









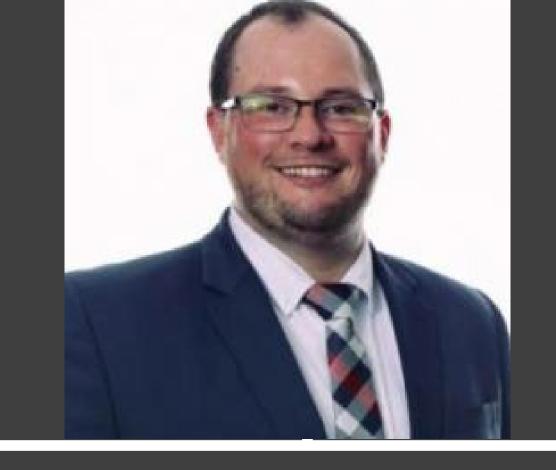
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Join us for the next FARM OFFICE LIVE

August Topics:

- **≻Update on Tax Issues**
- **▶** Tax Planning in the Midst of Uncertainty-Guest Robert Moore, Esq.
- **≻Ohio Cropland Values & Cash Rents**
- >FSA Program Update
- ➤ Grain Marketing Update-Guest Ben Brown
- **≻Your Questions**

Register or watch replays at go.osu.edu/farmofficelive

Register once and receive links to join future programs

Each session includes timely updates and Q&A time on topics of interest.

Email your questions or suggested topics to strawser.35@osu.edu.



OSU Extension's Farm Office Team

Peggy Kirk Hall
David Marrison
Dianne Shoemaker
Julie Strawser
Barry Ward

August 27, 2021

10:00 -11:30 a.m.

Watch Farm Office Live
Live from the Farm Science Review
September 23!
10:00 -11:30 a.m.

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

farmoffice.osu.edu



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



Update on Tax Issues

Federal Legislative Proposals - Now

- ✓ Bipartisan Infrastructure Plan
 - ✓ Roads, bridges, modernizing & expanding mass transit and rail, electric vehicle infrastructure, eliminate lead service and pipes for drinking water, high speed internet, upgrade power infrastructure, create Infrastructure Financing Authority, investment in addressing legacy pollution, prepare infrastructure for impacts of climate change, cyber attacks and extreme weather.

Federal Legislative Proposals - Now

✓ Senate Budget Resolution (May include....)

- ✓ Expansions of paid family and medical leave
- ✓ A buildup of child-care programs
- ✓ Extensions of household tax credits, including the enhanced child tax credit implemented during the pandemic
- ✓ An expansion of Medicare benefits to include dental, vision and hearing, and a reduction in the Medicare eligibility age
- ✓ An extension of increased Affordable Care Act subsidies
- ✓ Universal pre-K
- ✓ Tuition-free community college
- ✓ Tax incentives and grants to encourage adoption of green energy, manufacturing and transportation
- ✓ Polluter fees on methane and carbon
- ✓ Consumer rebates to encourage clean energy and weatherization in homes
- ✓ Funding to increase the number of electric vehicles in the federal fleet



Senate Budget Resolution Offsets

- ✓ Revenue raising plans "will fall into four categories: multi-national corporations, the wealthiest individuals, enforcement against wealthy tax cheats and savings from other programs."
- ✓ Offsets may include:
- √ 39.6 % top individual tax rate that was in effect before the TCJA.
- ✓ Likely lower income thresholds subject to highest rate.
- ✓ Long-term capital gains taxed at ordinary rates where overall income (including gain) exceeds \$1 million.
- ✓ Income over \$400,000 (presumably not otherwise subject to FICA or self-employment tax) would be subject to the 3.8 percent net investment income tax (Medicare) tax. In other words, the "net investment" income tax (NIIT) would apparently be extended to non-investment income above this threshold as well.



Senate Budget Resolution Offsets

- ✓ Would treat the transfer of appreciated property at death as a sale, meaning that unrealized capital gain in the hands of the decedent would be taxed at the time of death. (\$1M/person exemption)
 - ✓ Change in the "Step-up in basis" rules
- ✓ Treat Property Transfers at Death as a Sale
- ✓ Each deceased person would be allowed to exclude up to \$1 million in gain from taxation.
- ✓ Married couple would each get their own exemption, which is presumably portable, meaning that a couple could exempt \$2 million in gain from tax.
- ✓ Under current law, there is no tax on unrealized gain at death.



Bipartisan Infrastructure Plan – Offsets

- ✓ Reduce the IRS tax gap Enhanced IRS enforcement
- ✓ Unemployment insurance program integrity
- ✓ Redirect unused unemployment insurance relief funds
- ✓ Repurpose unused relief funds from 2020 emergency relief legislation
- ✓ State and local investment in broadband infrastructure
- ✓ Allow states to sell or purchase unused toll credits for infrastructure
- ✓ Extend expiring customs user fees
- ✓ Reinstate Superfund fees for chemicals
- √ 5G spectrum auction proceeds
- ✓ Extend mandatory sequester
- ✓ Strategic petroleum reserve sale
- ✓ Public-private partnerships, private activity bonds, direct pay bonds and asset recycling for infrastructure investment
- ✓ Macroeconomic impact of infrastructure investment



Taxing Capital Gains at Death – Change in Stepped-Up (Tax) Basis Rules

- ✓ Example:
- ✓ Farm purchased in 1988 for \$1,000/Acre (Tax basis)
- √ Farm passes to heirs valued at \$9,000/Acre
- ✓ Under current law, the heirs receive this property with a "stepped-up basis" of \$9,000 with no recognition of the gain and no tax due.
- ✓ Proposal may require the gain of \$8,000 (\$9,000 \$1,000) to be recognized and taxed





Taxing Capital Gains at Death – Change in Stepped-Up (Tax) Basis Rules

- ✓ Protections for family-owned farms (and other family-owned businesses)
 - ✓ Assets passing to farming heirs would not be required to recognize gain and pay this tax
- ✓ Would this unrecognized gain and tax simply be deferred?
- ✓ Would this unrecognized gain and tax due become a lien on the assets?
- ✓ Alternative: Heirs would retain the decedent's basis as if the asset had been gifted





Employee Retention Credits (ERC)

- ✓ Qualify in 2021 if any quarter where gross receipts are less than 80% of same quarter of 2019
- ✓ If a quarter qualifies, then the next quarter automatically qualifies.
- ✓ Claiming the credit options:
 - ✓ Reduce the payroll tax deposits by the amount of the anticipated credit or
 - ✓ Claim the credit on the form 941 or 941X (amended) quarterly payroll tax returns
- ✓ New IRS Guidance (Rev. Proc. 2021-33) provides safe harbor for taxpayers to elect not to include PPP loan forgiveness as part of gross receipts





Paycheck Protection Program (PPP)

- ✓ PPP Loan Forgiveness Portal Open
- ✓ Streamlines applications for loans that are \$150K or less.
- ✓ Lender's must opt in
- ✓ Some lenders have not.

Welcome to the

SBA PPP Direct Forgiveness Portal



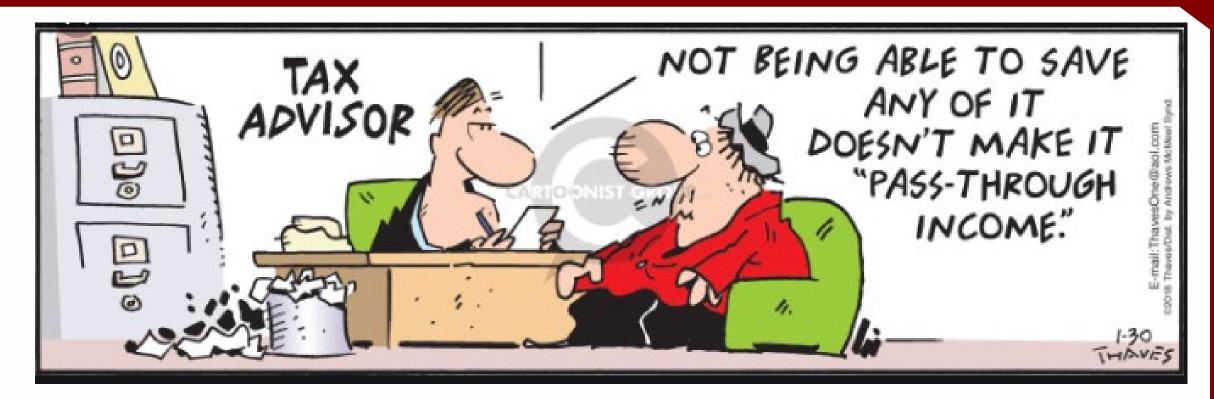
Register and Apply for PPP Forgiveness

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

The SBA also offers live customer service to borrowers at 877-552-2692.

Register to Start Your Request





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Tax Planning in the Midst of Uncertainty

Wright & Moore Law Co.
Delaware, OH

How are Tax Laws Changed?

 A President does not have the power to implement or change taxes

• The US Constitution provides: "The Congress shall have Power To lay and collect Taxes..."

 Because of the narrow margin in both the House and Senate, changes in tax law will not be easy

The Politics

 Moderate Democrats in farm states will be reluctant to make significant tax changes detrimental to farms

- Any changes will likely take place by the end of 2021
 - Congress typically doesn't make changes to tax law in election year
- Good chance one or both chambers of Congress will flip to Republicans in 2022.
 - No chance of tax law change if Republicans hold either House or Senate

What Tax Changes Should We Expect?

- There will probably be some changes in tax law but not as radical as what is initially proposed.
- Farms and small business will likely be exempted from at least some of the changes to estate taxes and capital gains taxes
- Tax changes more likely to focus on high earners (\$1M+ annual income)
- Loss of stepped-up tax basis would probably be most detrimental to farms
- Anything is possible

When Should We Expect Changes To Be Implemented?

- Congress can make tax law changes retroactive
 - This is very unlikely
 - Retroactive back to 1/1/2021 would be very unfair
 - Too late in the year to make changes retroactive
- Changes can take place when legislation introduced or when enacted into law
 - Unlikely
 - Would be difficult for accountants, tax preparers and IRS to deal with two different tax laws in the same year
- Changes will most likely take effect 1/1/2022

What Should We Be Doing?

- Probably too speculative to make major decisions now
 - Gifting of assets is always available for those who predict major changes

 Watch developments and be ready to act when actual changes start to become clear

Know net worth and earnings potential

Find sources of good information

Tax Planning in the IVI idst of Uncertainty

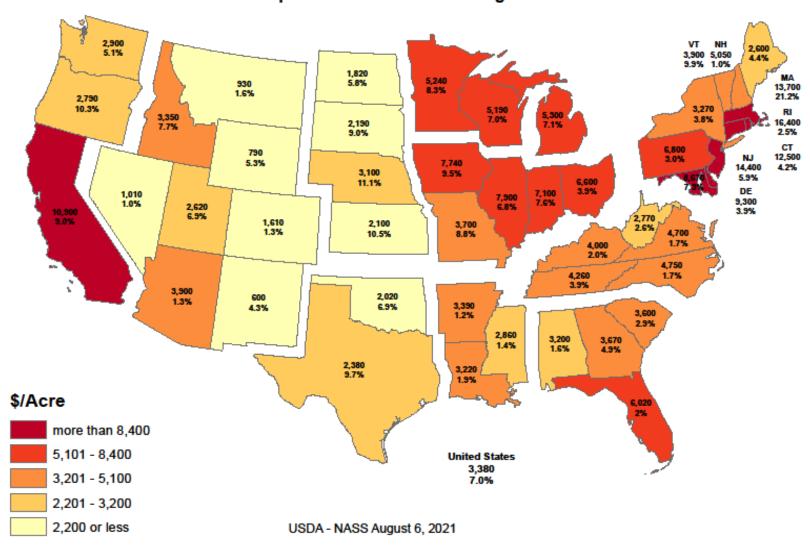
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Delaware, OH

Ohio Cropland Values/Cash Rents

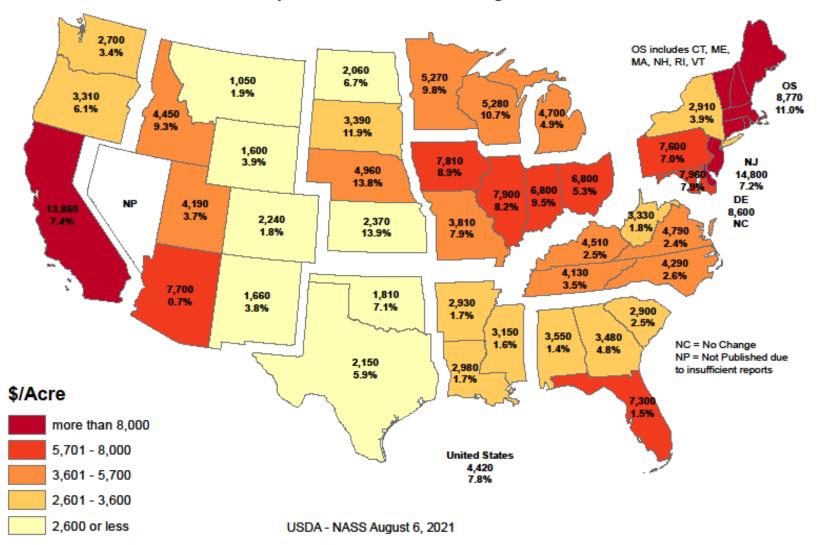
2021 Farm Real Estate Value by State

Dollars per Acre and Percent Change from 2020



2021 Cropland Value by State

Dollars per Acre and Percent Change from 2020





Western Ohio Cropland Values and Cash Rents 2020-21 Survey Report

- ✓ The Western Ohio Cropland Values and Cash Rents study was conducted from January through April in 2021.
- ✓ Cropland values in western Ohio are expected to increase in 2021 by 3.8 to 5.3 percent depending on the region and land class.
- ✓ Cash rents are expected to increase from 3.6 to 3.9 percent depending on the region and land class.







Table 1: Ohio Cropland Values and Cash Rents Western Ohio Results

Land Class			Average Std R		Rang	ange*	
Average		Avg Corn Yield (b/a)	181.2	14.7	195.9	166.6	
		Avg Soybean Yield (b/a)	56.2	5.0	61.2	51.2	
ľ	Market Value per Acre	2020	\$7,918	\$1,739	\$9,657	\$6,179	
		2021	\$8,288	\$1,829	\$10,116	\$6,459	
i	Rent per Acre	2020	\$199	\$29	\$228	\$169	
		2021	\$207	\$32	\$239	\$175	
Тор		Avg Corn Yield (b/a)	214.6	15.3	229.9	199.3	
		Avg Soybean Yield (b/a)	66.5	5.2	71.7	61.2	
ľ	Market Value per Acre	2020	\$9,178	\$1,969	\$11,148	\$7,209	
		2021	\$9,660	\$2,109	\$11,769	\$7,551	
i	Rent per Acre	2020	\$243	\$38	\$281	\$205	
		2021	\$252	\$46	\$298	\$207	
Poor		Avg Corn Yield (b/a)	150.1	17.5	167.5	132.6	
		Avg Soybean Yield (b/a)	45.3	6.5	51.7	38.8	
ľ	Market Value per Acre	2020	\$6,417	\$1,654	\$8,070	\$4,763	
		2021	\$6,674	\$1,650	\$8,324	\$5,024	
i	Rent per Acre	2020	\$162	\$28	\$190	\$133	
		2021	\$168	\$31	\$199	\$137	



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
Тор	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



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

Land Class			Average Std		Rang	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	
Mar	ket Value per Acre	2020	\$8,299	\$2,161	\$10,460	\$6,137	
		2021	\$8,661	\$2,235	\$10,896	\$6,425	
Ren	nt per Acre	2020	\$207	\$35	\$242	\$173	
		2021	\$215	\$36	\$252	\$179	
Тор		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	
Mar	ket Value per Acre	2020	\$9,558	\$2,472	\$12,030	\$7,086	
		2021	\$10,059	\$2,615	\$12,674	\$7,444	
Ren	nt 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	
Mar	ket Value per Acre	2020	\$6,945	\$1,970	\$8,914	\$4,975	
		2021	\$7,206	\$1,962	\$9,167	\$5,244	
Ren	nt per Acre	2020	\$172	\$32	\$204	\$140	
		2021	\$178	\$34	\$212	\$144	

Table 4. Average estimated Ohio land value per acre (tillable, bare land), per bu. corn and soybean yields, by geographical area and land class Ohio Cropland Values and Cash Rents Survey 2020-21

				Land Value			
				Dollars Per Acre			
				2020	2021	% Change	
Area	Land Class	Corn bu/A	Soy bu/A	\$/A	\$/A	'20 to '21	
Western	Average	181.2	56.2	\$7,918	\$8,288	4.7%	
	Тор	214.6	66.5	\$9,178	\$9,660	5.3%	
	Poor	150.1	45.3	\$6,417	\$6,674	4.0%	
Northwest	Average	179.9	55.0	\$7,518	\$7,896	5.0%	
	Тор	213.7	65.4	\$8,789	\$9,251	5.3%	
	Poor	146.1	42.8	\$5,833	\$6,087	4.4%	
Southwest	Average	182.4	57.2	\$8,299	\$8,661	4.4%	
	Тор	215.3	67.3	\$9,558	\$10,059	5.2%	
	Poor	153.0	47.1	\$6,945	\$7,206	3.8%	

^{*} Projected Land Value

Table 5. Average estimated Ohio cash rent per acre (tillable, bare land), per bushel corn and soybean yields, by geographical area and land class Ohio Cropland Values and Cash Rents Survey 2020-21

				Rent Per Acre			Bushel Corn	Bushel Corn	Land Value	Land Value
				2020	2021*	% Change	2020	2021*	2020	2021*
Area	Land Class	Corn bu/A	Soy bu/A	\$/A	\$/A	20 to '21	\$/Bu	\$/Bu	%	%
Western	Average	181.2	56.2	\$199	\$207	4.0%	\$1.10	\$1.14	2.5%	2.5%
	Тор	214.6	66.5	\$243	\$252	3.7%	\$1.13	\$1.17	2.6%	2.6%
	Poor	150.1	45.3	\$162	\$168	3.7%	\$1.08	\$1.12	2.5%	2.5%
Northwes	t Average	179.9	55.0	\$190	\$197	3.7%	\$1.06	\$1.10	2.5%	2.5%
	Тор	213.7	65.4	\$238	\$247	3.8%	\$1.11	\$1.16	2.7%	2.7%
	Poor	146.1	42.8	\$150	\$156	4.0%	\$1.03	\$1.07	2.6%	2.6%
Southwest	t Average	182.4	57.2	\$207	\$215	3.9%	\$1.13	\$1.18	2.5%	2.5%
	Тор	215.3	67.3	\$248	\$257	3.6%	\$1.15	\$1.19	2.6%	2.6%
	Poor	153.0	47.1	\$172	\$178	3.5%	\$1.12	\$1.16	2.5%	2.5%

Rent per

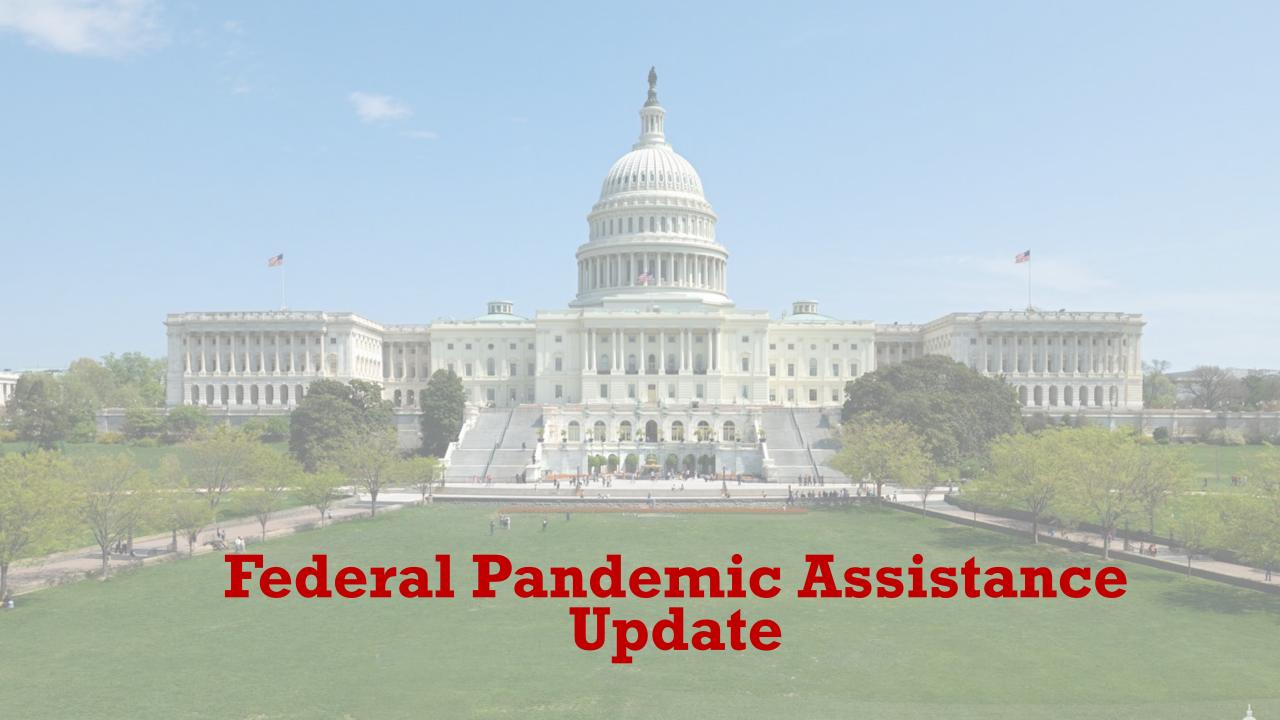
Rent per Rent as % of Rent as % of

^{*} Projected Rental Rate

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



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CFAP-2

- For CFAP 2: \$13.8 billion paid to 915,781 applicants across United States and \$348.1 million paid to 33,842 applicants in Ohio. https://www.farmers.gov/coronavirus/pandemic-assistance/cfap2
- USDA re-opened sign-up for CFAP-2 for at least 60 days beginning 4/05/2021. When will it close? October 21, 2021
- On August 24, announced additional updates
 - Payments for eligible livestock and poultry contract producers
 - Flexibility to payment calculations for sales-based commodities.
 - Grass seed has been added as eligible sales commodity.
 - Flexibility sign-up begins on August 30, 2021



CFAP-2 Contract Growers

- \$1 billion available to contract producers of eligible livestock and poultry of up to 80% of revenue losses between 01/01/2020 to 12/27/2020.
- Broilers, pullets, layers, chicken eggs, turkeys, hogs and pigs, ducks, geese, pheasants, and quail produced under contract are eligible.
- Breeding stock of eligible livestock and eggs of all eligible poultry types raised by contract producers are also eligible.
- Payments for contract producers are based on a comparison of eligible revenue for the periods of January 1, 2019, through December 27, 2019, and January 1, 2020, through December 27, 2020. Contract growers may elect to use eligible revenue from the period of January 1, 2018, through December 27, 2018, instead of that date range in 2019 as a more representative comparison to 2020.



CFAP-2 Flexibility for Sales Based

- For some sales-based commodities, the 8/24/2021 amendment allows producers to substitute 2018 for 2019 sales.
 - Aquaculture
 - Goat Milk
 - Floriculture & nursery commodities
 - Tobacco
 - Specialty Crops
 - Specialty Livestock
 - Wool



Pandemic Market Volatility Assistance Program & Improvements to Dairy Safety Net

- On 08/19/2021, \$350 million was announced for PMVAP.
- Payments for 80% of the revenue difference/month (capped at 5 million pounds of annual milk/farm) for July through December 2020.
- Regional payment rate based on actual losses of pooled milk.
- Payments funneled through the independent handlers and cooperatives.
- In-person education to dairy farmers is part of this program.
- The Dairy Margin Coverage safety net program is also being improved by updating the feed cost formula to better reflect the cost of high-quality alfalfa.
- Stay tuned for more details!



Update on Other Pandemic Programs

<u>Pandemic Assistance for Timber Harvesters & Haulers Program (PATHH)</u>

- Sign-up from July 22 through October 15.
- For timber harvesting & hauling businesses that experienced >10% loss of gross revenue in calendar year 2020 as compared to 2019.

Pandemic Livestock Indemnity Program (PLIP)

- Sign-up from July 20 through September 17.
- For eligible swine, chicken or turkey producers who suffered losses due to insufficient access to processing facilities and had to depopulate between March 1 December 26, 2020.



Harvest Grain Market Outlook

Ben Brown, Research Associate,

FAPRI-MU and

Agricultural Business and Policy Extension



College of Agriculture, Food & Natural Resources

University of Missouri



Key Takeaways from Today

- 1. Global production shortfalls globally are likely to keep stocks tight through MY 2021/22
 - 1. Fact: COVID is not behind us, creating challenge both at home and abroad.
 - 2. The Southern Hemisphere will get to respond to price signals before the US.
- 2. Smaller stocks increase the odds for higher prices, but also increased volatility.
- 3. Is there a new sheriff in town when it comes to biofuels?
- 4. Marketing over the next couple months.

Markets are completely predictable...

Price = f(Supply, Demand) Modified by the Flow of Money



B Bloomberg.com

GameStop Value Surges Past \$10 Billion After Musk Tweet

GameStop Value Surges Past \$10 Billion After Musk Tweet. Bloomberg Daybreak: Australia · TV Shows. January 26th, 2021, 4:53 PM PST. Jan 26, 2021

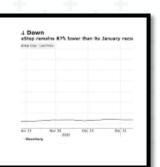


Bloomberg.com

GameStop Wraps Up Worst Week Ever, Leaving \$18 Billion

out \$18 billion from the video-game retailer's stock-market value.







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

Monday: June 14, 2021

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

	1	icker Symbol	Last	Change	High Price	Low Price
1	@	CN21 [10]	665' 6	-18' 6	676' 2	653' 0
2	@	CU21 [10]	605' 0	-24' 6	619' 2	593' 4
3		CZ21 [10]	582' 4	-27' 2	598' 6	570' 4
4		DCH22 [10]	589' 0	-27' 0	604' 2	577' 4
: !	5 (DCK22 [10]	593' 2	-26' 2	608' 0	587' 4
5	5 0	@CN22 [10]	593' 2	-26' 2	608' 2	583' 0
	7					
tas	8	@SN21 [10]	1476' 0	-32' 4	1504' 2	1472' 2
	9	@SQ21 [10]	1449' 2	-33' 2	1480' 2	1441' 2
T.	10	@SU21 [10]	1412' 4	-35' 0	1439' 6	1400' 0
_	11	@SX21 [10]	1403' 6	-35' 0	1430' 4	1390' 0
_	12	@SF22 [10]	1406' 0	-34' 4	1429' 6	1393' 4
_	13	@SH22 [10]	1383' 2	-31' 6	1406' 6	1373' 6
-	14	@SK22 [10]	1379' 4	-29' 6	1402' 0	1370' 4
	15					
	16	@WN21 [10]	666' 2	-14' 4	680' 6	663' 2
	17	@WU21 [10]	671' 4	-14' 2	685' 6	669' 0
	18 19	@WZ21 [10]	679' 0	-14' 2	693' 4	676' 0
	20	THE RESERVE OF THE PERSON NAMED IN	686' 2	-13' 6	698' 6	683' 2
	21		686' 2	-14' 6	691' 4	684' 0
	22		677' 2	-15' 6	691' 2	677' 2

Thursday: June 17, 2021

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

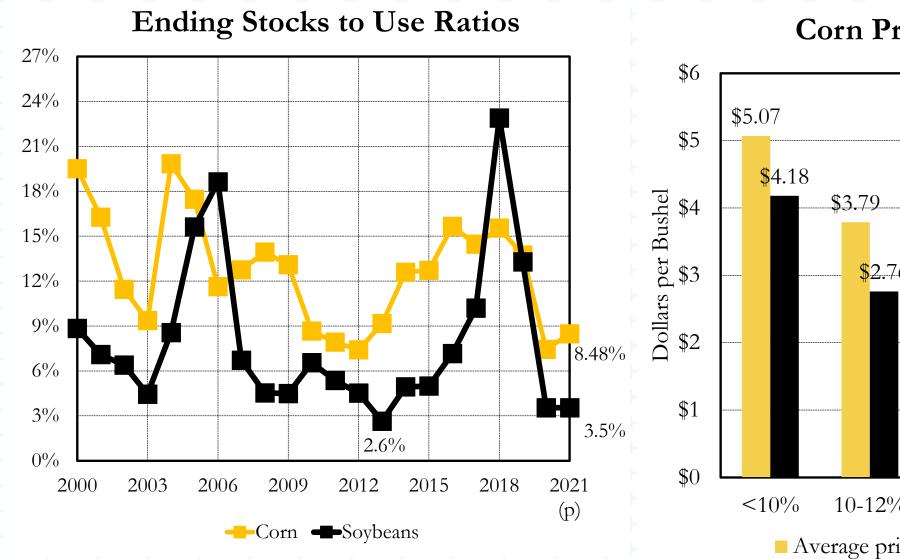
Instrument	Last	Net Change
CORN		
ZCN21	633^0(1)	-40^0
ZCU21	549^6(2)	-38^6
ZCZ21	533^4(5)	-39^0
ZCH22	540^4(1)	-39^0
ZCK22	545^0(1)	-38^4
SOYBEANS		
ZSN21	1336^0 (10)	-112^4
ZSQ21	1300^0(1)	-102^0
ZSU21	1263^2(1)	-94^2
ZSX21	1256^4(1)	-86^6
ZSF22	1260^4(1)	-85^6
ZSH22	1244^4(1)	-83^0
ZSHZZ	1244^4(1)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

Friday: June 18, 2021

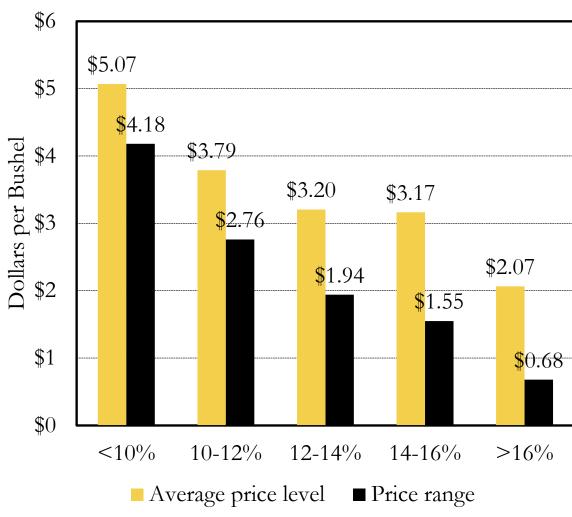
- Corn (up 22.2)
- Soybeans (up 66.2)

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

Tighter Stocks Lead to Higher Prices AND More Volatility



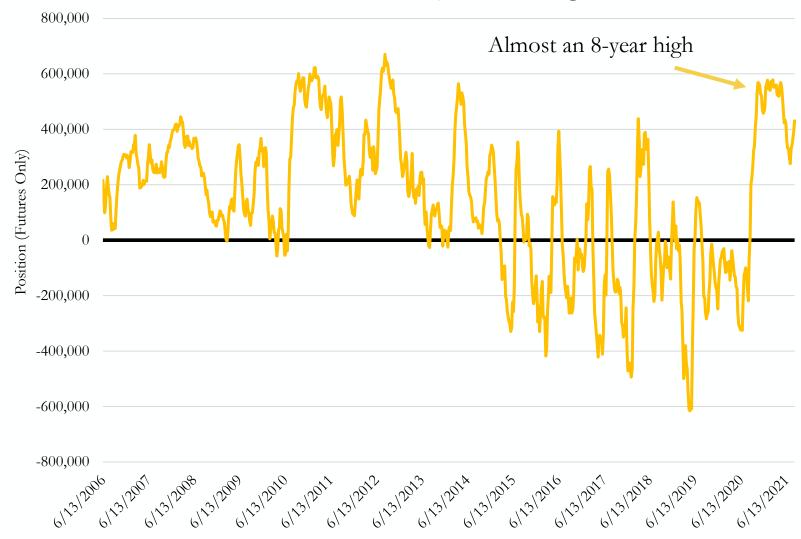
Corn Price, 1991- 2020



Source: USDA and DTN Prophet X

So, What Has Changed??

Managed Money- All Positions Corn, Soybeans, Chiacgo HRW & SRW, and KC HRW Wheat- Jun 2006- August 17, 2021



Money Flow

- Federal Reserve Balance Sheet up 99% since February 2020. Almost and extra 4.1 **trillion** dollars.
 - ❖ Million seconds: 12 days
 - ❖ Billion Seconds: 32 years
 - ❖ Trillion Seconds: 32,000 years
- * \$3.2 Trillion in Federal Stimulus released- \$1.4 Trillion unreleased so far.
- US Dollar down roughly 6.7% (positive for exporters)
- ❖ M2 Money Supply up 28% since beginning of Pandemic.

Source: Author using CFTC Reports

Position and Price Limit Increases

Position Limit Increases

			Initial Spot-		Single Month	
	Commodity Code	Rule Chapter		Limits on Delivery	and All Month Limits	Change
Corn	Gode	Grapter	600	D chi (chi)	231111103	Gilailge
Futures	С	10	(1,200)	1,200	33,000 (57,800)	75%
Soybean			600			
Futures	S	11	(1,200)	1,200	15,000 (27,300)	82%
Soybean						
Meal			720			
Futures	6	13	(1,500)	1,500	6,500 (16,900)	160%
Soybean						
Oil			540			
Futures	7	12	(1,100)	1,100	8,000 (17,400)	118%
Wheat			660			
Futures	W	14	(1,200)	1,200	12,000 (19,300)	61%
KC HRW						
Wheat			600			
Futures	KW	14H	(1,200)	1,200	12, 000	Same
Rough						
Rice			600			
Futures	14	17	(800)	800	1,800	Same

Commodity Daily and Expanded Price Limits

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

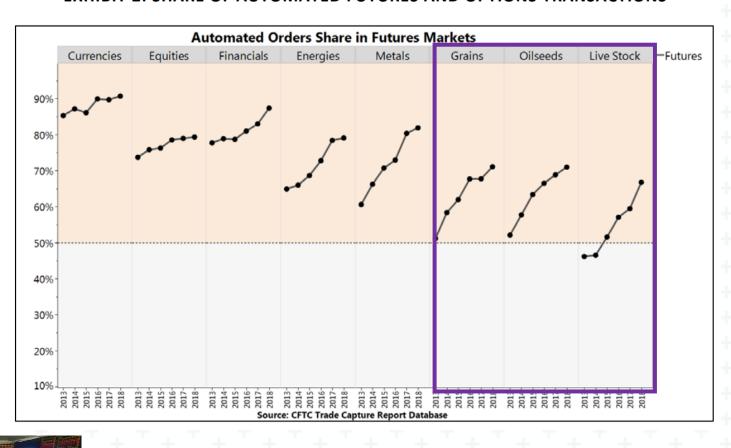
Source: Author using CME Group Website

Marketing: The End of and Era!





EXHIBIT 2: SHARE OF AUTOMATED FUTURES AND OPTIONS TRANSACTIONS



Source: CME Handbook

WI Wall Street Journal

CME Group to Close Most of Its Chicago Trading Pits Permanently

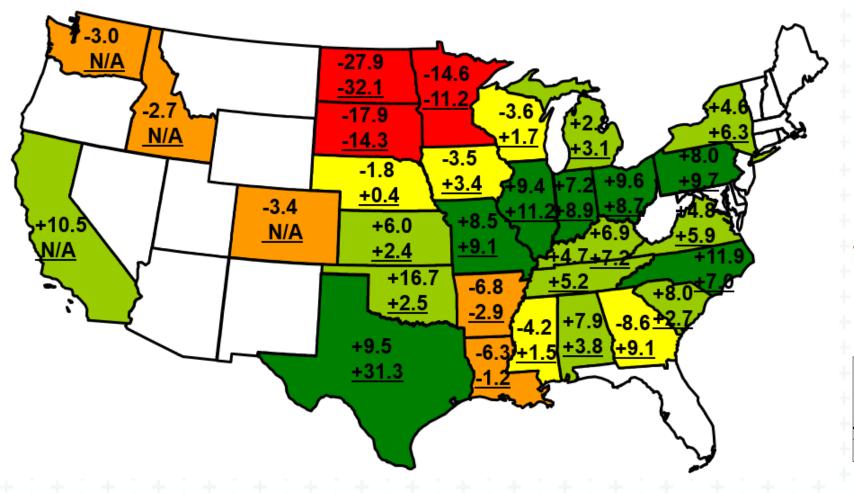
Some of the CME pits being shut down include pits for trading agricultural commodities, where traders had haggled over options on soybeans, ...

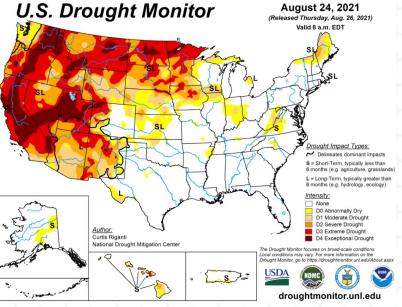
Global Production

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

US Production

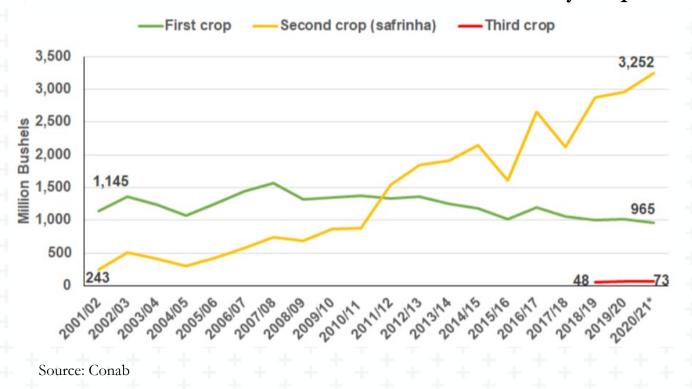
USDA August Yield Estimates vs. 30- yr. Trend- % Difference (Corn on top, soybeans on bottom)





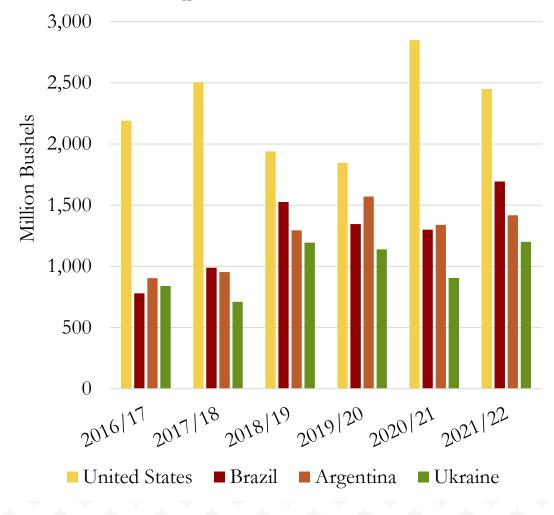
Brazilian Corn Potential???

Brazilian Corn Production in Million Bushels by Crop

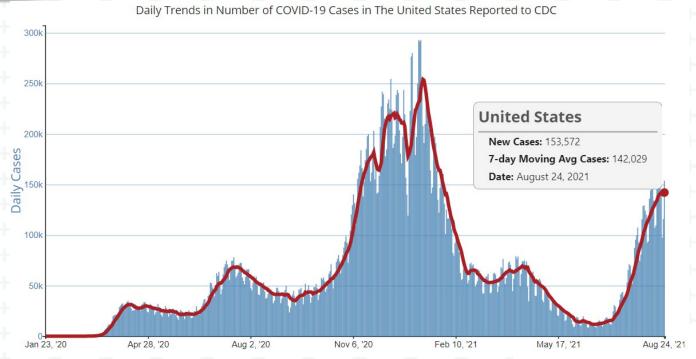


Perspective- the US produced 14,182 mil bushels in 2020, roughly 3 times the size of the three Brazilian Crops

World Corn Exports (Top Four Countries)



Ethanol Production & Consumption



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

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

WI Wall Street Journal

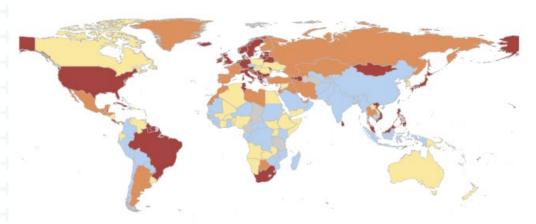
Covid-19 Closure at China's Ningbo Port Is Latest Snarl in Global Supply Chains

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



Epidemic Curve Trajectory Classification



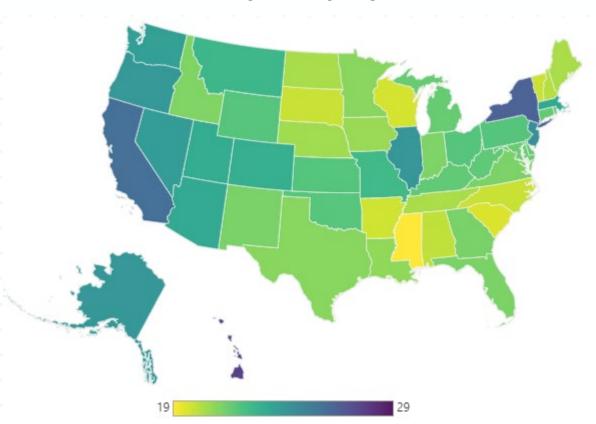


Epidemic curve trajectory categories*

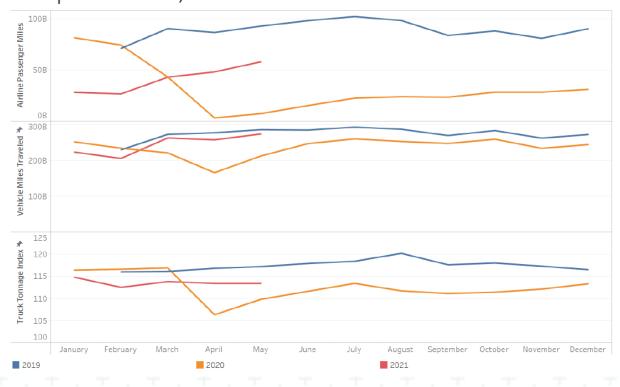
- <10 Cases in past 7 days</p>
- Low/Moderate Incidence, Decreasing
- Low/Moderate Incidence, Increasing
- Substantial/High Incidence, Decreasing
- Substantial/High Incidence, Increasing

Travel Statistics

Percent of Population Continuing to Work from Home



Transportation Stats, 2019-Present

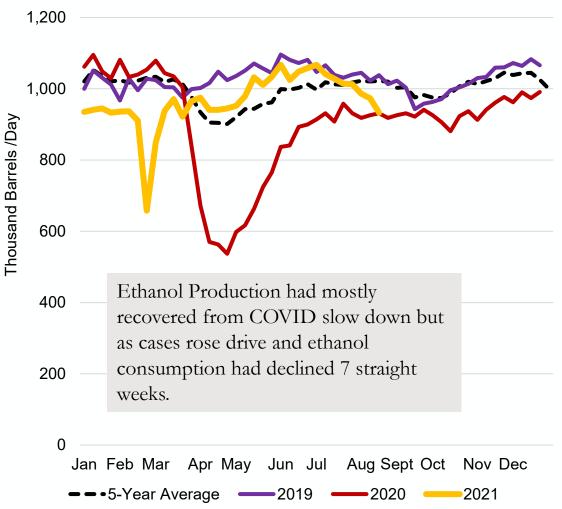


Source: Bureau of Transportation

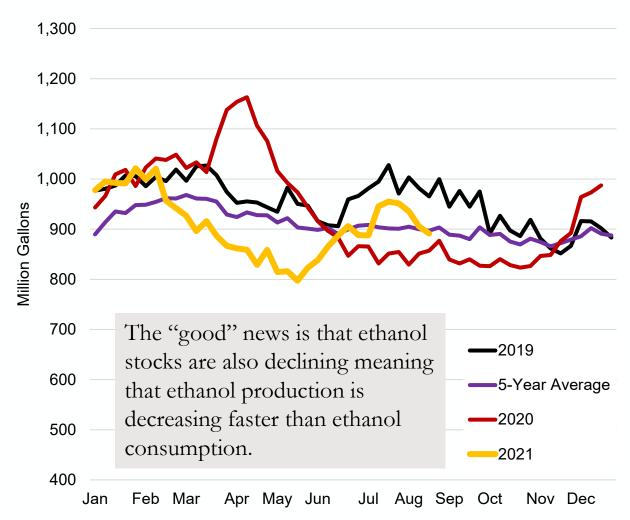
Source: David Ripplinger, Bureau of Transportation

Ethanol Production & Consumption





Ending Stocks of Fuel Ethanolas of Aug. 20, 2021



Ethanol Recovers from Rough 2020 what about 2021



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

June 25 (Reuters) - The U.S. Supreme Court on Friday made it easier ... The justices overturned a lower court decision that had faulted the ...
Jun 25, 2021



Then came the July 2nd Circuit Court of DC announcement that the previous administration overstepped its authority by allowing sales of E15 between June 1 and September 15. Ag groups have filed for a rehearing, but without an overturn- E-15 will not be around for summer driving season.

First came the June 25th Supreme Court ruling that overturned the 10th Circuit Court decision that oil refiners could only receive exemptions from the Renewable Fuels Standard if they had successfully proposed and received a waiver in <u>continuous</u> years. The practical application of this will be how current and future administration treat small refiner exemptions.



Ethanol industry takes hit from federal court rulings

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

1 month ago





Renewable fuel supporters file for rehearing on E15 summer

..

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



EPA to Propose Lower RFS Blend Volumes

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

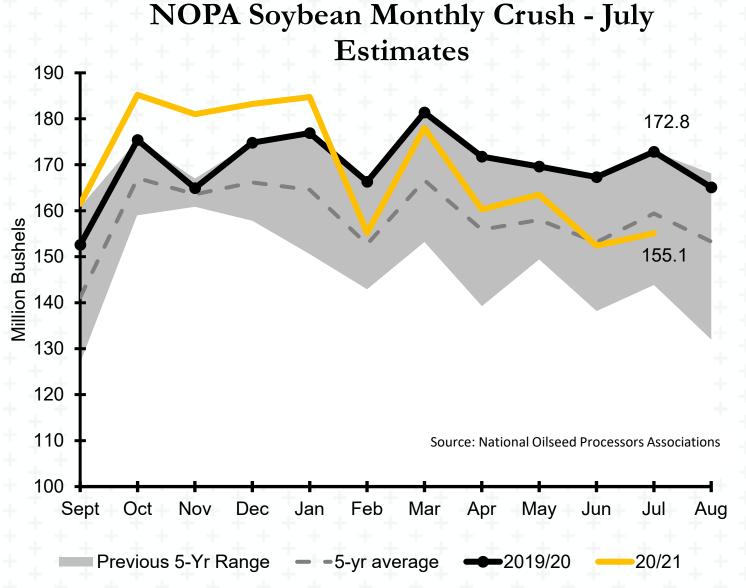
8/20/2021 | 2:26 PM CDT



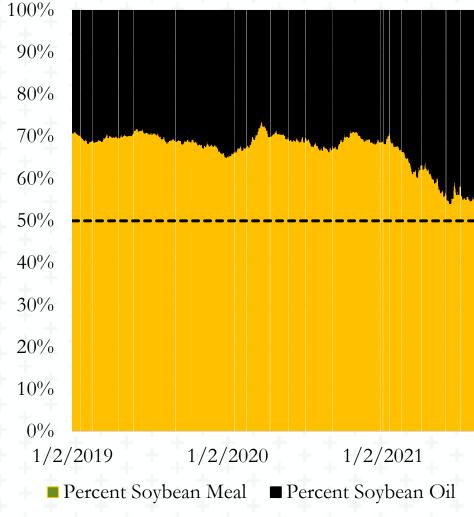


Then came the rumors
last Friday August 20th that
EPA was going to lower 2021 levels below those of 2020.
Those have been rumors to this point because OMB hasn't gotten the rules from EPA.

Availability of Soybeans Shrinking



Value Share of Soybean Crush Jan 2019-August 26, 2021



Source: Author using CME Futures Prices

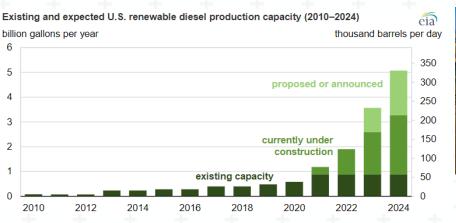
What is Renewable Diesel??

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

It is different from Biodiesel in that it is a direct substitute unlike biodiesel that can only be blended between 2- 20%.

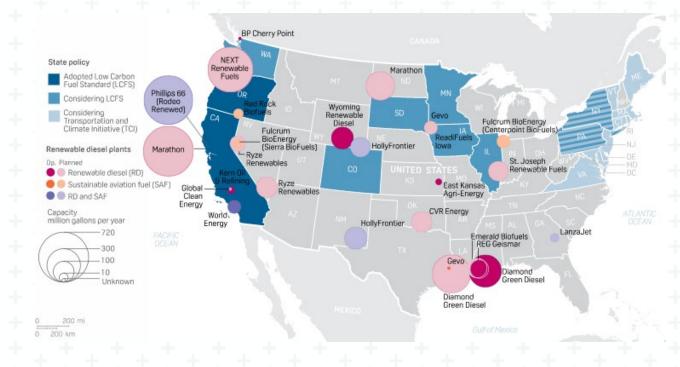
Renewable diesel receives some of the most favorable greenhouse gas reduction scores among existing programs such as the Renewable Fuel Standard and the California Low- Carbon Fuel Standard.

A primary risk- available fat, oil and grease feedstocks. In US- soybean oil has the best availability Globally, palm oil might be the source.



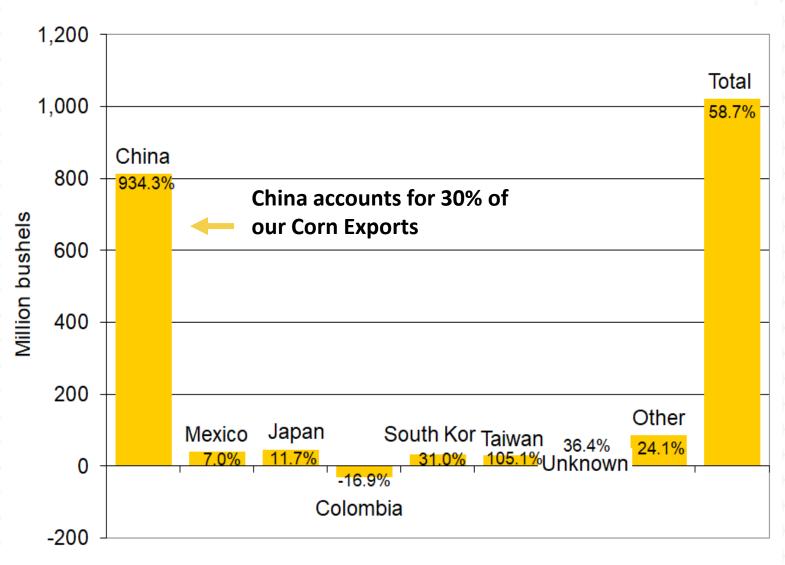


Dickinson Renewable Diesel Facility, North Dakota



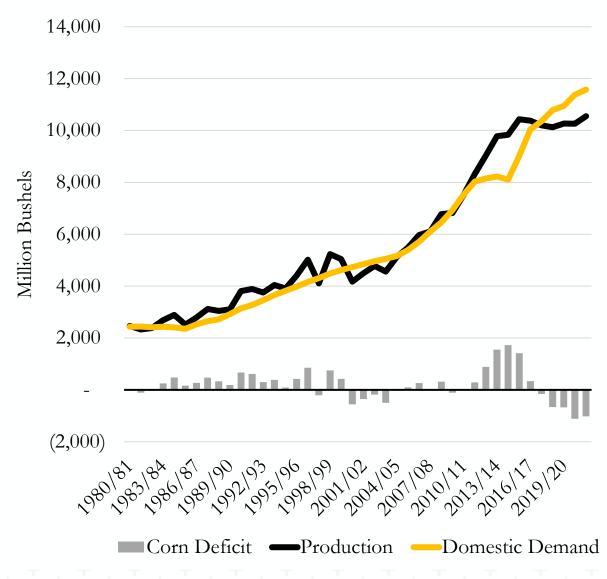
Corn Export Shifts

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

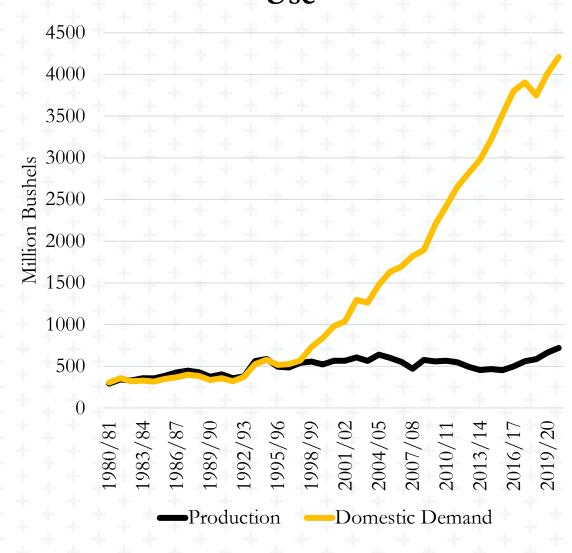


Chinese Deficit (grain not dollars)

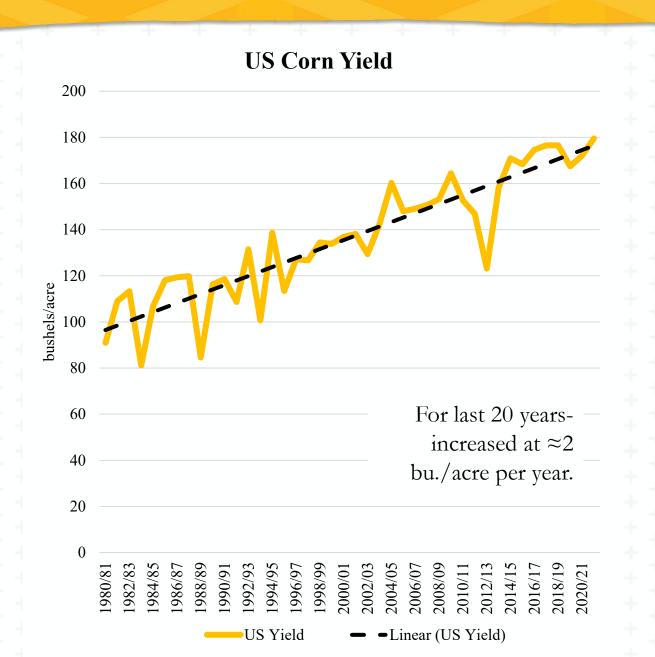


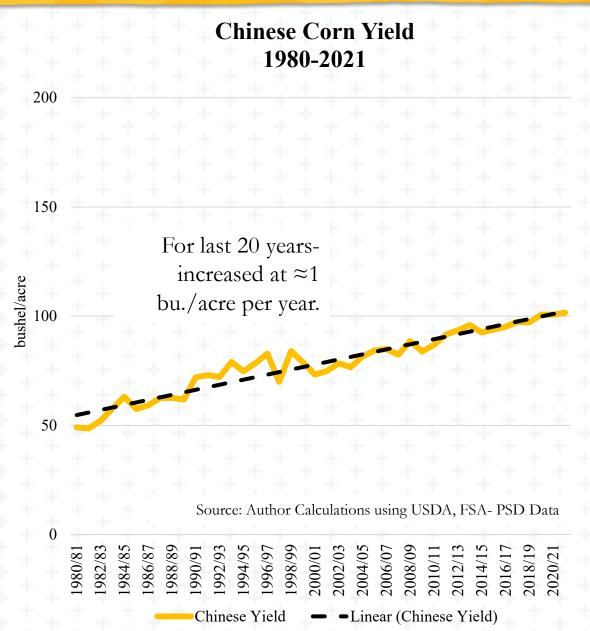


Chinese Soybean Production and Use



Part of the Chinese Issue





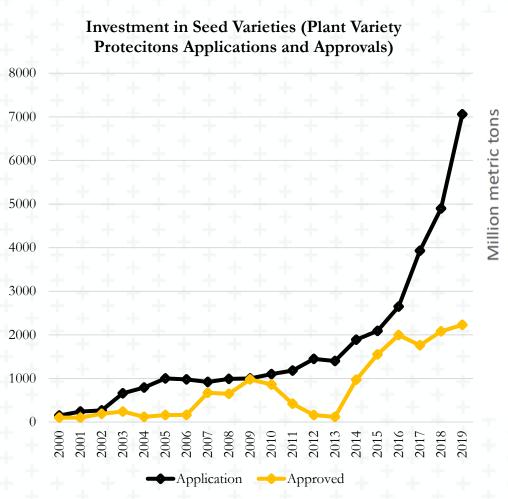
Can they buy themselves out of the hole?

1. Chinese State Central Party has expressed aggressively that "germplasm and breeding are key to China's agricultural stability and food security" along with "solve the problem of seeds and land" with direct orders for states to support seed development,

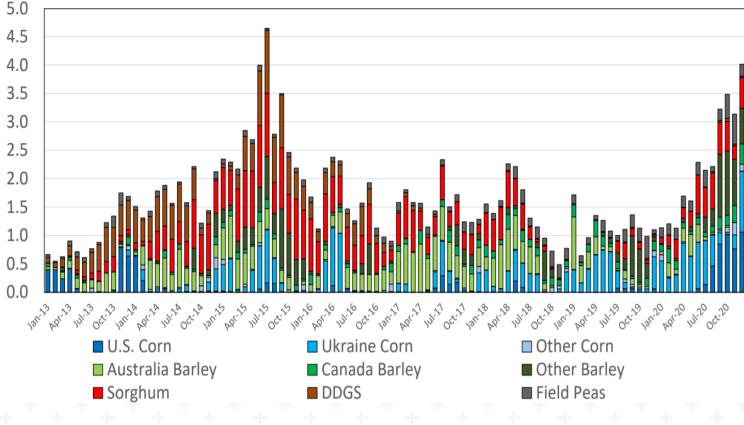
Sources: Left (China's Agricultural Biotechnology Annual)

Top (Trade Data Monitor- January)

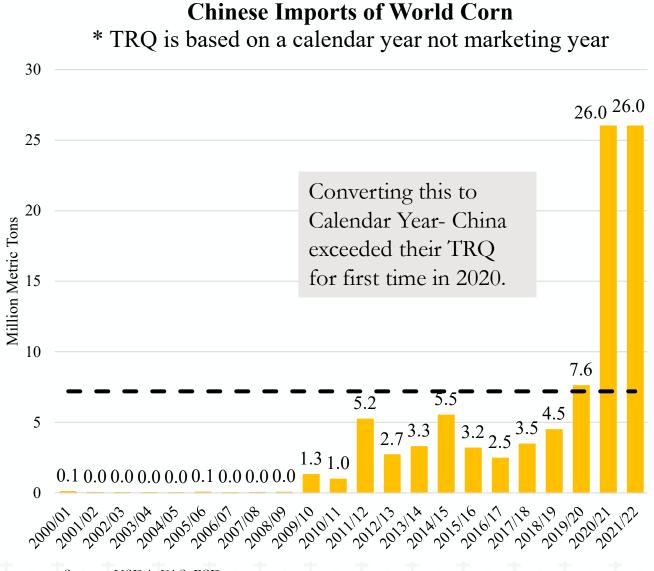
- 2. Foreign investments to increase access, and
- 3. Imports of corn equivalents.

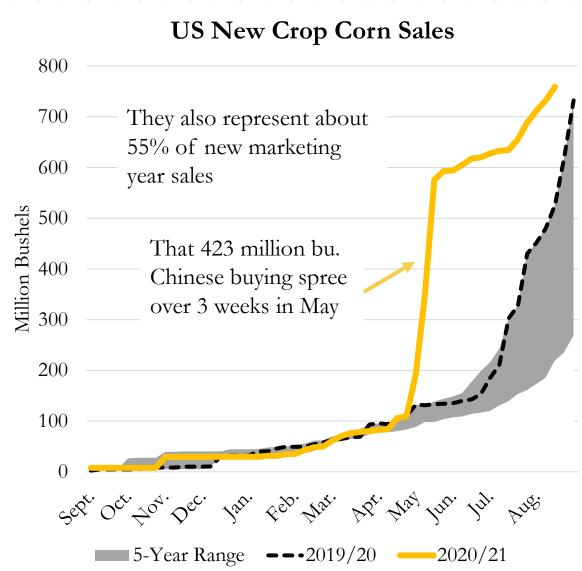


Chinese Imports of Foreign Corn Grain Equivalents



Chinese Corn Tariffs Rate Quotas???





Corn Balance Sheet

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

Soybean Balance Sheet

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

Marketing for Harvest

Old Crop Corn and Soybeans

- ❖ If you still have some to sell- what are you waiting on??
- ❖ Both Basis and Futures are elevated above historical levels.



New Crop Corn and Soybeans

- ❖ Still a fair amount of weather risk (especially for soybeans)
- The store and wait strategy has worked in producers favor two years in a row.
 - ❖ 2019/20- Government assistance on unpriced grain
 - ❖ 2020/21- Large price rally on smaller than expected global production
 - ❖ Will it work in 2021/22??????
- ❖ Options are pricy- but have come down some. An at the money (\$5.50) call (CZC21) was priced at 30 cents.
- ❖ When options are pricy- the Field of Dreams method works.



Summary

- ❖ I expect that we will continue to see sizable swings in commodity markets for awhile.
 - ❖ Managed Money still has large long positions
 - * Ending stocks to use remain tight causing large trading ranges
- ❖ Demand for US corn remains in-tact but is showing signs of weakness
 - * COVID related issues on gasoline consumption and exports
 - ❖ Corn Export Potential (Long-term interest in Brazil and China)
 - ❖ Smaller animal herds moving forward.
- ❖ Is Renewable Diesel the next "large" market for agricultural commodities??
- ❖ Bottom-line: Supplies improve in 2021/22 but remain snug through the next year.
- ❖ There has and likely will be decent pricing opportunities for producers as we head into 2021/22, but costs have come up considerably (8-10%) so the breakeven points have also come up for 2022 production.







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

Details at:

https://go.osu.edu/farmofficelive

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