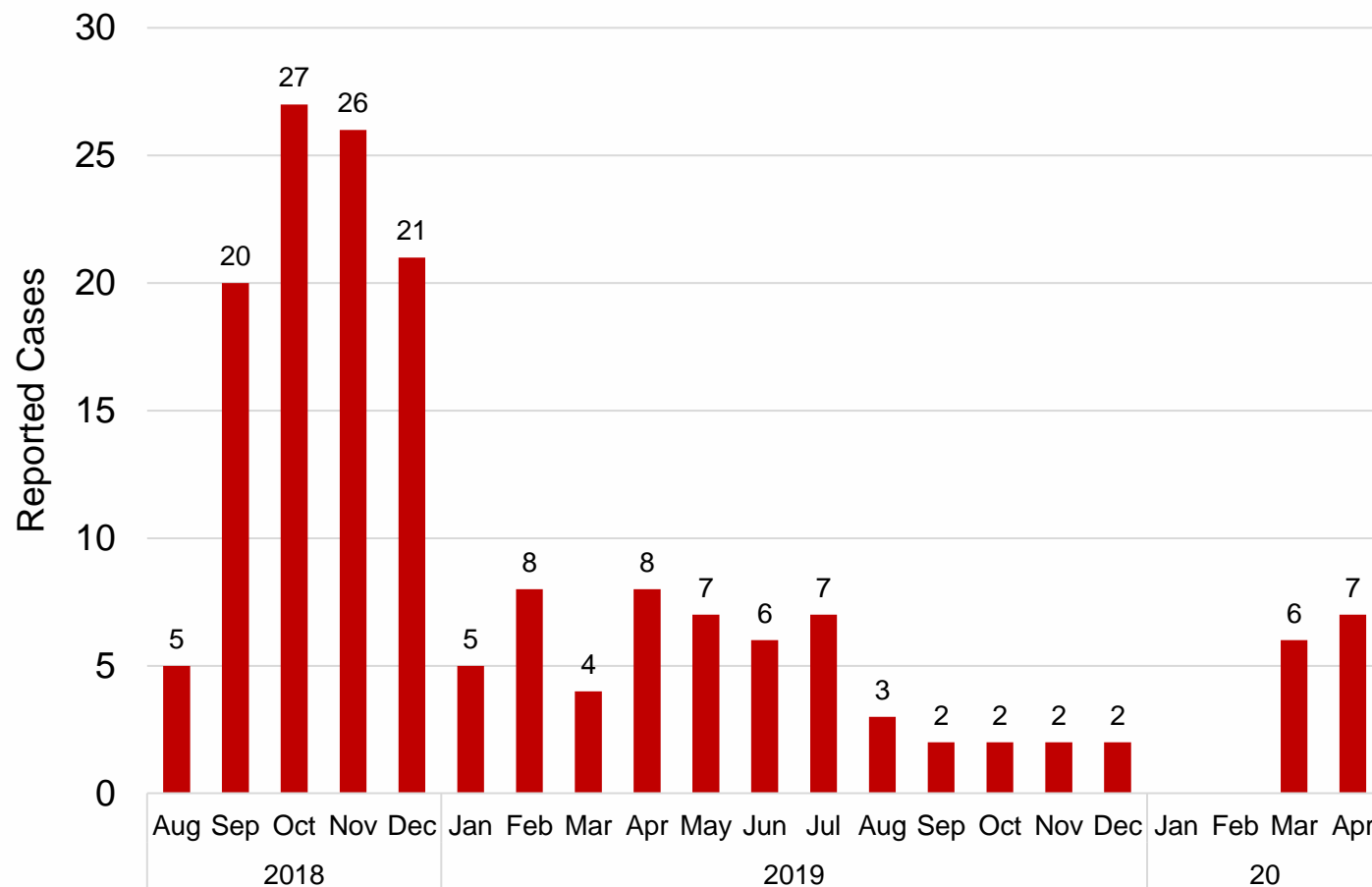
- ❖ Another 1.9 million people filed for unemployment for the first time last week.
- ❖ Roughly 39 million people have been laid off, furloughed, or temporarily released their job in just 10 weeks.
- ❖ Official unemployment rate is 16.3% for May- down from 19.7% in April.
- ❖ Roughly 40% of total people either working or looking for work (workforce) were not receiving pay. – benefits?
- ❖ What type of income effects will we see later in 2020?

# Market Outlook: African Swine Fever



- ❖ Cases have started to rise in China again.
- ❖ Outbreaks in Poland and Eastern European countries.
- ❖ China announced ban of pork from India. – May 28, 2020

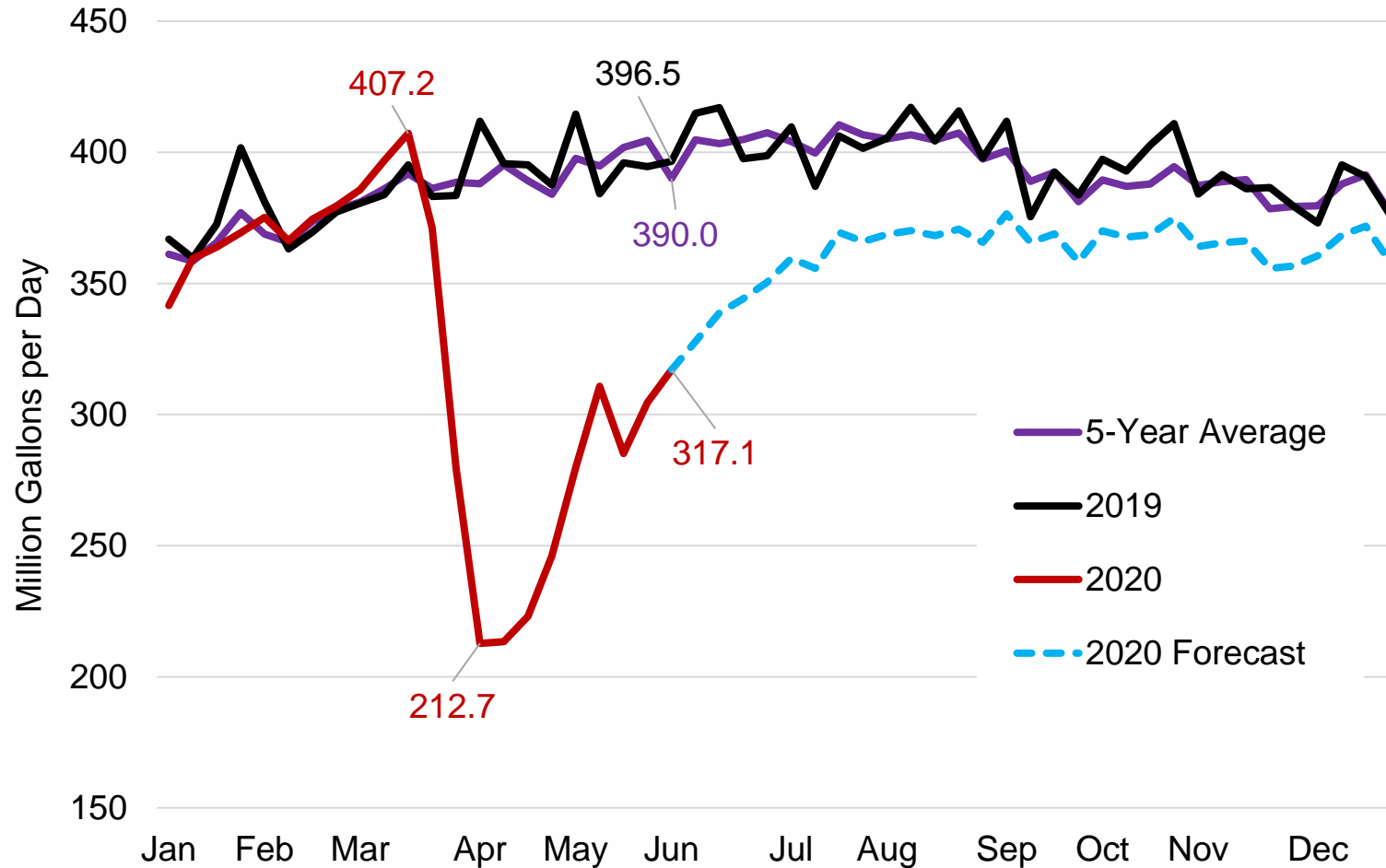
## Number of Reported Cases in China of African Swine Fever



Data Source: Chinese Ag Ministry

# Biofuel Use: How Much Gas are We Consuming??

## Weekly Demand of Finished Motor Gasoline



Data Sources: Historical- U.S. Energy Information Agency, Forecast- Author calculation using estimates for percentage declines in month gasoline consumption reported by US gasoline retailers to historical use.

- ❖ Consumption of motor gasoline is increasing from a low of almost 213 million gallons/ day or a 46% reduction from expected.
- ❖ Likely will not return to pre-COVID fuel use in 2020.
  - ❖ **11% decline in annual fuel demand.**
  - ❖ *Assumes no flare-up later in 2020.*
- ❖ Forecasted gasoline demand in 2021 and how the EPA sets the Renewable Volume Obligation (RVO) are going to be important for all biofuels in marketing year 20/21.
- ❖ Low oil prices have two effects-
  - ❖ Increase gasoline use
  - ❖ Decrease short-term biofuel competitiveness (~\$0.02/gal.)



# Poll Question #1:

Driving in my community is back to what percent of pre-COVID levels?

55%-65%

65%-75%

75%-85%

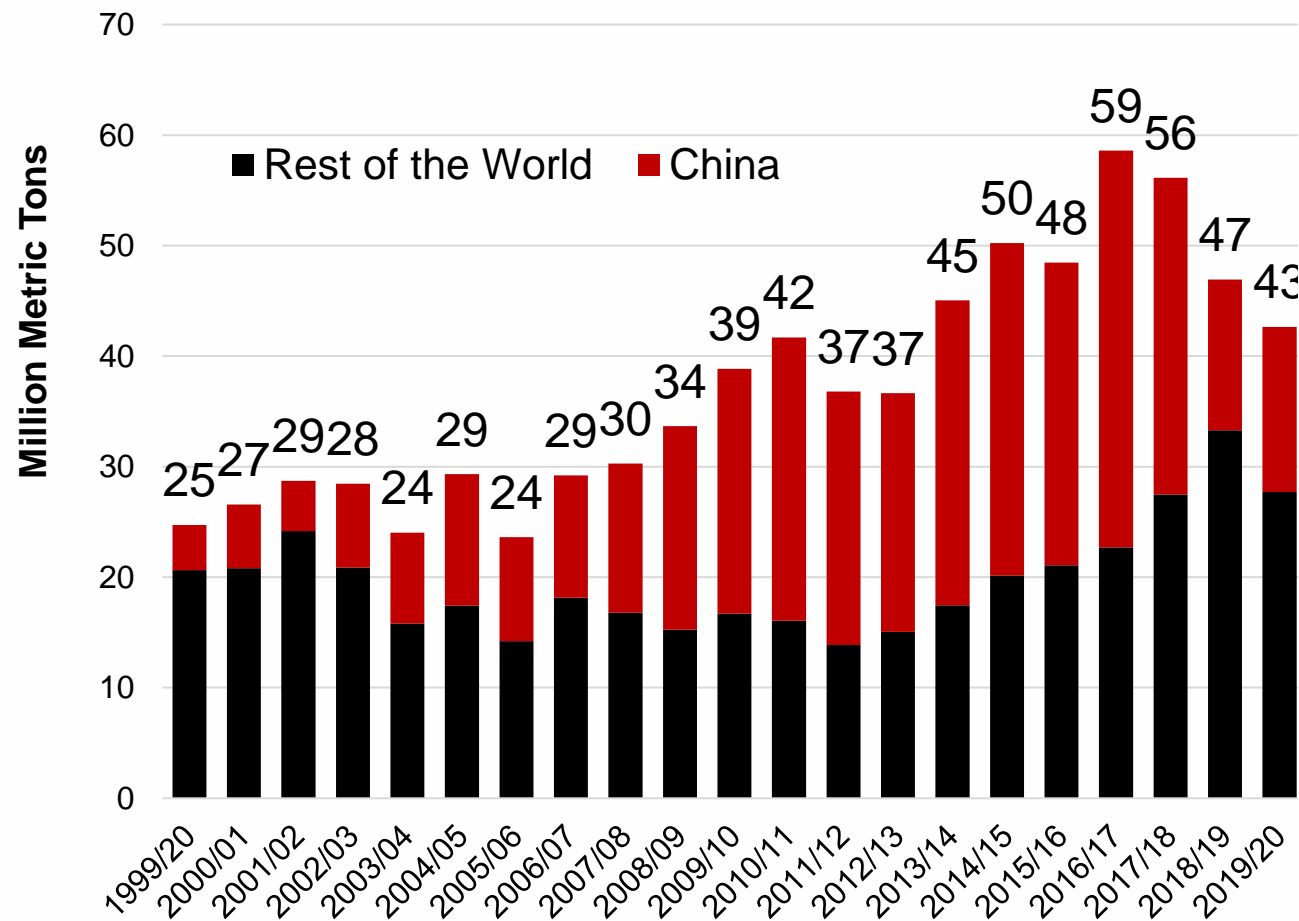
85%-95%

95%-100%

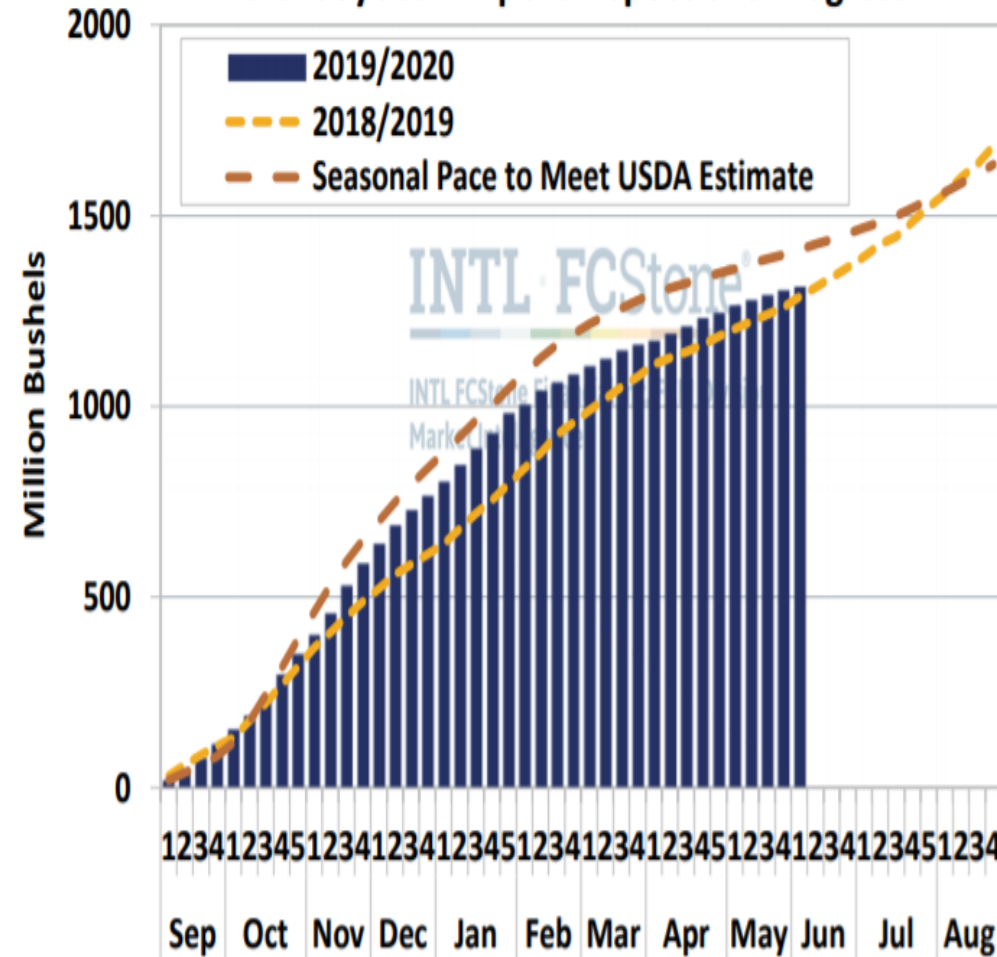
Unsure

# Market Outlook: Prospects for Soybean Exports

## United States Soybean Commitments September thru May



## U.S. Soybean Export Inspections Progress



Data Source: USDA FAS

Source: Intl FCStone

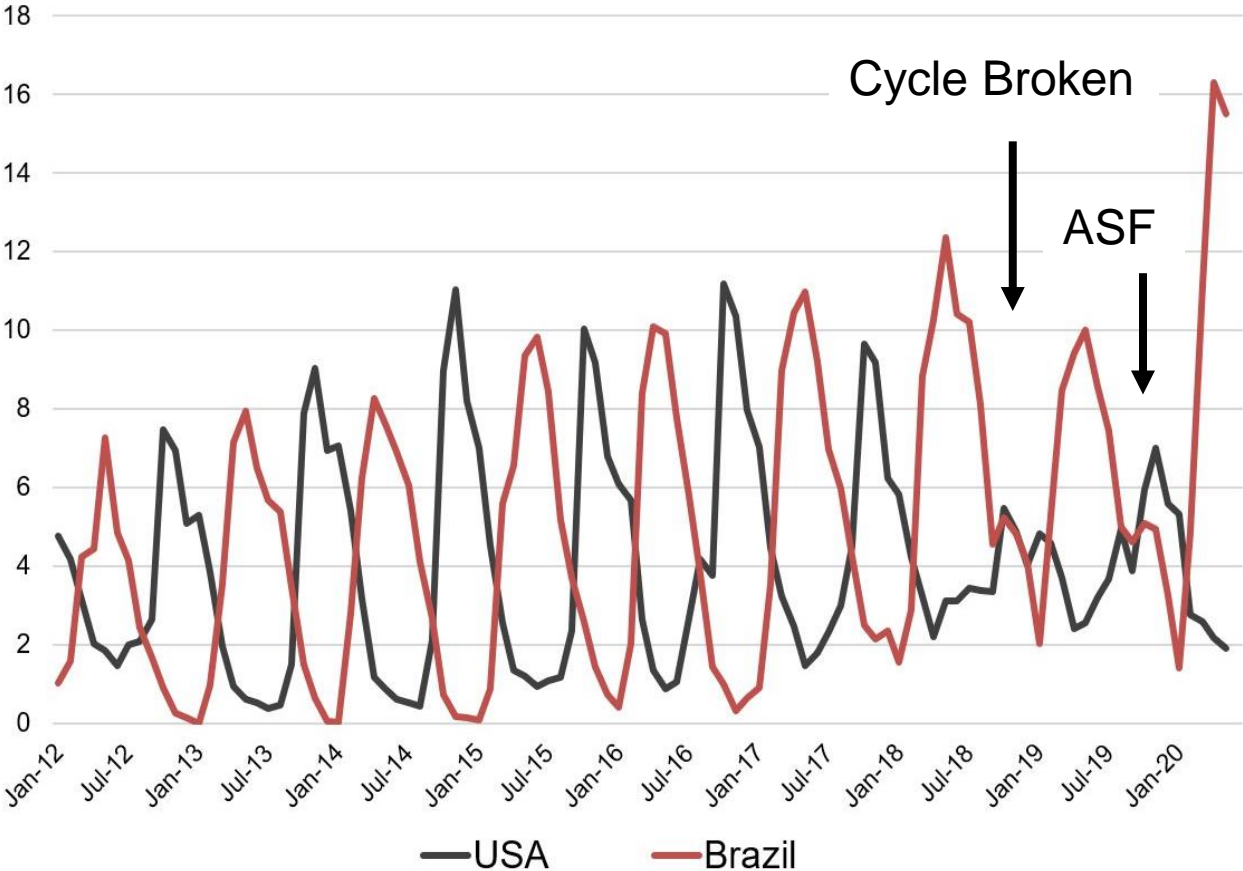
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**CFAES**

# Market Outlook: Prospects for Soybean Exports

## Monthly Soybean Exports: USA vs. Brazil

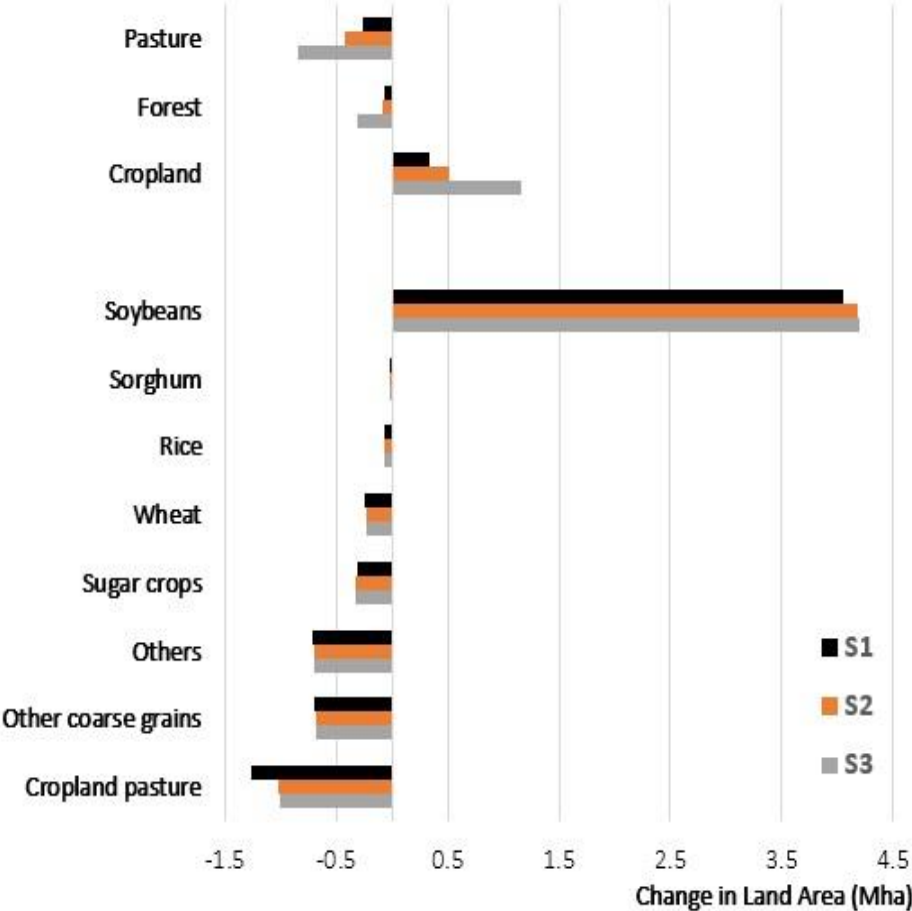
(million tonnes)



Data sources: U.S. Census Bureau; USDA; Brazil Ag Ministry

Credit: Karen Braun

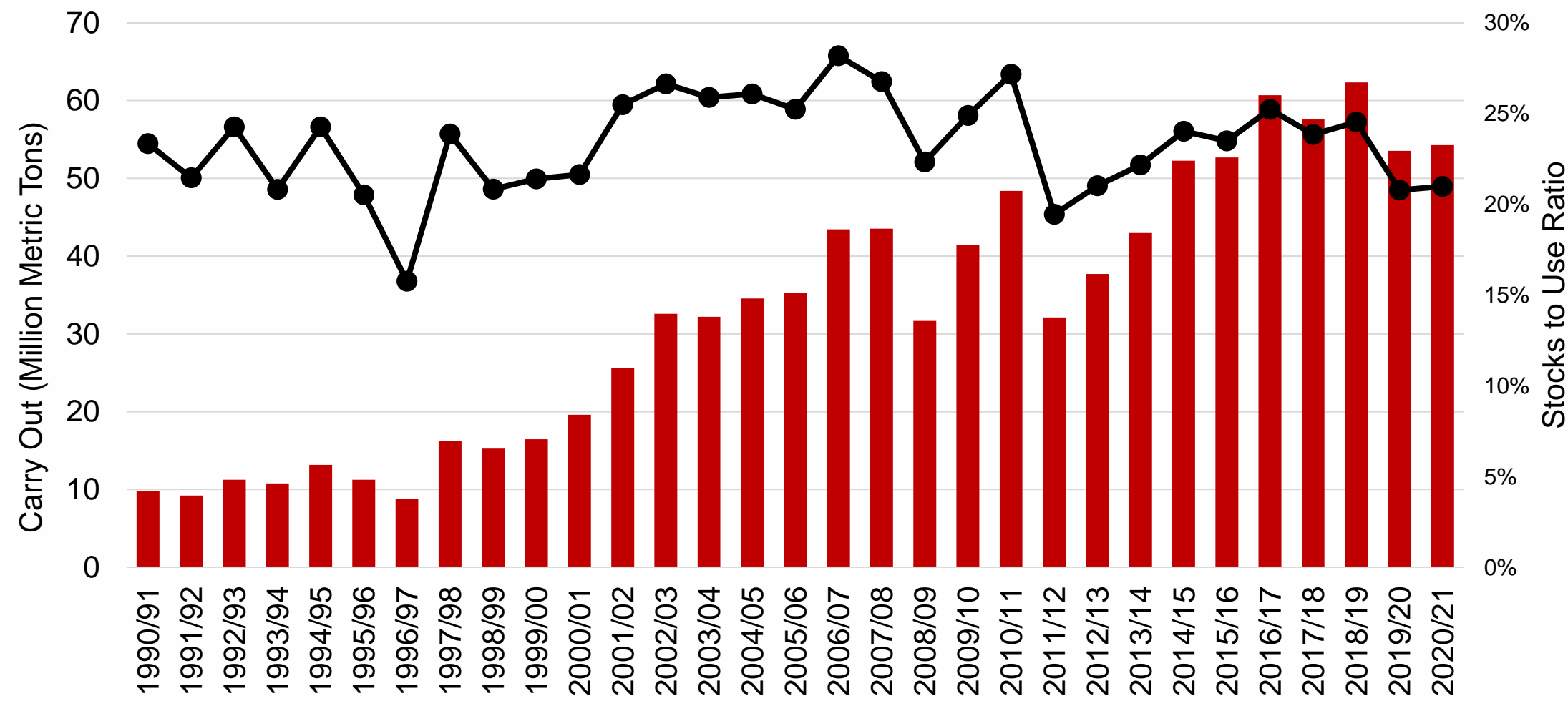
## Projected Change in Brazilian Land Use and Cropland in Response to a 25% Increase in Tariffs on US Soybean Exports to China



Richards, P, F. Taheripour, E. Arima, and W.E.Tyner. 2020. "Tariffs on American Soybeans and their Impact on Land Use Change and Greenhouse Gas Emissions in South Africa." Choices. Quarter. 2.

# Market Outlook: Prospects for Soybean Exports

South America Carryout and Stocks to Use Ratio



Data Source: USDA FAS



# Market Outlook: Impact of Phase 1 Deal

## Phase 1 Trade Deal: Exports China Interpretation

5. The Parties acknowledge that purchases will be made at market prices based on commercial considerations and that market conditions, particularly in the case of agricultural goods, may dictate the timing of purchases within any given year.

6. Official Chinese trade data and official U.S. trade data shall be used to determine whether this Chapter has been implemented. If an analysis of the respective trade data gives rise to conflicting assessments of whether this Chapter has been implemented, the Parties shall engage in consultations.

BEIJING (Reuters) - China's purchases of U.S. agricultural products will not impact its imports from other countries, a commerce ministry official said on Tuesday.

China welcomes the entry of competitive U.S. products into its markets and hopes the United States could create conditions to facilitate exports to China, Li Xingqian told a news conference.

### Advice:

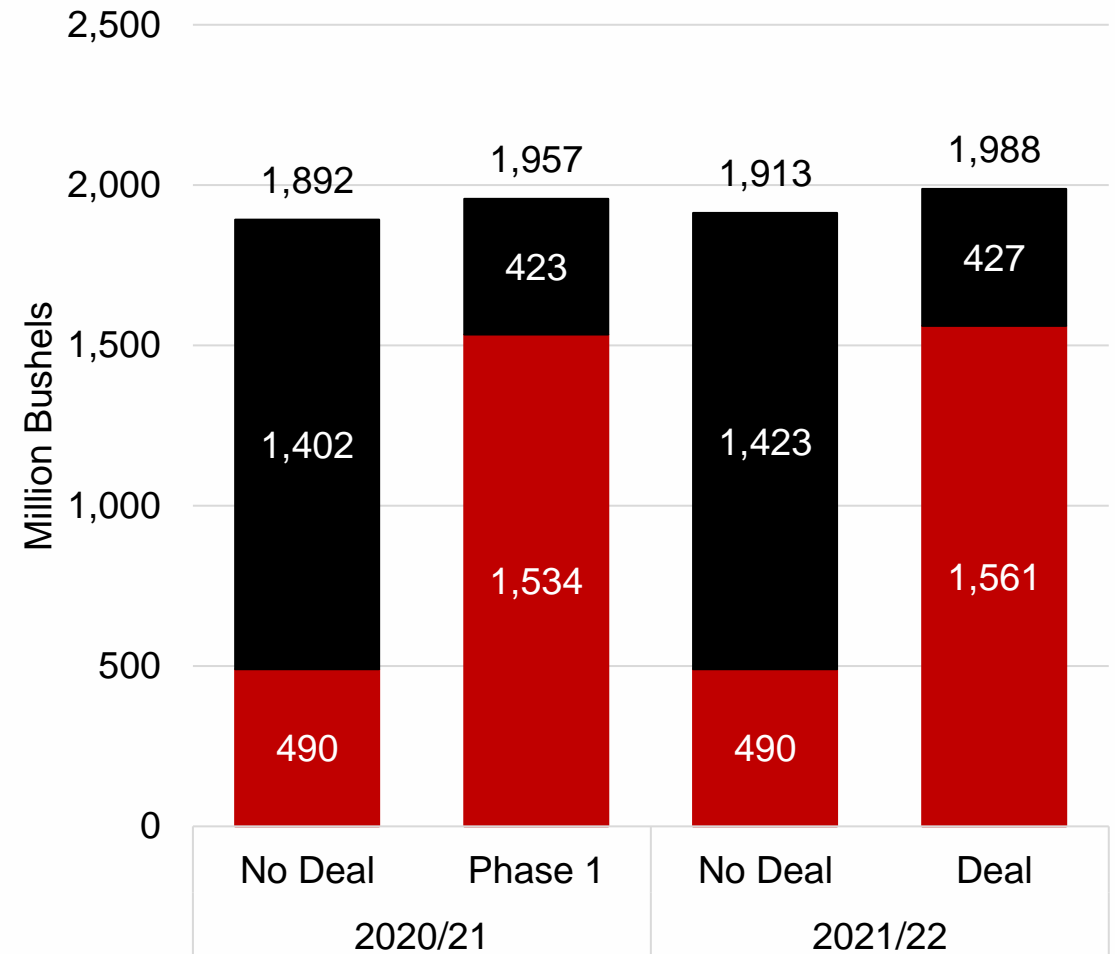
- We continue in this era of taking advantage of rumors and speculation.

Image Source: CME Group 2.5.2020

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## Impact on Total US Soybean Exports



Source: FAPRI-MU; U.S. Agricultural Market Outlook; Trade Friction Baseline and a Phase 1 Scenario. FAPRI-MU Report #01-20. March 2020.

## Poll Question #2:

Will China meet their Phase 1 import commitments for US ag and related products in 2020?

Yes

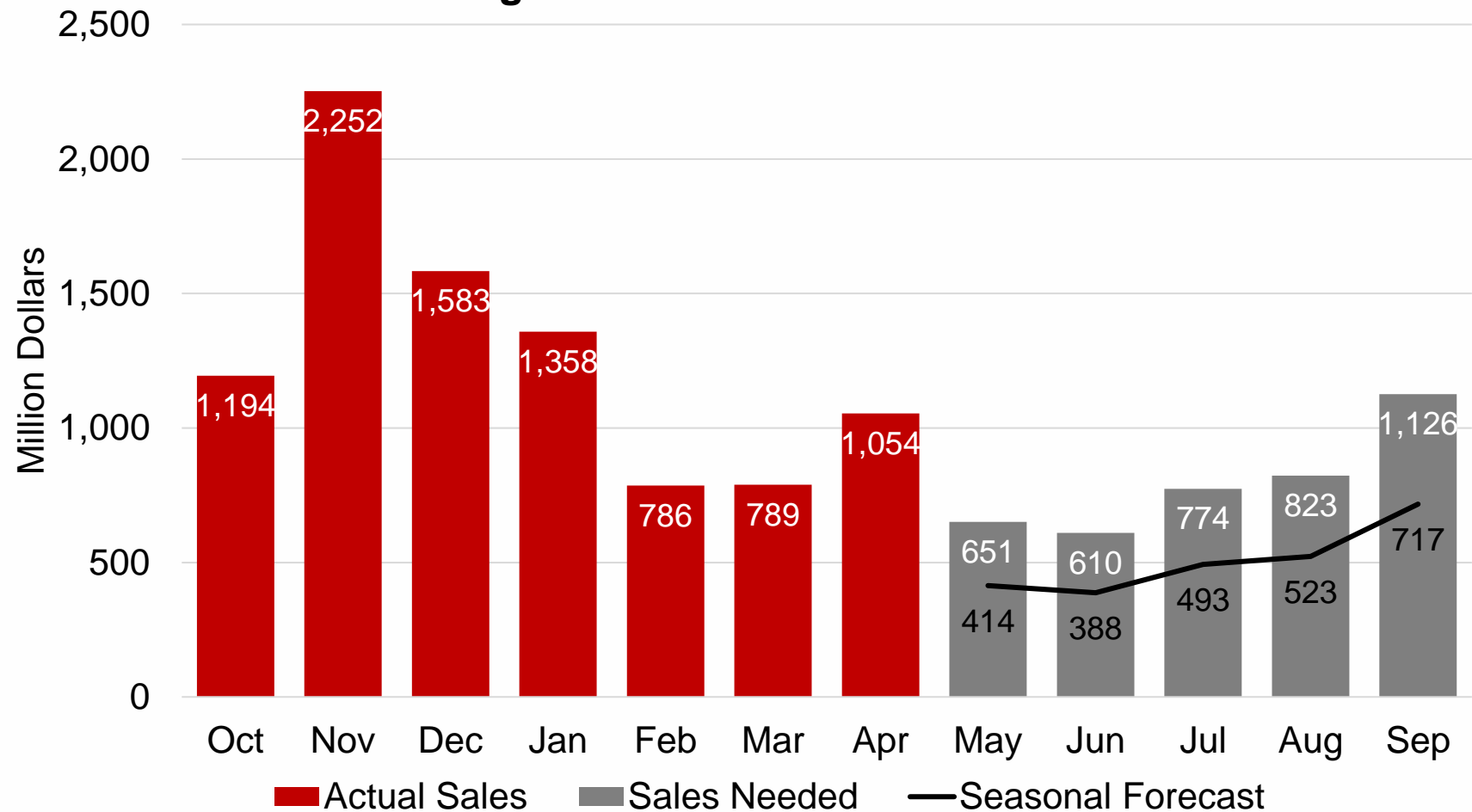
No, but more than 2017 baseline

No, and less than 2017 baseline

Unsure

# Market Outlook: Impact of Phase 1 Deal

US Ag Sales to China- Fiscal Year



## Key Reminders

- ❖ USDA lowered 2020 Fiscal Year exports to China to \$13 billion as result of COVID.
- ❖ Phase 1 is on a calendar year not fiscal year.
- ❖ Phase 1 for 2020 is 12.5 billion more than 2017 baseline of \$19.5 billion.

Data Source: USDA FSA, Concept Credit: John Newton AFBF

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Soy Balance Sheet	USDA- May	Ben's	USDA-May	New Crop Estimates 6.7.2020		
	2019-20	2019-20	2020-21	2020-21	Bearish	Bullish
Planted Acres	76.1	76.1	83.5	83.5	85.5	84.0
Harvested Acres	75.0	75.0	82.8	82.5	84.5	83.0
Yield	47.4	47.4	49.8	50.5	51	50.5
Beginning Stocks	909	909	580	595	670	570
Production	3,557	3,558	4,125	4,166	4,310	4,192
Imports	15	15	15	15	20	20
Total Supply	4,481	4,482	4,720	4,776	5,000	4,782
Crushing	2,125	2,135 (+10)	2,130	2,135	2,135	2,135
Seed	97	97	100	90	90	90
Residual	4	5	35	20	20	20
Total Domestic	2,226	2,237	2,265	2,245	2,245	2,245
Exports	1,675 (-100)	1,650 (-25)	2,050	1,950	1,800	2,100
Total Use	3,901	3,912	4,315	4,195	4,045	4,345
Ending Stocks	580 (+100)	595	405	581	955	437
Stocks to Use	14.9%	14.6%	9.4%	13.8%	24%	10.1%
Farm Cash Price	\$8.50	\$8.55	\$8.20	\$8.45	\$7.75	\$9.05



Corn Balance Sheet	USDA-May	Ben's	USDA-May	New Crop Estimates 6.7.2020		
	2019-20	2019-20	2020-21	2020-21	Bearish	Bullish
Planted Acres	89.7	89.7	97.0	95.1	97.0	94.5
Harvested Acres	81.4 (-0.1)	81.3 (-0.1)	89.6	87.2	89.0	86.2
Yield	167.8 (-0.2)	168	178.5	178.5	180.0	170.0
Beginning Stocks	2,221	2,221	2,098	2,234	2,234	2,234
Production	13,663	13,658	15,995	15,565	16,020	14,654
Imports	45	45	25	50	50	50
Total Supply	15,928	15,924	18,118	17,849	18,304	16,938
Feed Use and Res.	5,700 (+25)	5,750 (+50)	6,050	5,625	5,625	5,675
Food, Seed, Ind.	6,355	6,215	6,600	6,515	6,515	6,865
Ethanol	4,950 (-100)	4,800 (-150)	5,200	5,100	5,100	5,400
Total Domestic	12,140	11,965	12,650	12,140	12,140	12,490
Exports	1,725 (+50)	1,725	2,150	2,200	2,000	2,575
Total Use	13,830 (-35)	13,690	14,800	14,340	14,140	15,115
Ending Stocks	2,098 (+6)	2,234	3,318	3,509	4,164	1,823
Stocks to Use	15.1%	16.3%	22.4%	24.5%	29.4%	12.1%
Farm Cash Price	\$3.60	\$3.60	\$3.20	\$2.90	\$2.50	\$4.10

# US Ag Outlook: **Key Questions and Observations**

- ❖ **For Soybeans-** USDA is very optimistic with Chinese global soybean demand as their current estimate for next year is 5% above pre-ASF outbreak levels. Chinas hog herd remains about ½ of that time frame.
- ❖ **2020/21 domestic corn production** came close to the expected 16 billion bushels in May, but USDA got creative on the demand side (feed & residual, exports) to soften the blow.
- ❖ **Focus now shifts to weather and final acreage.**
  - ❖ Two areas of interest for acreage- North Dakota and Eastern Corn-Belt
  - ❖ Good Crops are currently expected, but probability of dryness is increasing.
  - ❖ Will China be a player in the US demand story?
- ❖ **Large crops both domestically and globally are going to continue to weigh on commodity prices.**
  - ❖ Not many profitable moments at current futures price.
  - ❖ Soybean harvest basis is still relatively strong. This is likely the lowest soybean stocks number of the year and prices will start to reflect that without any weather issues.

# Federal Aid and Policy Expectations



## Poll Question #3:

I understand all the federal support programs available to producers in my community?

Yes, already been to the FSA Office

Yes, need to go to FSA Office still

I understand there are programs for producers, but I don't know how they work.

I am not aware of programs available to producers.

Unsure



# Coronavirus

- ❖ The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) passed Congress and signed into law March 27, 2020.
- ❖ U.S. Secretary Scott Prange announces Coronavirus Assistance Program April 17, 2020. Two types of assistance:
  1. Direct Assistance
  2. Farmers to Firms
- ❖ USDA releases Coronavirus Direct Assistance Program April 23, 2020.
- ❖ Application period for Direct Assistance begins May 11, 2020 and continues through May 28, 2020.



**\$16 billion in  
total  
payments.**

# CFAP: Direct Support- **Key Details**

- ❖ Eligible producers are those who have ownership risk of either eligible non-specialty crops, livestock, wool, dairy or specialty crops that suffered a 5% or greater national price loss as a result of COVID-19.
- ❖ Payments will be split into two parts:
  1. 80% of total payment upon approval of application
  2. 20% of total payment will be paid later if sufficient funds remain.
- ❖ Limited to \$250,000 per individual or \$750,000 per corporate entity and an Adjusted Gross Income (AGI) below \$900,000 for tax years 2016, 2017 and 2018 or 75% of revenue comes from farming ranching or forestry-related activities.
- ❖ Producers must be in compliance with Highly Erodible Land and Wetland Conservation Provisions.

# CFAP: Non-Specialty Crops & Wool

❖ The formula to calculate non-specialty crops and wool has two parts:

Part 1: The **lesser** of either 50% of 2019 production or the unpriced inventory on hand as of January 15, 2020 multiplied by 50% and the CARES per unit rate per commodity.

Part 2: The **lesser** of either 50% of 2019 production or the unpriced inventory as of January 15, 2020 multiplied by 50% and the CCC per unit rate per commodity.

# CFAP: Eligible Inventory

Must meet three conditions.

## Condition 1: Eligible Inventory

The lower of:

- 1) self-certified unpriced inventory; vested ownership as of January 15, 2020  
or
- 2) 50% of 2019 production.

Corn chopped for silage in 2019 counts toward 2019 corn production and if held on January 15, the silage counts for corn payment.  
(Tons x 7.94= bushels)

## Condition 2: Unpriced Inventory

“production that is not subject to an agreed upon price in the future through a forward contract, agreement or similar binding document”  
(Final Rule- USDA FSA)

## Condition 3: Subject to Price Risk

“must still be at risk of price fluctuations after January 15, 2020 to be eligible”



# CFAP: Eligible Inventory

Non-Specialty Crop Marketing Contract Eligibility for CFAP	
Type of Contract in Existence on January 15, 2020	Explanations
Contracts Eligible for CFAP	
Basis Contract	Producer locks in a basis leaving the future price to be set later.
Basis Fixed Contract	
No Price Established	Producer delivers commodity without setting a sales price.
Delayed Price	
Deferred Price Contract	
Contracts Ineligible for CFAP	
Cash Contract	Producer receives a cash price for a commodity when sold.
Fixed Price Contract	
Forward Price Contract	Producer receives a cash price for a commodity based on a future delivery.
Cash Forward Contract	
Minimum Price Contract	Producer locks in the cash price and buys a call option to establish a minimum price. The net cash price will never be less than the original cash value minus the cost of the call option.
Option Contract	
Window Contract	
Hedge to Arrive (HTA)	Producer locks in a futures price leaving the basis to be set later.
Futures Fixed Contract	
Futures Contract	
Source: <a href="https://www.usda.gov/CFAP">USDA.gov/CFAP</a>	

# CFAP: Payment Rates

Commodity	Unit	CARES Act Payment Rate (\$/unit)	CCC Payment Rate (\$/unit)	Average Payment Rate for Grain*
Barley (malting)	bushel	\$0.34	\$0.37	\$0.355
Canola	pound	\$0.01	\$0.01	\$0.01
Corn	bushel	\$0.32	\$0.35	\$0.335
Durum Wheat	bushel	\$0.19	\$0.20	\$0.195
Hard Red Spring Wheat	bushel	\$0.18	\$0.20	\$0.19
Millet	bushel	\$0.31	\$0.34	\$0.325
Oats	bushel	\$0.15	\$0.17	\$0.16
Sorghum	bushel	\$0.30	\$0.32	\$0.31
Soybeans	bushel	\$0.45	\$0.50	\$0.475
Sunflowers	pound	\$0.02	\$0.02	\$0.02
Upland Cotton	pound	\$0.09	\$0.10	\$0.095

\* Since the formula is 50% of eligible bushels times each payment rates, the formula can be simplified to the simple average of the CARES Act and CCC payment rates time 100% of eligible bushels.



# Example for Non-Specialty Crops & Wool

Scenario: 40,000 bushels of unpriced corn on hand 1/15/2020 representing 40% of 2019 production.

18,000 bushels of unpriced soybeans on hand 1/15/2020 representing 90% of 2019 production.

## Formula Reminder

$(50\% * (\text{Lesser of } 50\% \text{ of } 2019 \text{ production or inventory Jan. 15}) * \text{CFAP Rate})$

+

$(50\% * (\text{Lesser of } 50\% \text{ of } 2019 \text{ production or inventory Jan. 15}) * \text{CCC Rate})$

## Simplified Formula

$100\% * (\text{Lesser of } 50\% \text{ of } 2019 \text{ production or inventory Jan. 15}) * \text{average payment rate}$

Crop	50% of 2019 production (bushels)	Jan. 15 inventory (bushels)	Rate per bushel	Total
Corn	50,000	<b>40,000</b>	\$0.335	\$13,400
Soybean	<b>10,000</b>	18,000	\$0.475	\$4,750
Total				<b>\$18,150</b>
80% First Installment				\$14,520
20% Second Installment				\$3,630

# CFAP: **Recap**

- ❖ Program sign-up started May 26, 2020 and ends August 28, 2020.
- ❖ Apply at any USDA Farm Service Agency (FSA) Service Center
  - ❖ Currently not available for walk-in appointments
  - ❖ Applications can be filled out online, downloaded, signed and then submitted either by mail, fax, or other electronic means.
  - ❖ Please call your local office before mailing in applications.
  - ❖ Applicants have 60 days after submitting CFAP application to get all related forms completed.
- ❖ Tools and resources including applications, first time participant videos, frequently asked questions, and CFAP calculator can be found at **[farmers.gov/cfap](https://farmers.gov/cfap)**


# The CARES Act Paycheck Protection Program

## Loan Forgiveness

- ❖ Producers can apply for forgivable loans: employee payroll, owner-employees and self-employed payroll compensation, non-payroll costs.
- ❖ Still an option roughly \$511 billion out of \$660 billion
- ❖ PPP loan forgiveness interim final rule- May 22
- ❖ Deadline for new loans- June 30, 2020

## Program Changes- June 5

- ❖ 24 weeks to spend loans up from 8 weeks
- ❖ Reduced threshold of 75% spent on payroll to 60%.

 Paycheck Protection Program  
Loan Forgiveness Application

OMB Control Number 3245-0407  
Expiration Date: 10/31/2020

PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")	DBA or Tradename, if applicable	
Business Address	Business TIN (EIN, SSN)	Business Phone
	Primary Contact	E-mail Address

SBA PPP Loan Number: \_\_\_\_\_ Lender PPP Loan Number: \_\_\_\_\_

PPP Loan Amount: \_\_\_\_\_ PPP Loan Disbursement Date: \_\_\_\_\_

Employees at Time of Loan Application: \_\_\_\_\_

Employees at Time of Forgiveness Application: \_\_\_\_\_

EIDL Advance Amount: \_\_\_\_\_ EIDL Application Number: \_\_\_\_\_

Payroll Schedule: The frequency with which payroll is paid to employees is:

☐ Weekly ☐ Biweekly (every other week) ☐ Twice a month ☐ Monthly ☐ Other \_\_\_\_\_

Covered Period: \_\_\_\_\_ to \_\_\_\_\_

Alternative Payroll Covered Period, if applicable: \_\_\_\_\_ to \_\_\_\_\_

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here: ☐

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10): \_\_\_\_\_

Line 2. Business Mortgage Interest Payments: \_\_\_\_\_

Line 3. Business Rent or Lease Payments: \_\_\_\_\_

Line 4. Business Utility Payments: \_\_\_\_\_

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3): \_\_\_\_\_

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5: \_\_\_\_\_

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13): \_\_\_\_\_

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7): \_\_\_\_\_

Line 9. PPP Loan Amount: \_\_\_\_\_

Line 10. Payroll Cost 75% Requirement (divide line 1 by 0.75): \_\_\_\_\_

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10): \_\_\_\_\_

# Economic Injury Disaster Loan (EIDL) Program

- ❖ Eligibility extended to agricultural enterprises with fewer than 500 employees after initially not being eligible.
  - 30 year maturation, 3.75% interest
  - Can use for fixed debt, payroll, accounts payable, sick leave, increased material costs, rental or mortgage payments, other obligations due to revenue losses
  - But can't duplicate PPP expenditures
- ❖ “Emergency advance” of \$1,000 per employee is not subject to repayment. Was \$10,000.
  - But does reduce amount of PPP forgiveness

# Estimated 2019 ARC-CO and PLC Corn Payments- **Paid in 2020**

## Ohio Corn Impacts

Pre COVID <sup>1</sup>	\$3.90/bu.
Post COVID <sup>2</sup>	\$3.58/bu.
Change	-\$0.32, 8.2%
Reference Price	\$3.70/bu.
Ohio Yield	164 bu./acre
Change in Revenue	\$52.48/acre

## Payment Rates

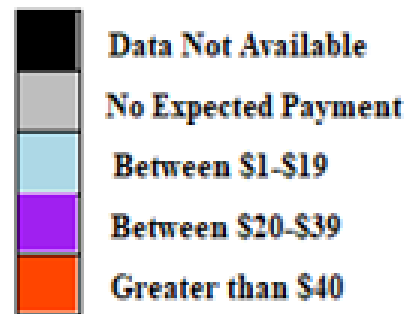
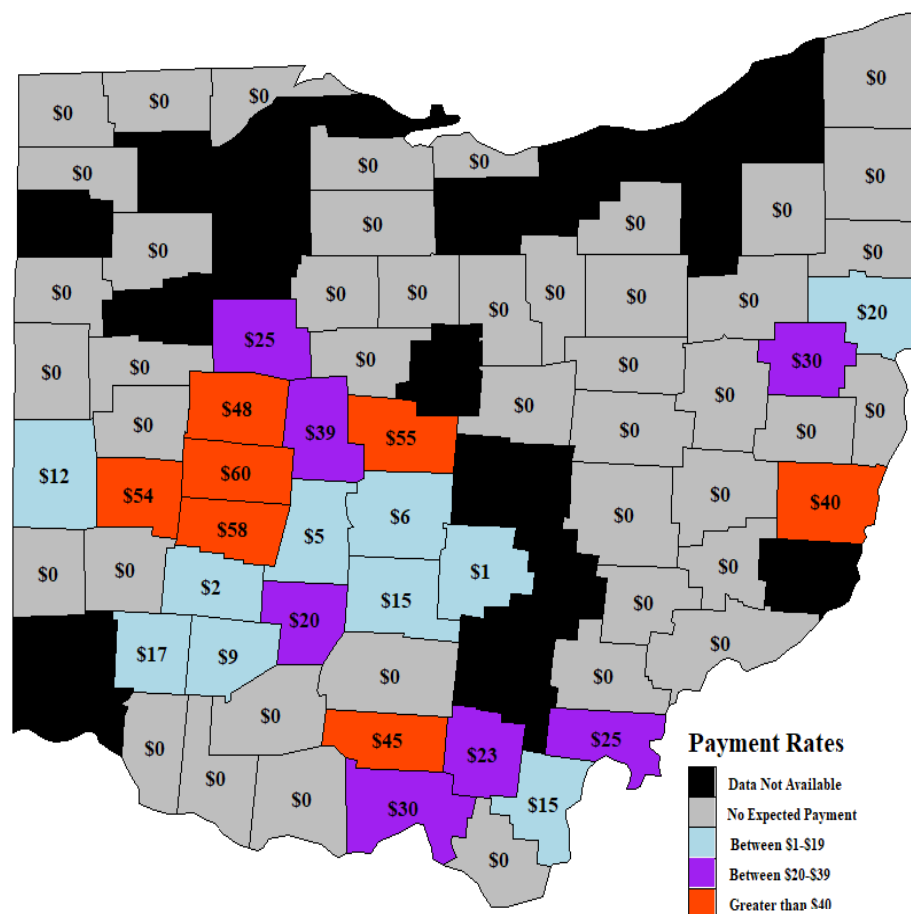
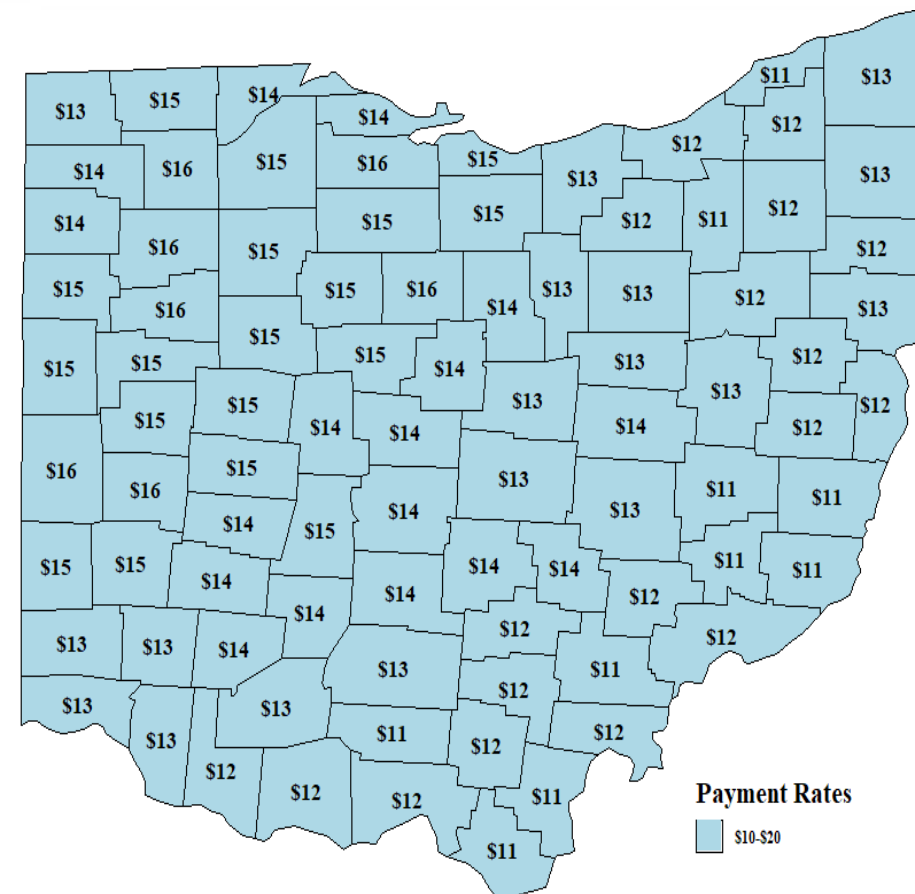


Figure 1. Estimated Ohio 2019 ARC-CO Corn Payments per enrolled base acre



Author Calculation using data from FSA and NASS

Figure 2. Estimated Ohio 2019 PLC Corn Payments per enrolled base acre



Payment Rates  
\$10-\$20

- 1) Reported in FAPRI-MU 10-year baseline with Phase 1 Deal January 2020
- 2) Reported in FAPRI-MU COVID Impacts Report April 2020
- 3) Paid in October 2020, PLC payments based on individual FSA Farm Yield

# Estimated 2019 ARC-CO and PLC Soybean Payments- **Paid in 2020**

## Ohio Soybean Impacts

Pre COVID <sup>1</sup>	\$8.97
Post COVID <sup>2</sup>	\$8.57/bu.
Change	-\$0.40, 4.4%
Reference Price	\$8.40/bu.
Ohio Yield	49 bu./acre
Change in Revenue	\$19.60/acre

## Payment Rates

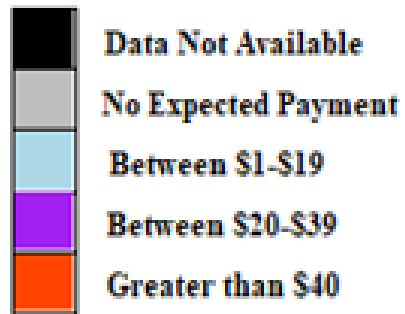
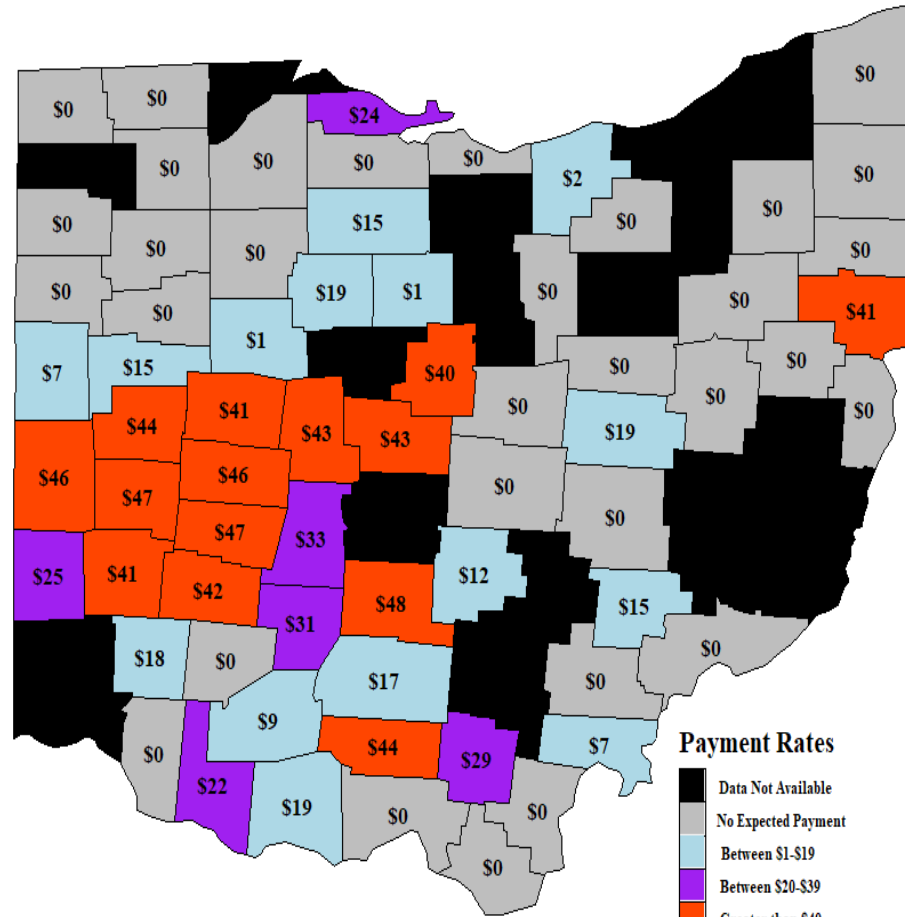
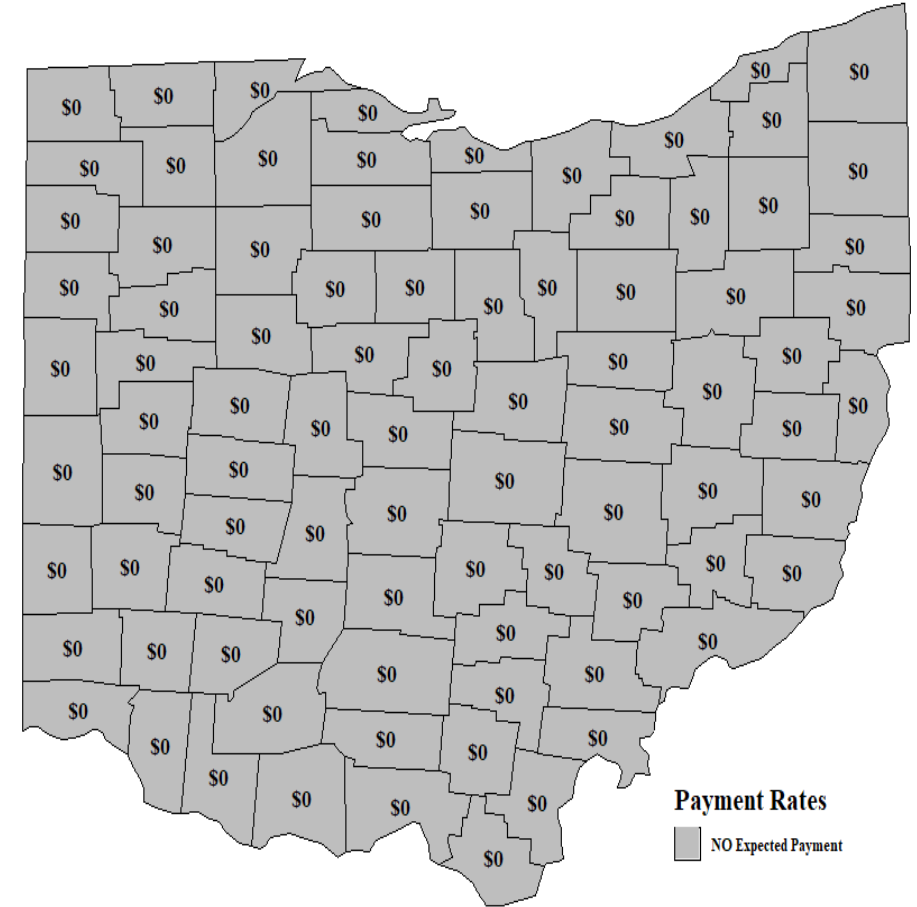


Figure 3. Estimated Ohio 2019 ARC-CO Soybean Payments  
per enrolled base acre

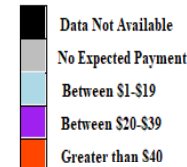


Author Calculation using data from FSA and NASS

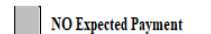
Figure 4. Estimated Ohio 2019 PLC Soybean Payments  
per enrolled base acre



## Payment Rates



## Payment Rates



- 1) Reported in FAPRI-MU 10-year baseline with Phase 1 Deal January 2020
- 2) Reported in FAPRI-MU COVID Impacts Report April 2020
- 3) Paid in October 2020, PLC payments based on individual FSA Farm Yield



# Estimated 2019 ARC-CO and PLC Wheat Payments- Paid in 2020

Ohio Wheat Impacts	
Pre COVID <sup>1</sup>	\$4.54/bu.
Post COVID <sup>2</sup>	\$4.50/bu.
Change	-\$0.05, 0.9%
Reference Price	\$5.50/bu.
Ohio Yield	56 bu./acre
Change in Revenue	\$2.80/acre

## Payment Rates

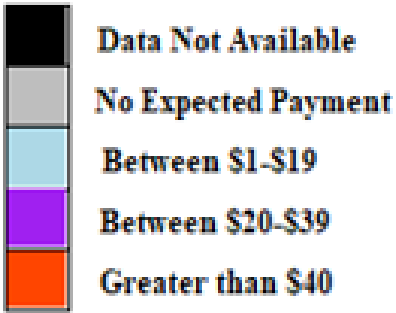
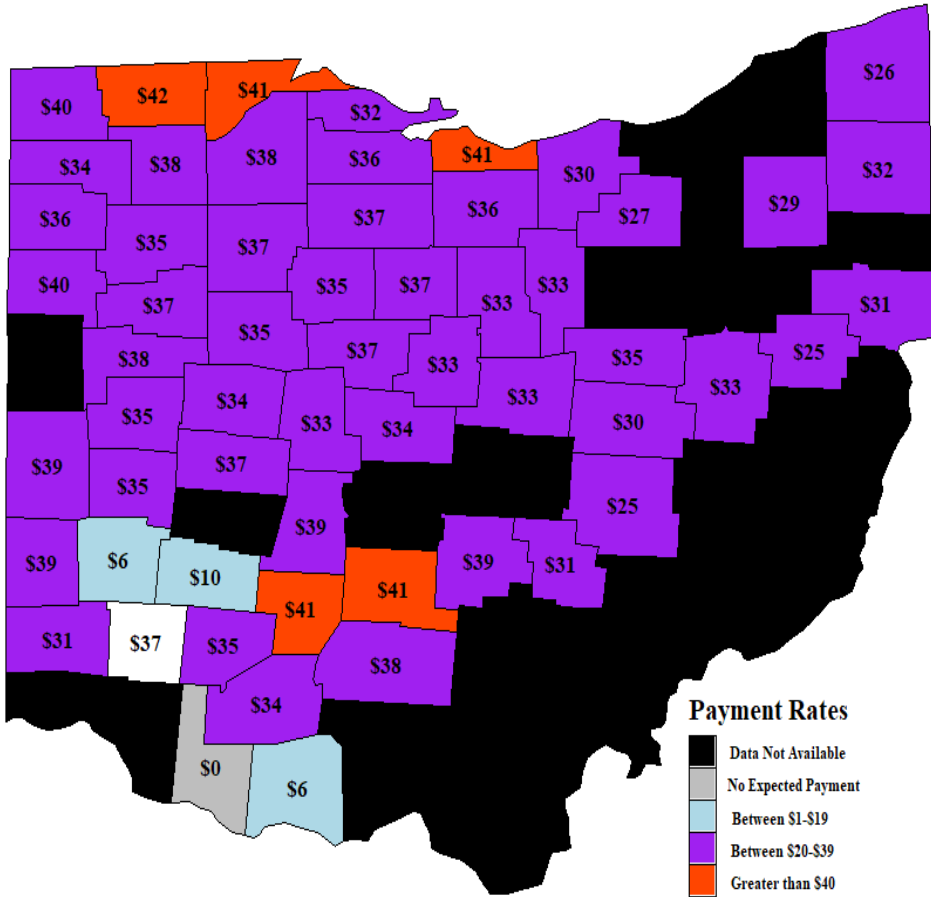
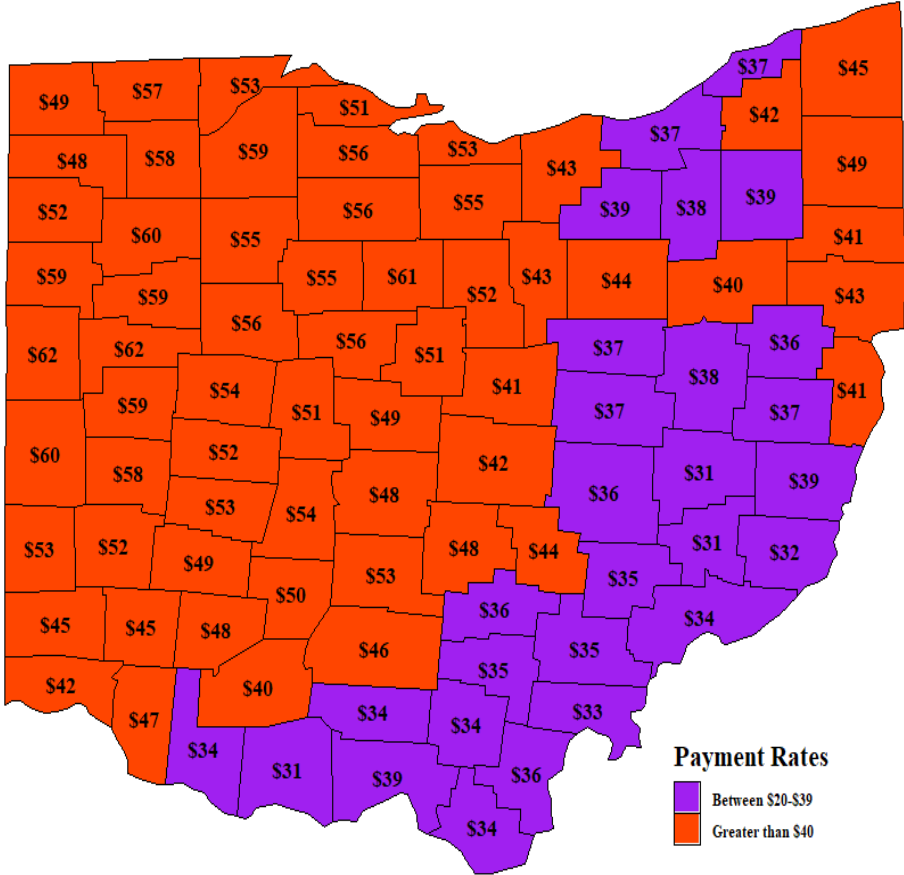


Figure 5. Estimated Ohio 2019 ARC-CO Wheat Payments per enrolled base acre

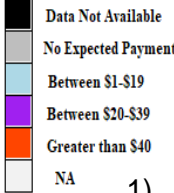


Author Calculation using data from FSA and NASS

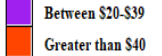
Figure 6. Estimated Ohio 2019 PLC Wheat Payments per enrolled base acre



## Payment Rates



## Payment Rates



- 1) Reported in FAPRI-MU 10-year baseline with Phase 1 Deal January 2020
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- 3) Paid in October 2020, PLC payments based on individual FSA Farm Yield

# Federal Support: **WHIP+** Details and Eligibility

Eligibility: crop producers who experienced yield losses due to excess moisture or eligible causes in 2018 and 2019.

Enrollment: USDA signup began March 23, 2020- deadline ???  
Unable to process applications as of now.  
Farmers can call local FSA office to apply.

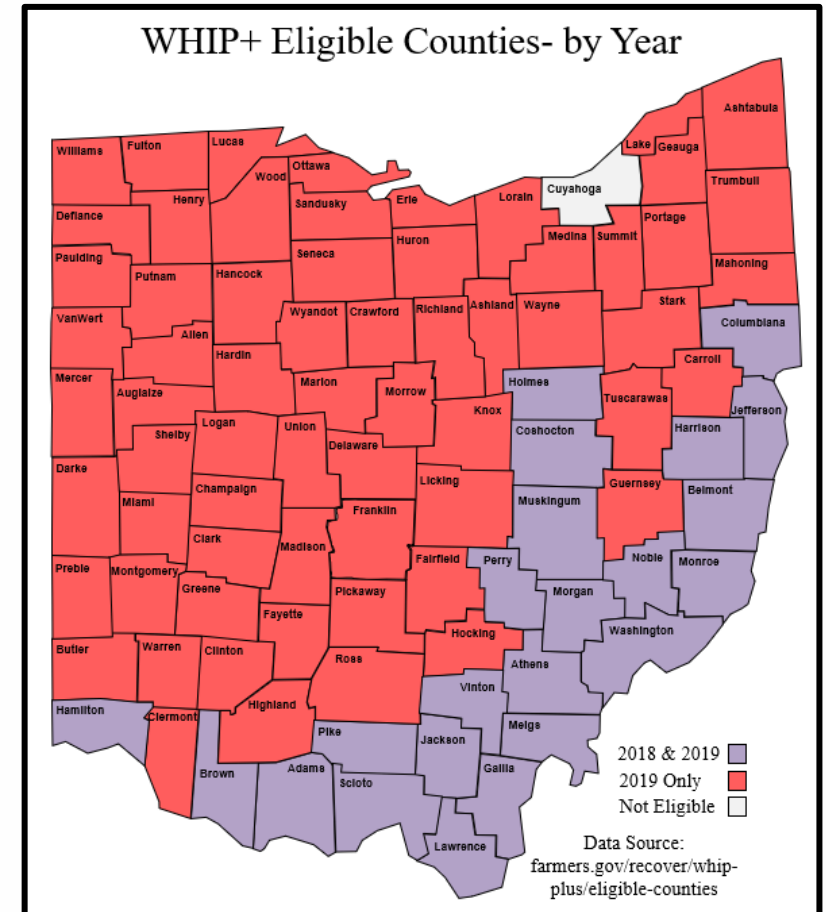
Application: Eligible individuals or entities, conservation compliance provisions are met, and a crop insurance or NAP coverage agreement and production records by crop, type, practice, and intended use (insurance records count)\*\*.

*\*\*must purchase insurance or NAP for two years at least 60%*

Payments:

**WHIP+ Payment=** (Expected value of Crop x WHIP Factor) minus  
(Actual Value of Crop Harvested x Payment Factor)  
and NAP or Insurance Indemnity Payment.

*Only the WHIP Factor is known at this time and is based on insurance coverage level. Payment Factors and Crop Values are unknown.*



Producers not in an eligible county but can prove losses occurred because of qualifying disaster can qualify.

# Farm Management: Navigating Federal Programs

- ❖ Not all farms are going to need federal support, some will.
  - “I am going to have to participate even though I do not need the support, aren’t I? ”
- ❖ This has and will continue to be capitalized into land values and cash rent payments. – 60-75% of 2019 Net Farm Income came primarily from MFP, ARC/PLC, and CRP payments.
  - “Why have land prices not declined with crop receipts?”
- ❖ Getting the correct corresponding shift in acreage will be slow.
  - We did not plant 89.7 million acres of corn in 2019 and we won’t plant 97 million in 2020, will we?

# Coronavirus Impact: CFAP Resources Available from OSU

Farm Office

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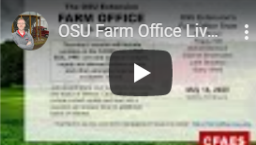
The Farm Office is open! Join the OSU Extension Farm Office team for discussions on the latest agricultural law and farm management news. Register in advance, join anytime during the live discussion, or access our video replays and slides here.

May 28, 2020 9:00--10:30 a.m.

Register here

May 14, 2020

Download Slides



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More Information

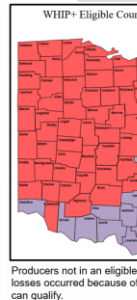
Farm Office Live

## The CARES Act: Paycheck Protection Program, \$1109

- SBA issued Interim Final Rule on Tuesday April 14<sup>th</sup> for the self-employed
- You are eligible for a PPP loan if: (i) you were in operation on February 15, 2020; (ii) you are an individual with self-employment income (such as an independent contractor or a sole proprietor); (iii) your principal place of residence is in the United States; and (iv) you filed or will file a Form 1040 Schedule C for 2019.
- Owner Compensation Replacement: Self Employment Income

## Economic Injury Disaster Loans

- Application open only for agricultural businesses
  - Submit annual operating expenses for 12 months prior to COVID
- Uncertainties linger:
  - What's included in "cost of operations"?
  - Interplay between EIDL advance and PPP forgiveness amount
- Reductions
  - Loan amount reduced from \$2 million to \$150K...?
  - Advance reduced from \$10K per applicant to \$1K per employee
- Repay over 30 year term at 3.75% (2.75% for non-profits) with one year deferment



## Federal Support: WHIP+ Details and Eligibility

**Eligibility:** crop producers who experienced yield losses due to excess moisture or other weather-related factors in 2018 and 2019.

**Enrollment:** USDA signup began March 23, 2020- deadline ??? Unable to process applications as of now. Farmers can call local FSA office to apply.

**Application:** Eligible individuals or entities, conservation compliance provisions are met, and a crop insurance or NAP coverage agreement and production records by crop, type, practice, and intended use (insurance records count)\*\*.

**Payments:**

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Only the WHIP Factor is known at this time and is based on insurance coverage level. Payment Factors and Crop Values are unknown.

\*\*must purchase insurance or NAP for two years at least 60%

## CFAES

Ohio State University Extension

## Sign up for USDA-CFAP Direct Support to Begin May 26, 2020

Ben Brown, Peggy Kirk Hall, David Marrison, Dianne Shoemaker and Barry Ward  
The Ohio State University

Since the enactment of the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020 and the announcement of the Coronavirus Food Assistance Program (CFAP) on April 17, 2020, producers in Ohio and across the country have been anxiously awaiting additional details on how the Coronavirus Food Assistance Program (CFAP) will provide financial assistance for losses experienced as a result of lost demand, short-term oversupply and shipping pattern disruptions caused by COVID-19. The additional details on CFAP eligibility, payment limitations, payment rates, and enrollment timeline arrived on May 19, 2020, when the USDA issued its Final Rule for CFAP. We explain the Final Rule in this issue of *News from the Farm Office*.



Photo Source: United States Department of Agriculture

News from The Farm Office  
May 20, 2020  
<https://farmoffice.osu.edu>

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# Farm Finances and Budget Considerations





# Farm Management: **Representative Farm Budgets**

	Corn				Soybeans		
	2018	2019	2020 F		2018	2019	2020 F
Yield per acre	194	151	188		65	49	59
Price per bushel	\$3.67	\$3.81	\$3.20		\$8.83	\$9.26	\$8.30
Crop Revenue	\$712	\$575	\$601		\$574	\$454	\$490
ARC/PLC with respective year	\$1	\$20	\$39		\$1	\$20	\$39
MFP	\$2	\$66	\$0		\$107	\$66	\$0
CFAP- 2019 Only	-	\$22	-		-	\$10	-
Crop Insurance Indemnity	\$2	\$14	\$0		\$1	\$8	\$0
<b>Gross Revenue</b>	<b>\$717</b>	<b>\$697</b>	<b>\$640</b>		<b>\$683</b>	<b>\$558</b>	<b>\$529</b>
<b>Variable and Non-land Costs</b>	<b>\$475</b>	<b>\$494</b>	<b>\$466</b>		<b>\$262</b>	<b>\$288</b>	<b>\$249</b>
<b>Cash Rent</b>	<b>\$230</b>	<b>\$226</b>	<b>\$226</b>		<b>\$230</b>	<b>\$226</b>	<b>\$226</b>
<b>Farmer Return</b>	<b>\$12</b>	<b>-\$23</b>	<b>-\$52</b>		<b>\$191</b>	<b>\$44</b>	<b>\$54</b>

The Author would like to give a special thanks to the farm panel members that help create these representative farms.



## Poll Question #4:

Will there be another MFP/CFAP like program later in 2020?

Only if there is financial need.

Yes- greater than \$50/acre

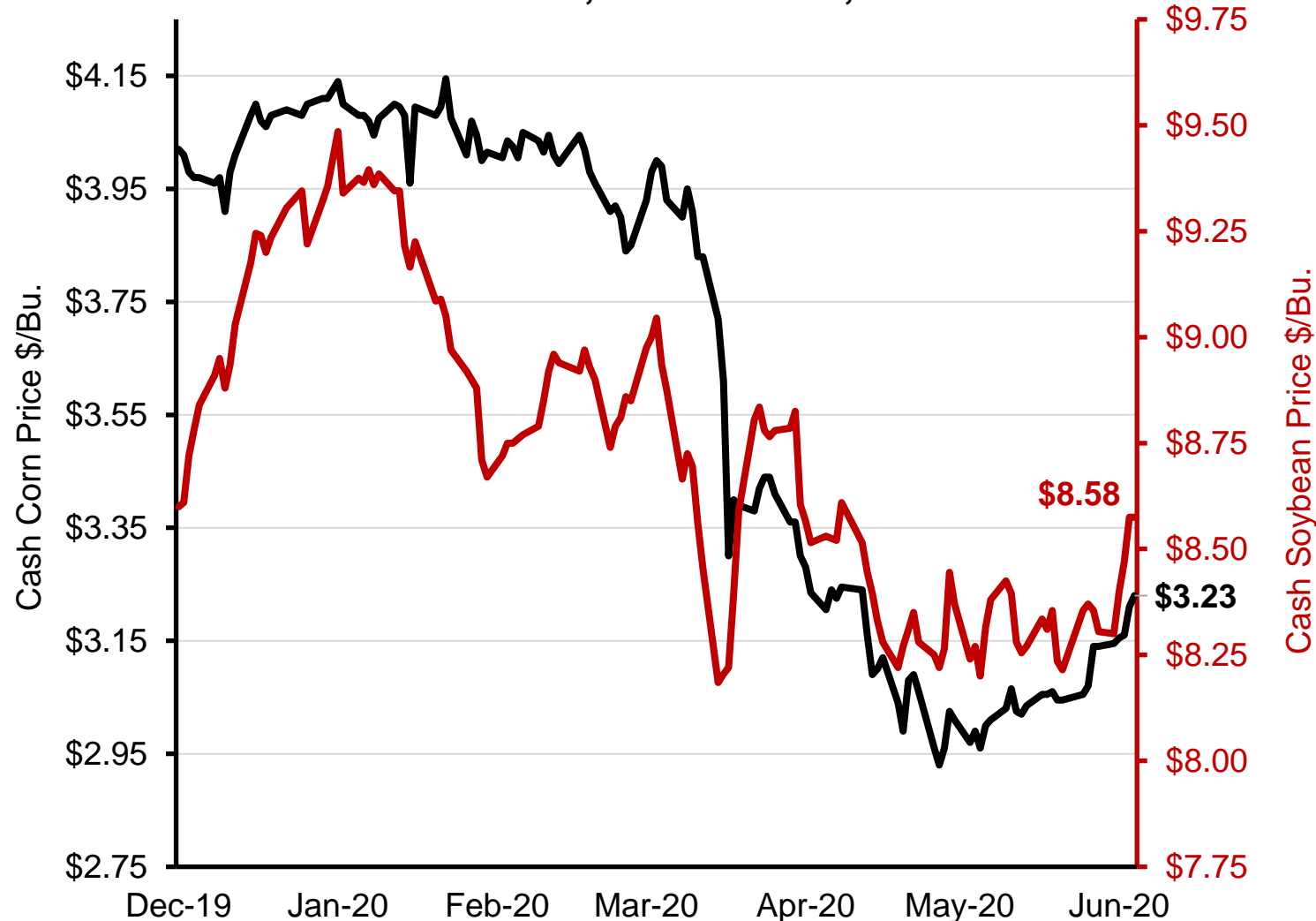
Yes- less than \$50/acre

No

Unsure

# Farm Management: Summarizing Income Effects

Ohio Cash Prices for Corn and Soybeans  
December 2, 2019- June 5, 2020



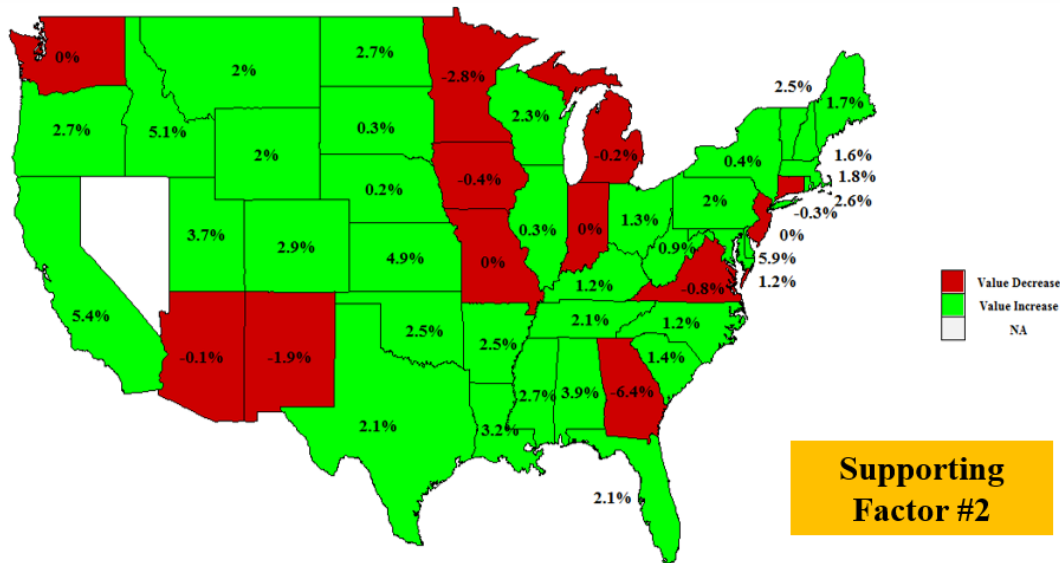
- ❖ Some changes in input costs. (Not a lot)
  - ❖ Debt service is cheaper.
  - ❖ Fuel costs
- ❖ Land and Cash Rent Prices- Holding (82% of Farms Assets held in land)
- ❖ Change in Market Year Average Prices
  - ❖ 2019: Corn -\$0.20, Soy -\$0.25
  - ❖ 2020: Corn -\$0.35, Soy -\$0.60
- ❖ *Great* concern around working capital.
  - ❖ **\$19.90/acre loss** in old crop revenue. Slightly higher ARC/PLC payments, but same crop insurance.
  - ❖ **\$53/acre loss** in the 2020 contribution margin since January.
- ❖ 2018 & 2019 MFP Payments Helped
  - ❖ 2020 CFAP for 2019 crops
  - ❖ 2<sup>nd</sup> Round of a similar Coronavirus Food Assistance Program for 2020?

# Farm Management: Land Value Comments

Slide from 2019 Ohio Grain Farmers Symposium

## Farm Income: Land values flat to increasing

Land values in 2019 as a percent change from 2018



Data Source: Author Calculation  
using USDA-NASS

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- ❖ Land values appear to be steady-at the moment.
  - ❖ Demand- Those that can, will be “picky” about what they buy. (price, fit, location)
  - ❖ Supply- Number of transactions slightly down. (lower quality including CRP or higher tax basis)
- ❖ Auctions
  - ❖ Lower attendance due to social distancing causing slow down.
  - ❖ Online auctions sometimes change the mix of attendees.
- ❖ Cash Rents
  - ❖ Acquire about variable cash leases.
  - ❖ Maybe, if owner will allow, a clause with and without stimulus money.

## Poll Question #5:

Cash rents in my area for 2020 are:

About the same

0-5% lower

5-10% higher

Different Amount

Unsure

# Farm Management: **Action Steps**

- ❖ For acres still left to plant- soybeans still pencil out better relative to corn.
  - ❖ However, remember the lessons of 2019.
- ❖ If you haven't already, begin marketing the remainder of your 2019 crop corn and soybeans.
  - ❖ There have been opportunities of relatively strong basis and futures have increased.
- ❖ Consider PPP, EIDL, CFAP, WHIP+.. if eligible. Conserve working capital.
  - ❖ The reality is participation is not mutually exclusive.
- ❖ Adjust your 2020 crop marketing goals to new expectations.
  - ❖ Outside a major weather event, it is difficult seeing prices become overly bullish in the next 12-14 months.
  - ❖ If concerned about selling at a loss- remember to calculate your ARC/PLC income support.
- ❖ Begin to have conversations on 2021 cash rents.
  - ❖ At Ohio State we serve both tenants and landlords, but from the tenant's perspective- be careful to set too high of cash rents just to “keep” land.



# Thank you for watching!

Ben Brown

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*Reminder next Farm Office Live!*

*June 11 & 25 @ 9:00 am- [go.osu.edu/farmofficelive](https://go.osu.edu/farmofficelive)*

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