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OHIO STATE UNIVERSITY EXTENSION

COSHOCTON COUNTY AGRICULTURE & NATURAL RESOURCES

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Hello Coshocton County! The sound and feel of our weather really has really changed over the past week. While the weather has slowed us a bit, it is still great to see the progress of our local harvest.

As we push towards the middle of November those involved in the farm's bookkeeping and finances should be thinking about year-end tax planning. One new change that most of us will need to be aware of is the change of reporting nonemployee compensation from the 1099-MISC form to the 1099-NEC form. Check out the first article in the newsletter for more details.

I am also making plans on how to best offer pesticide & fertilizer re-certification this winter. Private applicators (for those who need renewed by 3/31/2021) will be receiving a quick survey in the mail this week to provide input on preferred re-certification methods (given COVID-19 restrictions). Please be on the look-out for this survey.

Have a good and safe week.

Sincerely,

David L. Marrison

Coshocton County OSU Extension ANR Educator

THE OHIO STATE UNIVERSITY
COLLEGE OF FOOD, AGRICULTURAL, AND ENVIRONMENTAL SCIENCES

Form 1099-NEC now used to report Nonemployee Compensation

By: David L. Marrison, OSU Extension Educator
Source: go.osu.edu/1099-nec

2020 has been a year of change and this holds true for tax management. Farm and agribusiness managers will need to be aware that significant changes have been instituted with regards to reporting nonemployee compensation. The goal of this article is to share details on the return of IRS Form 1099-NEC and how it should be used instead of the IRS Form 1099-MISC when reporting compensation for nonemployees.

FORM 1099-NEC

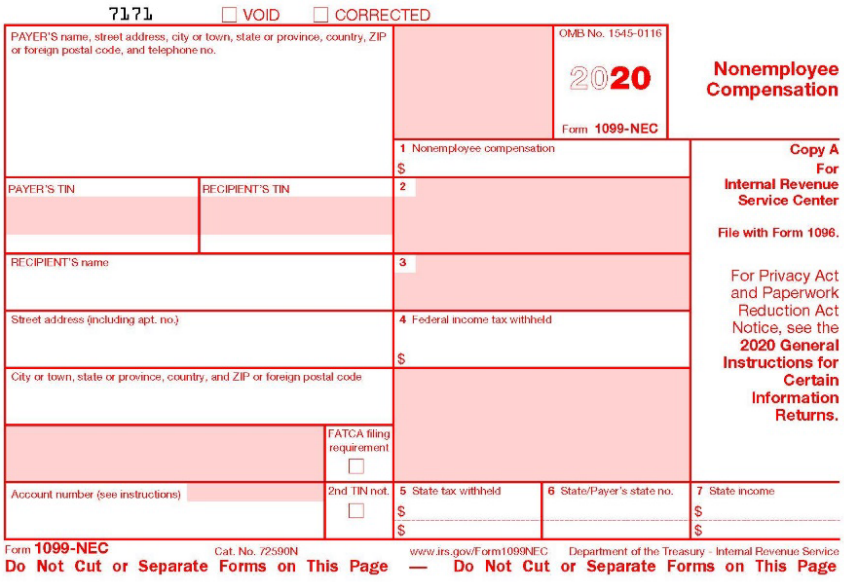
Starting in tax year 2020, Form 1099-NEC will be used to report compensation totaling more than $600 (per year) paid to a nonemployee for certain services performed for your business.

Previously, business owners would file Form 1099-MISC to report nonemployee compensation (in box 7). Now, this compensation is to be listed in Box 1 on the 1099-NEC. It should be noted that Form 1099-NEC was previously used by the IRS until 1982 when the IRS added box 7 to Form 1099-MISC and discontinued the 1099-NEC form.

If the following four conditions are met, you must generally report a payment as nonemployee compensation on Form 1099-NEC:

1. You made the payment to someone who is not your employee;
2. You made the payment for services in the course of your trade or business (including government agencies and nonprofit organizations);
3. You made the payment to an individual, partnership, estate, or in some cases, a corporation; and
4. You made payments to the payee of at least $600 during the year.

Examples of "nonemployee compensation" could include hiring a neighboring farmer to harvest, spray, or plant your crops or independent contractors such as crop consultants, mechanics, accountants, and veterinarians. Payment for parts or materials used to perform the service (if supplying the parts or materials was incidental to providing the service) is included in the amount reported as nonemployee compensation.


7171 ☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

OMB No. 1545-0116
2020
Form 1099-NEC

Nonemployee Compensation

1 Nonemployee compensation
$

Copy A
For Internal Revenue Service Center
File with Form 1096.

PAYER'S TIN | RECIPIENT'S TIN

2

RECIPIENT'S name

3

Street address (including apt. no.)

4 Federal income tax withheld
$

For Privacy Act and Paperwork Reduction Act Notice, see the 2020 General Instructions for Certain Information Returns.

City or town, state or province, country, and ZIP or foreign postal code

FATCA filing requirement ☐

Account number (see instructions) | 2nd TIN not. ☐ | 5 State tax withheld $ $ | 6 State/Payer's state no. | 7 State income $ $

Form 1099-NEC Cat. No. 72590N www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

Reporting is needed for payments made to unincorporated businesses (ie. sole proprietorship or LLC) in excess of $600. Generally, payments to a corporation do not require a 1099-NEC to be issued or payments made to LLC which have elected to be taxed as a corporation. One exception that should be noted is that payments over $600 to an attorney, regardless of business entity (corporation or unincorporated), need to be reported on the Form 1099-NEC.

A form 1099-NEC can be issued even if the payment is below the $600 threshold or is to a party that you are in doubt as to whether you are required to do issue this informational return. There are no prohibitions or penalties for doing this.

If you are required to file a Form 1099-NEC, you must furnish a statement to the recipient and to the IRS by January 31 of each year or the next business day, if the due date is on a weekend or holiday. For the tax reporting year of 2020, the form is due February 1, 2021.

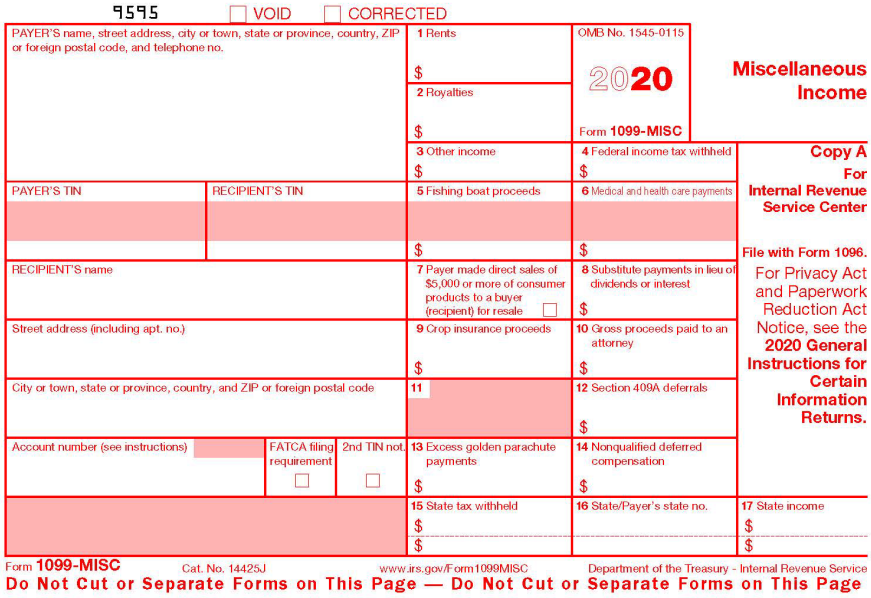
Why the Change?

The Protecting Americans from Tax Hikes (PATH) Act of 2015 accelerated the due date for filing 1099 forms that include nonemployee compensation from February 28 to January 30 and eliminated the automatic 30-day extension for forms that included nonemployee compensation. This created a situation where there were two deadlines for the same form. Separating the nonemployee compensation from the 1099-MISC to the 1099-NEC is expected to reduce fraud and to avoid fines for late filing.

Form 1099-MISC

The Form 1099-MISC will still be used to report a variety of income payments made to others. These include, but are not limited to:

- At least $10 in royalties (box 2) or broker payments in lieu of dividends or tax-exempt interest (box 8)
- At least $600 in:
  - Rents (box 1)
  - Prizes and awards (box 3)
  - Medical and health care payments (box 6)
  - Crop Insurance proceeds (box 9)


9595 ☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.	1 Rents $	OMB No. 1545-0115 2020 Form 1099-MISC	Miscellaneous Income
	2 Royalties $		
	3 Other income $	4 Federal income tax withheld $	Copy A For Internal Revenue Service Center
PAYER'S TIN / RECIPIENT'S TIN	5 Fishing boat proceeds $	6 Medical and health care payments $	File with Form 1096.
RECIPIENT'S name	7 Payer made direct sales of $5,000 or more of consumer products to a buyer (recipient) for resale ☐	8 Substitute payments in lieu of dividends or interest $	For Privacy Act and Paperwork Reduction Act Notice, see the 2020 General Instructions for Certain Information Returns.
Street address (including apt. no.)	9 Crop insurance proceeds $	10 Gross proceeds paid to an attorney $	
City or town, state or province, country, and ZIP or foreign postal code	11	12 Section 409A deferrals $	
Account number (see instructions) / FATCA filing requirement ☐ / 2nd TIN not. ☐	13 Excess golden parachute payments $	14 Nonqualified deferred compensation $	
	15 State tax withheld $ $	16 State/Payer's state no.	17 State income $ $

Form 1099-MISC Cat. No. 14425J www.irs.gov/Form1099MISC Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

The 1099-MISC forms must be to the recipient by January 31 but remain under the old filing deadline to the IRS of February 28 or in the case of e-filed returns March 31.

Penalties

If you fail to file a correct information return by the due date (to the IRS or service provider) and you cannot show reasonable cause, you may be subject to a penalty.
The amount of the penalty for not correctly filing a 1099 form is based on when you file the corrected return. The penalties can be significant. More details can found at: https://www.irs.gov/pub/irs-pdf/i1099gi.pdf

IRS Forms

Producers can view the instructions for completing IRS Form 1099-NEC and 1099-MISC at: https://www.irs.gov/pub/irs-prior/i1099msc--2020.pdf

The 1099-NEC can be accessed at: https://www.irs.gov/pub/irs-pdf/f1099nec.pdf

The 1099-MISC can be accessed at: https://www.irs.gov/pub/irs-pdf/f1099msc.pdf

Disclaimer:

The information provided in this article is for educational purposes. This article was designed to provide accurate tax education information. Farm managers are encouraged to seek the assistance of a qualified tax professionals with the completion of their taxes.

Agricultural & Natural Resource Income Tax Issues Webinar

By: Barry Ward, Director, OSU Income Tax Schools & Julie Strawser, OSU Income Tax Schools
Source: https://u.osu.edu/ohioagmanager/2020/11/16/agricultural-natural-resources-income-tax-issues-webinar-2/

Tax practitioners, farmers and farmland owners are encouraged to connect to the Agricultural and Natural Resources Income Tax Issues Webinar (via Zoom) on Dec. 18 from 8:45 a.m. to 3:30 p.m. The event is sponsored by Ohio State University Income Tax Schools and Purdue University Income Tax Schools.

The webinar focuses on issues specific to farm tax returns related to agriculture and natural resources and will highlight timely topics and new regulations related to COVID-related legislation. The program is an intermediate-level course for tax preparers whose clients include farmers and rural landowners. Farmers who prepare and file their own taxes will also benefit from the webinar. Topics to be addressed and discussed during the Ag Tax Issues webinar include:

- COVID-19 RELIEF FOR AGRICULTURAL BUSINESSES
- TIMELY TAX ISSUES IMPACTING AGRICULTURAL PRODUCERS
- QBI ISSUES FOR FARMERS AND LANDOWNERS
- RETIREMENT AND SOCIAL SECURITY CONSIDERATIONS FOR FARMERS
- FORM 4797, SALE OF BUSINESS PROPERTY
- LIKE-KIND EXCHANGE ISSUES IMPACTING FARMERS
- GETTING OUT OF THE BUSINESS OF FARMING
- CURRENT UNICAP RULES FOR ORCHARDS AND VINEYARDS
- TAX ISSUES ARISING UPON THE DEATH OF A FARMER

The cost for the one-day school is $150, and applications have been made for the following continuing education credits:

- Accountancy Board of Ohio, CPAs (6 hours)
- Office of Professional Responsibility, IRS (6 hours)
- Supreme Court of Ohio, Attorneys (5.25 hours)

Registration includes the Agricultural Tax Issues Workbook. The deadline to register is Dec. 8 to ensure participants will receive the workbook in the mail before the workshop. The live webinar will also feature options for interaction and the ability to ask questions about the presented material. More information on the workshop, including how to register, can be found at **go.osu.edu/agissues2020** Contact Barry Ward at 614-688-3959, ward.8@osu.edu or Julie Strawser at 614-292-2433, strawser.35@osu.edu with questions.

Fall Grazing Thoughts

By: Chris Penrose, Extension Educator, Morgan County (originally published in Farm and Dairy)
Source: https://u.osu.edu/beef/2020/11/18/fall-grazing-thoughts/

Well, the growing season may be over but the grazing season may not. My whole career I have heard many talking about how long the grazing rotation should be: maybe 14 days in the spring or 60 in late summer during dry weather. I have also heard the discussion over which is more of a management challenge. Over 30 years ago I heard someone say that the greatest challenge is the 150 plus day rotation during the winter months. That one took me a while to process but once I did, it made a lot of sense. Few have accomplished it and many have made it a long way. I really don't think of it as whether you succeed at it but if you can get better at it. The greatest cost of keeping grazing livestock is stored feed, and if we can reduce how many days we feed, we will be better off. You may not make the rotation last 150 days, but can you make it last longer, say 90 days? Every day I am not feeding hay means a day I am not spending as much money or time feeding livestock. This is a good time to try to plan ways to reduce the days you feed hay next year or better yet even this year. Is there a hay field you can still graze without causing damage to it? Is there a harvested corn field you could graze? Little things could save.

During the summer, did you have any issues you could address to reduce issues next year? I noticed a lot more cocklebur in the pastures this year and mowing simply will not eliminate this weed. I have seen two inch high cocklebur with seeds on it. Spraying next year seems to be my best option.

It was very dry later in the summer. Was water an issue? If so, now is the time to plan. My neighbor had issues and he rebuilt his pond, then put a barrel sized insulated tank buried about 80% in the ground with a float and valve on it that is gravity fed from the pond and requires no electric. It looks impressive and is unlikely to freeze. If it gets very cold this winter, do you have a plan to provide water? Over the years there have been several times I had to break ice when it remained below zero for extended periods of time.
If there is a dry day or two in the next few weeks, can you move out some round bales of hay to feed later in the season before it gets too muddy? Do you have enough feed for the winter? Hay is likely less expensive now than it will be in late February. Keep in mind that a portion of a hay diet can be replaced with corn. A pound of corn typically provides the energy of two pounds of hay. Shelled corn with the kernel cracked into three to four pieces maximizes utilization, but I get better intake using whole kernels when I feed it directly on the ground.

On, at best, a loosely related note but I consider a very important one, we worked all of the cattle the first of November. About half of my paddocks are on one side of the farm and about half are on the other. When we finally put in working facilities several years ago, we placed gates on each end of the holding pen and when I move cattle, I put them in the pen, close one gate, walk down and open the other, and out they go. When I need to work cattle, I set it up the pasture rotation so the cattle think it is time to be moved and it is a one person operation. I can then sort them into a sub-pen, then into the tub, down the alleyway and to the chute. It is so much safer and the cattle stay completely calm. The facilities are probably the best money I ever spent on the farm and I can now A.I. cows and treat animals when needed and most importantly, stay safe.

Emerging Grain Market Conditions & Impacts on Calf Prices

By: Stephen R. Koontz, Department of Agricultural and Resource Economics, Colorado State University
Source: https://u.osu.edu/beef/2020/11/18/emerging-grain-market-conditions-and-impacts-on-calf-prices/

Feed grain and oilseed prices have undergone some dramatic changes over the past couple of months. These changes are indicative of changes to underlying fundamentals in those markets and will impact the value of feeder cattle and calf prices well into next year. It is worth examining the changes to crop market conditions and thinking about possible prices.

Corn and soybean futures have advanced substantially since early August. The 2020 harvest corn contract has increased about $1 per bushel in that time period and the harvest soybean contract has increased roughly double that amount. Importantly, the increases have also been seen in the deferred contracts. DEC 2021 corn is a little stronger than $4 per bushel and NOV 2021 soybeans are just short of $10 per bushel. The price changes communicate more than adjustments reflecting crop conditions and the current harvest. Both are substantial revenue improvements for grain farming next year. Returning to the current crop, both corn and soybean prices appear at a substantial premium to what might be implied by the underlaying market fundamentals. Both crops have excellent yields and modest harvest acreage impacts as related to the late-season storm in the upper Midwest. Crop damage concerns are persistent but appear less impactful in the context of USDA reports. Stock-to-use ratios imply more reasonably mid-to-high-$3 corn and mid-to-high-$9 soybeans. That is unless the long-term demand picture is also changing. And there is some evidence that is the case. Corn export demand has been strong but that for soybeans is considerably more so. Consumption of corn is also picking up from ethanol production. The crop market fundamentals are looking more like they did in

the years prior to the trade war. Soybean demand may pull considerable acres to that crop and buoy both soybean and corn prices.

While these crop market impacts appear to be revealing themselves, the ramifications are for lower calf and feeder cattle prices. And this is emerging into those markets. $1 higher corn costs translate into about $6-$7/cwt lower feeder cattle prices. This cattle price impact is be exacerbated by dry conditions in the western U.S. and hay prices that are creeping higher. The impact on calf prices will be greater. With the higher grain prices and forage prices, we will see persistent pressure on feeder cattle and calf prices into 2021.

Don't Blow Your Cover

By: Lynn Jaynes, Managing Editor, Progressive Forage
(Previously published on Progressive Forage: October 27, 2020)
Source: https://u.osu.edu/sheep/2020/11/10/dont-blow-your-cover/#more-4004

Which of these methods of hay storage do you identify with?

- Small squares are stored upstairs in an old two-story dairy barn.
- I only store round bales outside (no hay barn) – flat ends snugly butted together on sandy loam soil with 3-5 feet between rows and a gently sloping incline.
- In my hay barn, rounds are stored three or four high on the flat sides (soup-can stack); squares are stored on an asphalt floor in the barn.
- Our small squares go up the elevator to the second story of my old henhouse.
- I store some rounds in fence rows – on top of stone piles or utility poles, if possible.
- My hay is stacked in an open-sided barn on loose shaken-out bedding hay for ground cover. Outside hay is tarped.
- Quality rounds are stored in a hoop building; second-grade bales are stored on a rock pad.
- All hay is stored in repurposed barns or on pallets with a layer of poly under the pallets.
- I use old chicken houses.
- I use old dairy bank barns.
- I wrap everything.
- I put a 6-inch gravel base with used quarry conveyor mats on the gravel base and pallets above the mats.
- I write off the entire bottom layer, disposing of it when new hay comes in.

(Image Source: Carrie Veselka)

Quite a variety of methods are used to store hay, and all of the above happen somewhere, I swear.

Hay storage looks different all around the country, but still surprising is the amount of hay left unprotected. Think of it this way: If you walked out of the convenience store with a straw-sized leak in the bottom of your two dollar, 32-ounce fountain drink, you'd be upset, right? It's sticky, it's messy and you're not going to be able to drink it fast enough to get full value.

Now magnify that frustration by 80 (the cost of a soda versus the cost of a ton of hay), and that's the frustration you should feel when a ton of hay has been stored improperly and lost value. Besides being messy and a problem to deal with, and aside from the cost of mowing, raking and baling, and the sweat and hardy labor of putting it up, you've also lost nutritional value and palatability (causing greater refusal), even if the dry matter remains intact.

Last year, more than 63 million acres of forage crops were harvested in the U.S., and almost 129 million tons of that was hay. If we value that at $140 per ton, that's equivalent to over $18 billion in value. Forage specialists have put hay value loss as high as 25% – that's not just a straw-sized hole in a drinking cup; it's effectively turned your 32-ounce drink into a 24-ounce drink. Now you're really ticked, and you should be.

These are real losses, not just potential losses, and it doesn't even count the cost of replacement feed value. Factors that may affect hay quality include growing conditions, fertility, species, varieties, pests, weed presence, harvesting, curing, handling and storage. For our purposes today, we'll address just one factor – storage, specifically storage of round bales.

Outside storage

"Minimizing losses in hay storage and feeding," a document compiled by several forage specialists around the U.S., outlines some of the problems encountered by storing bales outside. The theory behind round bale formation is to provide a thatch covering on the bale, which should initially shed moisture. However, several factors can be problematic:

- Coarse-stemmed crops or weeds do not thatch well.
- Once penetrated, the bale loses the ability to shed water well and can actually increase moisture development in deeper areas of the bale.
- Bales stored in contact with the ground can wick water into the bale.
- Bale density (or lack thereof) contributes to its ability to shed water.

Many studies have shown net wrap to be slightly better than twine in preventing storage losses. Net wrap has the added advantage of stabilizing the bale better than twine, facilitating bale handling. Climactic conditions obviously have great impact as well: rainfall (amount and duration), high humidity, temperature, sun exposure and breezes.

There are some specific practices and decisions that can enhance any bale despite climate or a stack's ability to maintain feed value.

Site selection

Storing bales take space – something we don't give up willingly. If we choose to store bales in the field, there may be many conditions within the field that lend to good drainage and air flow, and likely, just as many that do not. Well-drained sites and higher-elevation sites, which are less prone to flooding and heavier soils, are preferred. In a relatively flat field, at least consider the general direction the wind blows, to help maximize its effect on moisture collection.

Bale orientation

Pyramids belong in Egypt, not in hay fields. Round bales stacked in pyramids outside create opportunity for moisture trapping, so the preferred method is single file, with flat ends butted up tightly against flat ends. Rows should be oriented along a north-south line to allow maximum sun exposure to the rounded sides. Leaving at least 3 feet of space between rows also minimizes shadowing from row to row and maximizes sun exposure.

Protecting the bottom

"We say, first break contact with the ground," says Jimmy Henning, forage professor with University of Kentucky extension, "then use net wrap over simple twine – it is amazing how much you gain from that alone – and protect the top from rain."

And, breaking contact from the ground can look like a lot of things, as the foregoing list entails. Different approaches will work adequately in different places, and there isn't a one-size-fits-all method, but common methods involve plastic sheeting, pallets, gravel, a sacrificed straw layer or asphalt.

Protect the top

This is where the expense comes in – protecting the top of the bale. There are products available for individual bale coverage or a stack of bales. There are barns, hoops, tarps and plastic sleeves. Each achieves some coverage and protection, at a cost. Recall, however, that you're losing money every day of the week when hay goes unprotected. Consider this: Studies have shown that dry matter storage loss of dry hay during inside storage is around 5% (due to shrinkage), compared to 25%-30% loss of hay stored outside in humid places throughout the U.S.

Summary
It seems like a small thing, no bigger than just a small hole in a cup. But, when hay isn't stored properly to minimize moisture, the damage is much bigger than that and much costlier. Pencil out some options. You maybe can't go top of the line in one leap, but you can do something. As one producer said of his system, "It's not ideal, but it's better than nothing." And, he's right. Something is better than nothing.

Forage Botulism in High Moisture Baleage

Melissa Bravo, Certified Crop Advisor, Meadow Lake Farm Consulting
(Previously published in Progressive Forage: October 2, 2015)
Source: https://u.osu.edu/sheep/2020/11/17/forage-botulism-in-high-moisture-baleage/

For many forage producers in the Northeast, the weather has finally given a window to mow late-planted peas and oats for baleage. In fact, a lot of hay has been made into baleage this year all over the country, and some of that was put up just a bit too wet.

Toxic bacterial growth in under-fermented baleage is something every producer should take into consideration. Under-fermented baleage is at high risk for producing the toxin botulinum (which causes botulism). This can occur when the pH of the bales does not drop below 4.5 – the benchmark for clostridia formation. (A must-read on the entire process is a recent university trial on best management practices for round bale silage by W.L. Shockey, et al, published in the May 2014: Journal Of The National Association Of County Agriculture Agents.)

Guessing the moisture content of baleage is a gamble that many producers have played: Bale it too wet or bale it too mature and the feed might not ferment properly. Of the two alternatives, poor fermentation of a high-moisture bale or any type of silage material can lead to a deadly situation caused by the bacteria Clostridium botulinum, type B. Carcasses (that snake, deer, or groundhog you know you shredded in the mower) in fed forages are also a source of another botulinum toxin known as type C.

In all, there are seven types of botulinum toxins. Types A, B, E and F can infect humans. Types C and D are found in poultry, wild birds, mink, and their excrements. Type E is a fishy thing. In instances where an outbreak of a known strain of botulism is suspected, an antiserum can be used for treatment, but oftentimes it's just too late. Make no mistake – even miniscule amounts of the botulinum toxin can decimate a barn full of livestock. It is not uncommon to read about situations where hundreds of cattle and horses have died within hours of eating contaminated feed. In fact, if you have ever heard the rumor that haylage or baleage is not safe to feed to horses, it's probably because of this reason. Horses are much more sensitive to botulinum toxins that other livestock.

Take guessing out of the equation
For about $300, you can use a moisture tester designed for windrow testing. Ideal fermentation conditions occur at 40% – 50% moisture. However, this will vary by the maturity and composition of the forage. What can I say? It's still a bit of a guessing game on the fermentation process when the forage is not at that ideal maturity stage to make a perfect high-moisture bale. When in doubt, call about. Firsthand knowledge is valuable insurance when it comes to knowing just when to bale for optimal fermentation.

Excluding oxygen is a must, so to avoid any distress after baling, go around the bale four to six complete revolutions with bale wrap.

If you're still not sure whether Clostridium botulinum has formed, you can test before you feed, but it gets a little more expensive. A better-safe-than-sorry bale probe ($200) that augers out a representative forage sample so that it can be tested with a silage moisture meter ($300) is worth the investment, compared with the cost if you are wrong. You will need litmus paper or a portable pH meter to determine if the bale is above 4.5 pH. Make sure to take the entire core from one bale and mix it up in a bucket with equal parts of distilled water. Or if you have the time, you can send a sample from each bale to a forage analysis laboratory for testing. This is the bottom line: Do not feed any bales above 6.0 pH. Anything above 5.5 pH should be evaluated closely for mold, a rotten smell, or an ammonia odor. These are all signs of clostridia or listeria formation, and they can occur in any type of high-moisture feed that did not undergo proper fermentation. The National Botulism Reference Laboratory at the New Bolton Center in Pennsylvania "provides testing for samples from multiple animal species, including equine, bovine, avian, and canine as well as suspected feedstuffs and forages."

Oh, and one last thing to worry about – OK, well, two – don't overlook the more common livestock deaths from baleage – legume bloat and high-potassium-induced grass tetany.

Check out http://go.osu.edu/coshocton-agnews for back issues of the Coshocton County Agriculture & Natural Resources Newsletter