

OSU EXTENSION

NORTHEAST OHIO AGRI-CULTURE ELECTRONIC NEWSLETTER **Wednesday, December 17, 2014**

Finally....I am publishing this newsletter a day late as I was waiting for action from the U.S. Senate on the Tax Extenders Bill (HR 5771: Tax Increase Prevention Act of 2014). Great news, the Senate passed this bill late yesterday and it is heading to President Obama for his signature (which he has stated he will). This leaves you two weeks to scramble to do any last minute shopping for equipment. Merry Christmas! A reminder we have copies of the 2014 Farmers Tax Guide in the Ashtabula & Trumbull County offices. We also held our first ARC/PLC farm bill meetings yesterday at the Trumbull County Ag Center. With all the new changes in the 2014 Farm Bill it is very important that farmers take time to learn about the different program options as the choices you make this year will be binding for the duration of the farm bill. We will be offering many more of these programs for farmers to learn about the new farm bill—watch future editions of this newsletter for complete details.

David Marrison, AG Educator

In this Issue:

- Senate Passes Tax Extender Bill---It is on to the President!
- IRS Announces 2015 Standard Mileage Rates
- Dairy Margin Protection Program Sign-up Extended to December 19
- Farm Bill Programs to be held across Northeast Ohio
- Private Pesticide Applicator Re-Certification Session & Commercial Fertilizer Application Certification Sessions to be held across Northeast Ohio in 2015
- OSU Dairy Economist: Milk Prices, Global Export Demand and New Margin Protection Program Will Be Topics to Watch in 2015

Senate Passes Tax Extender Bill---It is on to the President!

By David Marrison

The United States Senate passed the Tax Extenders Bill (HR 5771: Tax Increase Prevention Act of 2014) by a vote of 76-16 on Tuesday, December 16 and now is on its way to President Obama for his signature. This bill was passed by the House of Representatives by a vote of 378-46 on December 3, 2014. This bill “extended” a number of key tax relief provisions that expired either at the end of calendar year 2013 or during 2014. In total the bill includes 72 individual, business and energy tax extenders. It should be noted the extenders are only good for 2014. Congress will have to go back to the drawing board in 2015 to see if they wish to extend any of the tax extender provisions for 2015 and beyond.

The two major portions of this legislation which farmers, and other business owners, were waiting anxiously for include the extension of bonus depreciation and Section 179 Expensing. This legislation includes a one-year retroactive extension of the 50 percent bonus depreciation for new property acquired and placed in service during 2014 (2015 for certain property with a longer production period). The legislation also extended the Section 179 Expensing. Many farmers have been using Section 179 expensing to depreciate new and used equipment in the year of purchase. However, in 2014, this deduction was set to drop to \$25,000 with phase-out provisions kicking in for any dollars spent over \$200,000. The tax extender legislation returns the Section 179 Expensing level to \$500,000 with the phase-out provisions not kicking in until \$2 million. The special rules that allow expensing for computer software, qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property also were also extended through 2014.

Some additional tax extenders which have an agricultural interest include:

- Extension of special rule for contributions of capital gain real property made for conservation purposes. The provision would extend through 2014 an enhanced deduction for contributions of capital gain real property for conservation purposes. This provision also would extend the enhanced deduction for certain individual and corporate farmers and ranchers. A qualified conservation contribution is a contribution of a real property interest to a qualified organization, exclusively for conservation purposes.
- Extension of incentives for biodiesel and renewable diesel. The provision would extend through 2014 the \$1.00 per gallon production tax credit for biodiesel, and the small agri-biodiesel producer credit of 10 cents per gallon. The provision also extends through 2014 the \$1.00 per gallon production tax credit for diesel fuel created from biomass.
- Extension of special allowance for second generation biofuel plant property. The provision would extend through 2014 50 percent bonus depreciation for cellulosic biofuel facilities.

Some of the most popular tax extenders important to the American taxpayer include:

- Extension of above-the-line deduction for qualified tuition and related expenses. The provision would extend through 2014 the above-the-line deduction for qualified tuition and related expenses for higher education. The deduction is capped at \$4,000 for an individual whose adjusted gross income (AGI) does not exceed \$65,000 (\$130,000 for joint filers) or \$2,000 for an individual whose AGI does not exceed \$80,000 (\$160,000 for joint filers).
- Extension of deduction for certain expenses of elementary and secondary school teachers. The provision would extend through 2014 the above-the-line deduction for the eligible expenses of elementary and secondary school teachers. The deduction is capped at \$250 and covers expenses that otherwise would have to be itemized.
- Extension of tax-free distributions from individual retirement plans for charitable purposes. The provision would extend through 2014 the ability of individuals at least 70½ years of age to exclude from gross income qualified charitable distributions from Individual Retirement Accounts (IRAs). The exclusion may not exceed \$100,000 per taxpayer in any tax year.
- Extension of credit for energy-efficient new homes. The provision would extend through 2014 the tax credit for manufacturers of energy-efficient residential homes. An eligible contractor may claim a tax credit of \$1,000 or \$2,000 for the construction or manufacture of a new energy efficient home that meets qualifying criteria.

Details about the legislation can be found at: <https://www.govtrack.us/congress/bills/113/hr5771>

IRS Announces 2015 Standard Mileage Rates

The IRS has announced the standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical and moving purposes for 2015. The new rates are:

- 57.5 cents per mile for business miles driven (up from 56 cents in 2014). 22 cents of this amount is considered depreciation for basis reduction purposes.
- 23 cents per mile driven for medical or moving purposes (down half a cent from 2014)
- 14 cents per mile driven in service of charitable organizations

Taxpayers always have the option of deducting actual costs of using an automobile rather than the standard rates, however, keep in mind the taxpayer cannot use the standard business mileage rates AND deduct actual costs of using an automobile, which includes both standard and accelerated depreciation amounts. Most farmers use the standard mileage rates to reimburse employees for business miles that they may put on their personal vehicles. If you use these rates to reimburse those miles, the reimbursement will not be included in the employee's income and it is 100% deductible by the business.

Dairy Margin Protection Program Sign-up Extended to December 19

The Farm Service Agency announced late last week they have extended the deadline for dairy farmers from December 5 to this Friday, December 19 to enroll in the new Dairy Margin Protection Program. With milk prices set to decline in 2015, it would be a wise choice for dairy farmers to explore this program. Andrew Novakovic, Professor from Cornell University wrote an article for Dairy Herd Management website last week which shares a last minute discussion piece for dairy farmers deciding whether to sign up for the program or not. This article can be accessed at: <http://www.dairyherd.com/news/novakovic-last-minute-thoughts-about-mpp-dairy-producers-2015>. Producers can also find more information at: <http://dairymarkets.org>. More information about enrolling in this program can be obtained by calling the Farm Service Agency in Orwell, Ohio at 440-437-6330.

Farm Bill Programs to be Held Northeast Ohio

OSU Extension in Northeast Ohio will be collaborating with our local Farm Service Agency offices to offer meetings to discuss the crop side of the 2014 Farm Bill. Specific details will be presented on the Yield Update (landowner decision), base re-allocation (landowner decision) and program choice between PLC, ARC-County and ARC-Individual (farmer decision). There is no cost to attend these workshops but pre-registration is requested. The following dates have been established (thus far). Producers and landowners can choose the program which fits their schedule the best.

Thursday, December 18, 2014

Portage County Ag Center
6970 State Route 88
Ravenna, Ohio 44266
1:00 to 3:00 p.m. or 6:30 to 8:30 p.m.
To reserve call: (330) 297-7633 ext 113

Tuesday, January 6, 2015

Ashtabula County Extension Office
39 Wall Street
Jefferson, Ohio 44047
10:00 to 12:00 noon
To reserve call: (440) 437-6330

Thursday, January 8, 2015

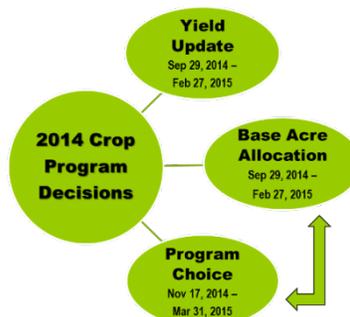
Geauga County Extension Office
14269 Claridon-Troy Road
Burton, Ohio 44021
1:00 to 3:00 p.m.
To reserve call: (440) 437-6330

Tuesday, January 13, 2015

Lorain County Farm Service Agency
42110 Russia Road
Elyria, Ohio 44035
2:00 to 4:00 p.m. or 6:00 to 8:00 p.m.
Call 440-326-5830 to register

Thursday, January 15, 2015

Akron University- Medina
Medina County University Center (of Akron University)



6300 West Technology Lane
Medina, Ohio 44256
10:00 to 12:00 p.m. or 2:00 to 4:00 p.m.
Call 330-722-2628 to register

Private Pesticide Applicator Re-Certification Session & Commercial Fertilizer Application Certification Sessions to be held across Northeast Ohio in 2015

Does your Private Pesticide Applicator's License expire on March 31, 2015? If so, OSU Extension in Northeast Ohio has planned four pesticide re-certification sessions for producers. These sessions will be held on January 16 at the Williamsfield Community Center, January 30 at the Geauga County Extension office, February 9 at the Trumbull County Extension office and February 26 at the Perry Community Center.

Each of these sessions will offer 3 credits for pesticide re-certification for CORE and All Categories (1-7). Private Pesticide Applicators are encouraged to choose the session which best fits their schedule the best. Additionally, a special session will be held during the same day and location for private pesticide applicators who would like to complete their Commercial Fertilizer Application Certification. Due to Ohio's new legislation, any producer who applies commercial fertilizer to 50 or more acres must be certified by no later than September 30, 2017. Attend this session to complete your certification. This session is open only to current licensed private pesticide applicators who wish to become certified.

The times and locations for each of the sessions are:

Friday, January 16, 2015 at the Williamsfield Community Center in Williamsfield, Ohio.

Private Pesticide from 9:00 to 12:00 noon & Fertilizer Applicator Certification from 1:00 to 3:00 p.m.

Friday, January 30, 2015 at the Geauga County Extension office in Burton, Ohio.

Private Pesticide from 9:00 to 12:00 noon & Fertilizer Applicator Certification from 1:00 to 3:00 p.m.

Monday, February 9, 2015 at the Trumbull County Extension office in Cortland, Ohio.

Private Pesticide from 9:00 to 12:00 noon & Fertilizer Applicator Certification from 1:00 to 3:00 p.m.

Thursday, February 26, 2015 at the Perry Community Center in Perry, Ohio.

Fertilizer Applicator Certification from 3:00 to 5:00 p.m. & Private Pesticide from 6:00 to 9:00 p.m.

The registration fee is \$35/per person for the private pesticide applicator re-certification. There is no fee for the fertilizer certification session. A hearty farmer's lunch and refreshments will be provided for attendees for a fee \$15/person. Pre-registration is required eight days prior to the session date. An additional late registration fee of \$25 per person will be added for any late registration. Make checks payable to OSU Extension and mail to OSU Extension-Gauga County, PO Box 387, Burton, Ohio 44021. More information can be obtained by calling the Geauga County Extension office 440-834-4656.

OSU Dairy Economist: Milk Prices, Global Export Demand and New Margin Protection Program Will Be Topics to Watch in 2015

By: Nicole Pierron Rasul

Milk prices, the global export demand and the 2014 farm bill's new Margin Protection Program will be the topics to watch in the dairy industry next year, according to a dairy markets and policy specialist with Ohio State University's College of Food, Agricultural, and Environmental Sciences.

U.S. milk production and dairy exports have increased significantly over the last decade, with an increase in milk production of 34 billion pounds from 2003 to 2014 and a dairy export increase of 25.7 billion pounds, said Cameron Thraen, associate professor in the college's Department of Agricultural, Environmental and Development Economics (AEDE) and a member of the National Program on Dairy Markets and Policy. He also holds an appointment with Ohio State University Extension, the college's statewide outreach arm.

"Dairy export demand is an exploding part of U.S. milk production," Thraen said. "We are exporting a significant share of U.S. production over what we did a decade ago. "Dairy exports were 4 percent of milk production in 1996's 154 billion pounds, and now this figure is 15.5 percent of 2014's 204 billion pounds.

"This increased export demand accounts for 75 percent of the growth in U.S. milk production." However, with U.S. milk prices expected to soften in 2015 and a slowdown in global demand for U.S. dairy exports due to increased dairy supplies in Europe and Oceania and slowing dairy imports in Russia and China, the dairy boom seen over the last decade is showing signs of slowing down, Thraen said.

"At the end of 2014, U.S. dairy commodity prices are making a significant realignment with lower world prices, and it is natural to assume that this realignment will result in dramatically lower income over feed cost margins for 2015," he said. "The strong U.S. dollar and high U.S. dairy product prices could bring storms to the U.S. dairy export market in 2015." With the recent rise in dairy exports, the number of cows and production rates on dairy farms in the U.S. have increased significantly over the last decade, Thraen said.

In 2001, the average number of cows per dairy farm in Ohio was 61, while in 2014 this number reached 96. Additionally, milk production per Ohio dairy farm in 2001 was 1 million pounds, while in 2014 this number reached 1.9 million pounds. In Ohio in 2014, there were an estimated 267,000 milk cows for a total milk production of 5.4 billion pounds, resulting in \$1.3 billion in gross revenue from the sale of milk, a record for Ohio, Thraen said.

"These Ohio numbers reflect what is happening at a national level," he said. "Nationally, the number of milk cows at the end of 2014 is approaching 9.3 million head, and production is gaining speed, reflecting strong equity building on dairy farms after difficult financial periods in 2009 and in 2012."

Also currently impacting the U.S. dairy industry is the passage of the U.S. Agricultural Act of 2014, better known as the farm bill, and the new voluntary Dairy Margin Protection Program (MPP), or dairy safety net, in the legislation, Thraen said. "For the first time in the history of U.S. dairy policy, dairy farmers will have a program that allows them to take a stake in their own national safety net policy," he said. "For the first time they are given the opportunity to individually select a level of financial support and to pay a modest amount for their selection. "This is a watershed event."

Through his research appointment with the college's research arm, the Ohio Agricultural Research and Development Center, Thraen's research focuses on market and financial risk analysis and risk mitigation in the U.S. dairy industry. Research output from this program was instrumental in the development of a web-based decision support tool for MPP.

The tool helps producers calculate total premium costs and administrative fees associated with the program, as well as provides a daily forecast of net MPP payments that will be made during the coverage year and the total MPP benefit that the producer can anticipate. The decision support tool is the official educational tool supported by the U.S. Department of Agriculture's Farm Service Agency, which has federal responsibility for administering the Margin Protection Program.

Thraen also collaborates with a team of dairy economists from the University of Illinois, the University of Wisconsin, the University of Minnesota, Michigan State University, Cornell University and The Pennsylvania State University to further develop the web-based decision support tool for MPP along with additional educational materials. The team has authored a website dedicated to supporting the U.S. dairy industry at dairymarkets.org. MPP enrollment closed Dec 5. To learn more, visit fsa.usda.gov/mpptool.

To read Thraen's policy brief prepared for the 2014-2015 Agricultural Policy and Outlook series, visit go.osu.edu/uHN.

PLEASE SHARE...this newsletter with farmers or others who are interested in agricultural topics in Ashtabula & Trumbull Counties. Past issues can be located at: <https://go.osu.edu/ag-news>. Please tell your friends and neighbors to sign up for the list. CONTACT: marrison.2@osu.edu

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