

# Ag Decision Maker

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## UPDATES

The following **Information Files** have been updated on [extension.iastate.edu/agdm](http://extension.iastate.edu/agdm):

B1-15 Deductible Livestock Costs for Adjusting Income Tax Returns

A2-11 Iowa Cash Corn and Soybean Prices

The following **Profitability Tools** have been updated on [extension.iastate.edu/agdm/outlook.html](http://extension.iastate.edu/agdm/outlook.html):

A1-85 Corn Profitability

A1-86 Soybean Profitability

A2-11 Iowa Cash Corn and Soybean Prices

A2-15 Season Average Price Calculator

D1-10 Ethanol Profitability

D1-15 Biodiesel Profitability



## Crop insurance may affect tax planning decisions

By Charles Brown, extension farm management field specialist, 641-673-5841 | [crbrown@iastate.edu](mailto:crbrown@iastate.edu)

Corn and soybean yields have been better than expected for many farmers in Iowa for 2022, but for many farmers who were caught in the drought areas, reduced yields will trigger crop insurance payments.

A farmer who uses the cash accounting method may elect to postpone reporting insurance proceeds on damaged crops from the year of damage to the following year if 50% or more of the crop is normally sold the year following production. This is determined on a crop-by-crop basis. It is done by making the election IRC Sec. 451(d); Reg. 1.451-6 on the tax return for the year of loss. A statement must be attached to the tax return and include the following:

1. This election is made under IRC Sec. 451 (d) and Reg. 1.451-6.
2. Identification of the specific crop or crops destroyed or damaged.
3. A statement that under normal conditions the crop would have been sold the following year.
4. Identification of the cause of destruction or damage and the dates it occurred.

5. The amount of payment received and the date each payment was received for each crop.
6. The name of the insurance carrier or payer from whom the amounts were received.

If you defer the insurance income received for one crop you must do it for all crops for which insurance money was received. This would include any disaster money received from USDA. Crop revenue insurance guarantees a certain level of income based on yield and price.

### What does the tax code allow?

Federal tax code Sec. 451(d) allows the deferral of crop insurance proceeds "received as a result of destruction or damage to crops" or the inability to plant crops because of a natural disaster.

IRS does allow the portion of the insurance proceeds that was the direct result of crop damage due to hail, flooding, drought or some other destruction, or some portion of the proceeds was the result of damage, then that portion of the insurance



proceeds should be allowed for the deferral election. The portion of the proceeds that was related to price would have to be reported as income in the year received.

The 2022 Spring crop insurance guarantee for corn is \$5.90 and soybeans is \$14.33. The Fall crop insurance guarantee was determined the end of October using the average December futures price for corn and the average November futures price for soybeans during the month of October. The Fall price for corn of \$6.86 was higher than the Spring price, but the Fall price for soybeans at \$13.81 was below the Spring price. If you do have a revenue loss and you wish to defer the crop insurance income to 2023, you may need to make an allocation between price loss

and yield loss. Only the yield loss is allowed for deferral. You need to contact your tax professional for consultation on specific questions for your farm.

## **End-of-year considerations**

Even though input costs have increased for raising corn and soybeans in 2022, commodity prices have also increased and for most farmers it should be a profitable year. Managing income taxes should be looked at as a long-term planning process and not just on a year-to-year basis. Farmers have a number of tools available to help manage the timing of their income. Some of these options, however, are only available through year-end.

Avoiding income spikes and dips prevents overall income from

being taxed at unnecessarily high tax rates. Some common income management techniques for farmers include income averaging, prepaying expenses, making contributions to retirement accounts, gifting grain to a charity, carefully timing the purchase or sales of assets, entering into or electing out of deferred payment contracts and properly managing depreciation and expensing decisions. The Section 179 Election for 2022, accelerated depreciation, is \$1,080,000. This alone can give a lot of flexibility in managing income if depreciable assets have been purchased.

Always contact your income tax advisor for specific questions relating to your farm or business.



## Warming oceans raise sea level

By Don Hofstrand, retired agricultural business specialist

Reviewed by Eugene Takle, retired professor emeritus, Iowa State University

**This article is part of our series focused on the causes and consequences of a warming planet.**

The world's oceans are getting warmer. The warming is most obvious in the top layer of the ocean, but the extra heat has reached deeper waters than previously thought.

Physics tells us that water expands as it warms. We can see this when we fill our tea pot with water, put the pot on the stove, and turn the stove on. As the water warms, the water level in the tea pot rises, possibly overflowing. The same is true of the oceans. As the oceans warm, sea level rises.

This rise is especially relevant because over 90% of the heat in the atmosphere from the Earth's warming goes into the oceans. Warming oceans account for as much as 50% of sea level rise.

In addition to sea level rise, warmer oceans affect weather patterns, cause more powerful tropical storms and can impact many kinds of sea life.

We know that continued emissions of greenhouse gases will result in further warming of the oceans and rising sea levels. But even if the world stops emitting greenhouse gases, the gases already in the atmosphere will keep the temperature of the atmosphere at a higher level causing the oceans to continue to warm over time. Scientists have found that even if we stop emitting greenhouse gases, sea levels will continue to rise for more than 1,000 years.

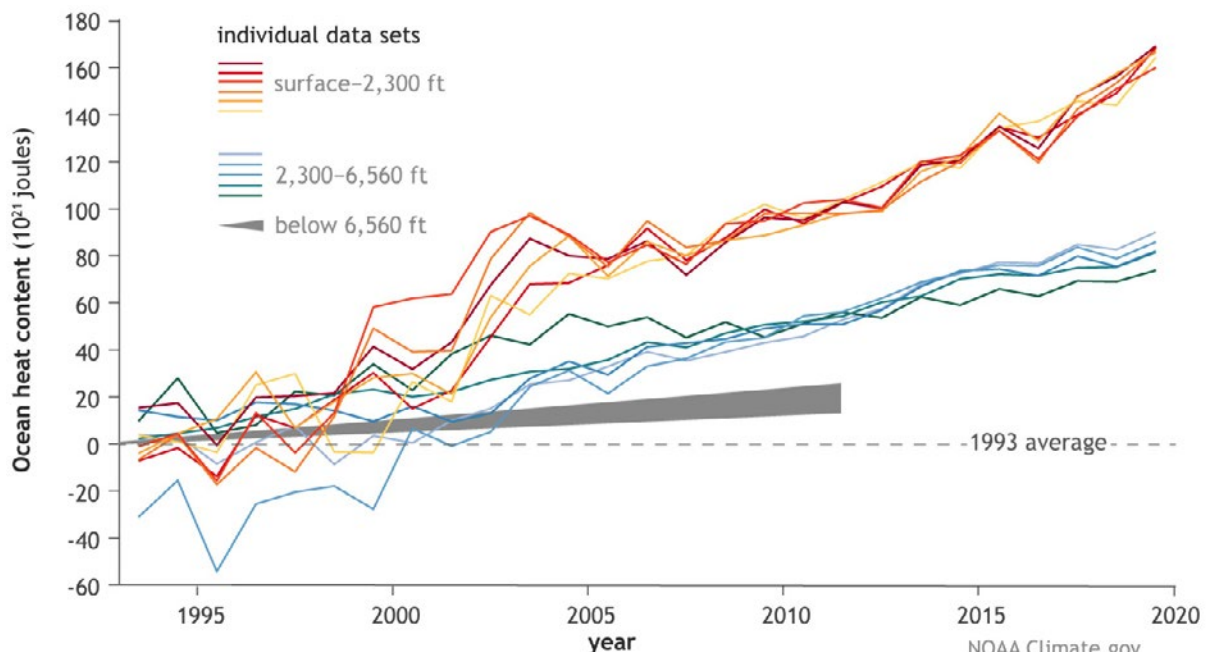
For example, when heating a tea pot of water, it takes a period

of time for the water to become hot enough to make tea. On a much grander scale, the ocean will continue to warm as the atmospheric carbon dioxide blanket traps additional heat emitted by the warming earth.

Warmer oceans will impact us not only through rising sea levels, but scientists are concerned that heat being stored in the oceans will eventually be released back into the atmosphere. Thus, committing earth to additional warming in the future, even if we end the emission of greenhouse gases.

See the [Ag Decision Maker website](https://www.extension.iastate.edu/agdm/energy.html#climate), [extension.iastate.edu/agdm/energy.html#climate](https://www.extension.iastate.edu/agdm/energy.html#climate), for more from this series.

Annual ocean heat content compared to average (1993-2019)



## Census countdown begins for Iowa's farmers and ranchers

Iowa's farmers and ranchers will soon have the opportunity to make a positive impact on their industry and communities by taking part in the 2022 Census of Agriculture. Conducted every five years by the US Department of Agriculture's (USDA) National Agricultural Statistics Service (NASS), the Census is a complete count of all US farms, ranches and those who operate them.

The 2022 Census of Agriculture will be mailed to producers in phases, starting with an invitation to respond online in late-November followed by paper questionnaires in December. Farm operations of all sizes, which produced and sold, or normally would have sold, \$1,000 or more of agricultural product in 2022 are included in the ag census.

The Census remains the only source of uniform, comprehensive agricultural data for every county in the

nation and looks at land use and ownership, operator characteristics, production practices, income and expenditures, as well as other topics.

Census information provides a collective voice for farmers and helps shape the future of the industry. Farm and commodity organizations, extension educators, agribusinesses, legislators at all levels of government, news media, and many others routinely use data from the ag census for a wide variety of purposes. They use the information to:

- Promote the agricultural industry and track trends.
- Formulate, evaluate, and propose policies and programs that help farmers.
- Identify services and determine where to locate facilities needed in rural communities.

- Allocate local and national funds for farm programs (including extension service projects, conservation programs, farm loan programs, beginning farmer programs, research, and land grant university funding).

Producers can complete their Census form online via a secure website at [agcounts.usda.gov](https://agcounts.usda.gov), or return their form by mail. Online reporting is fast and secure with time-saving features including pre-filled information from previously completed NASS surveys, drop menus, automatic calculations and the skipping of questions that do not apply to their operation. Federal law requires NASS to keep all individual information confidential. For more information about the 2022 Census of Agriculture, visit [nass.usda.gov/AgCensus](https://nass.usda.gov/AgCensus) or call (800) 727-9540.







## Registration open for Women in Ag Leadership Conference

Madeline Schultz, Women in Agriculture Program Manager, 515-294-0588

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“Together We Lead” is the theme of the sixth annual Women in Ag Leadership Conference organized by Iowa State University Extension and Outreach. Nearly 30 speakers will enlighten, inspire and energize conference attendees Nov. 29-30, at the Gateway Hotel and Conference Center in Ames.

The cost to attend is \$90 for adults and \$45 for students. A limited number of attendance scholarships are available by emailing [schultz@iastate.edu](mailto:schultz@iastate.edu).

Tuesday’s events run from 1-8 p.m. Attendees can choose from five campus tours including the horse farms, poultry farms and feed mill, agricultural and biosystems engineering, student innovation center, and a steam tunnel and history tour.

The first general session offers an interactive presentation on leading with grace and growth by past National FFA officer, Laila Hajji Down. A choice of four two-hour intensive workshops and a networking dinner completes the day’s program.

The workshops cover farmland management, discovering your leadership strengths, gaining and sharing wisdom through mentoring, and straight talk about farm financial statements.

I am so grateful for and in awe of our amazing speakers and inspiring role models who agreed to be part of this



conference. They are passionate about supporting women in the agriculture industry and understand that we lead best when ‘Together We Lead.’

Wednesday’s events begin at 8:30 a.m. and continue through 4 p.m. The morning general session keynote speaker is Amy Cronin, president of Cronin Family farms, where she raises hogs in Ontario, Canada, and Iowa and Missouri. Through her leadership and commitment to her six children and husband, she has grown the business while serving on the local Catholic school board and chairing the Ontario Farm Products Marketing Commission.

A welcome address will be given by John Lawrence, ISU vice president for extension and outreach. The highlight of the conference is the announcement and recognition of four Women Impacting Agriculture honorees who share their stories.

There is something for everyone in the four morning concurrent sessions. Topics cover leadership lessons rooted in farming for generations, managing your

cyber ecosystem, the new rules of remote work, and a workshop from Amy Cronin. The four afternoon concurrent sessions offer topics on agricultural carbon credit markets, strategic planning, igniting your leadership style and unconventional health tips.

The final general session includes a panel of current board members sharing insights on leadership for the common good of communities and organizations, including Michelle Book and Susan Tronchetti.

Author, entrepreneur and ag executive Cleophus Franklin Jr. will present the capstone address on how to partner with purpose and go from laying bricks to building castles.

Farm Credit Services of America is a major sponsor of the conference. Register online at <https://go.iastate.edu/HYEN9K>.

For more information, visit the [conference website](https://www.regcytes.extension.iastate.edu/womeninag/), [www.regcytes.extension.iastate.edu/womeninag/](https://www.regcytes.extension.iastate.edu/womeninag/) or contact Madeline Schultz at [schultz@iastate.edu](mailto:schultz@iastate.edu) or 515-294-0588.



## Incentives matter for conservation practice adoption

By Lee Schulz, extension livestock economist  
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The Conservation Practice Adoption Motivations Survey (CPAMS) is a joint project between two USDA agencies—the National Agricultural Statistics Service (NASS) and the Natural Resources Conservation Service (NRCS). The project aims to assess adoption rates of different conservation practices and the role of technical and financial assistance programs.

USDA defines technical assistance as direct consultation with a farmer, rancher or landowner that may include developing a conservation plan for the operation or the planning, design, and layout for structures (such as fences and water apparatuses in pastures) and management practices (such as grazing and pasture management). Technical assistance does not include workshops, internet resources, farm shows and conventions, and information not specific to a producer's operation. Financial assistance is a payment or grant that helps defray the cost of installing or implementing conservation practices.

CPAMS focuses on four different conservation categories: crop practices, grazing practices, confined livestock practices, and forestry practices. USDA designed questionnaires

for each category to gather information specific to the practices involved in each category. Surveys for grazing practices and forestry practices are scheduled to be distributed in 2024.

The data collection period for the crop practices and confined livestock practices surveys was from May 2022 through September 2022. Approximately 34,000 producers nationwide received a survey. State and regional survey data will be used to help promote, educate and guide the implementation of NRCS programs in the future. It is important to remember that conservation is voluntary. Financial assistance programs usually only cover a part of the actual costs.

### Summary results now available

In October 2022, a NASS Highlights publication, "[Conservation Practice Adoption Motivations, 2021 Cropland and Confined Livestock Practices](https://www.nass.usda.gov/Publications/Highlights/2022/CPAMS.pdf)," [www.nass.usda.gov/Publications/Highlights/2022/CPAMS.pdf](https://www.nass.usda.gov/Publications/Highlights/2022/CPAMS.pdf), was released. **NASS Highlights** are topical, timely and easy-to-read summaries of key findings from one or more surveys conducted by NASS. Look for possible additional summaries of the CPAMS data from NRCS.

For the confined livestock practices version of the survey, the screening question was—*Did you, regardless of ownership, raise any swine, poultry, milk cows, veal calves, or feeder cattle (including backgrounders) on your operation during 2021?* If the answer was "No," the operation did not qualify for the survey.

Of the respondents who reported using specific conservation practices on confined livestock operations, the most widely used confined livestock conservation practice was runoff control and diversion of runoff structures with 36.4% of respondents utilizing (Figure 1). Other practices used include waste (manure) storage facilities (27.6% of respondents utilizing), stabilization or protection of heavily used areas (25.1%), comprehensive nutrient management (23.3%), waste utilization (20.2%), animal mortality facilities (15.5%), and waste (manure) separation facilities (8.1%).

An [Iowa Beef Center 2014 survey](https://store.extension.iastate.edu/product/Iowa-Beef-Center-2014-Feedlot-Operator-Survey), <https://store.extension.iastate.edu/product/Iowa-Beef-Center-2014-Feedlot-Operator-Survey>, of Iowa feedlot operators indicated that 43.0% of respondents had a manure (or nutrient) management plan.

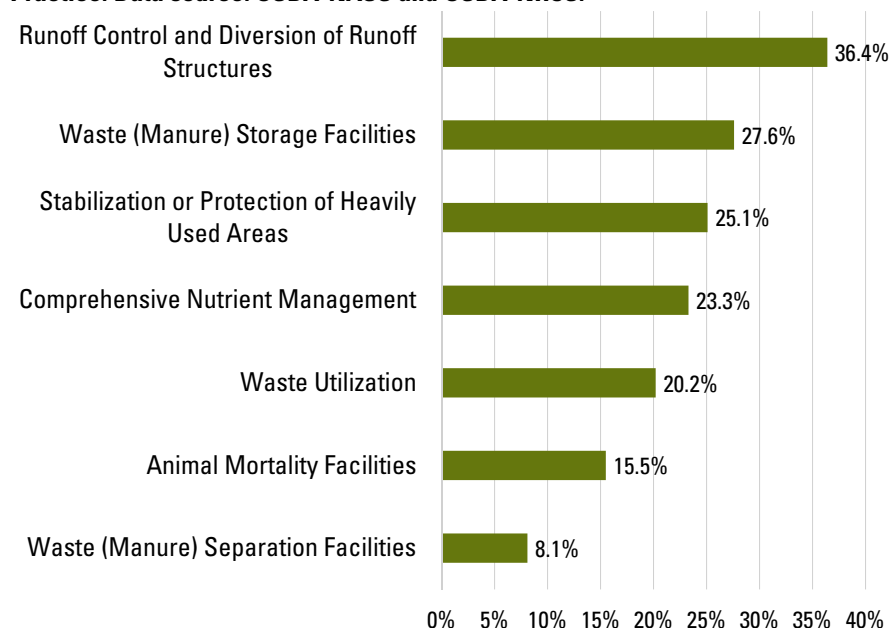
Comprehensive nutrient management plans are unique to individual animal feeding operations. According to USDA, each plan includes a set of conservation practices and management activities that address natural resource concerns dealing with manure and organic by-products and their potential impacts on water quality. The plan addresses manure and wastewater handling and storage, nutrient management (for land application), recordkeeping (e.g., recording soil and manure tests), feed management (improving feed delivery, reducing feed wastage, or increasing nutrient uptake by livestock to reduce the nutrient content of manure), and alternatives to direct land application of manure (e.g., composting).

## On-farm costs, off-farm benefits matter

The two highest ranking motivational factors survey respondents listed for their decision to utilize runoff control and diversion of runoff structures on confined livestock operations were anticipated benefits greater than cost and anticipated off-farm environmental benefits with 63.2% and 57.1% of respondents, respectively, indicating (Figure 2).

Facilitating better use of manure nutrients/livestock waste (68.9%) and receiving technical assistance (48.1%) were the top two motivational factors for having a comprehensive nutrient management plan.

**Figure 1. Percent of Respondents Utilizing Confined Livestock Conservation Practice. Data source: USDA-NASS and USDA-NRCS.**



Iowa law requires certain confinement feeding operations to develop and obtain Department of Natural Resources approval of a manure management plan.

## Evaluating if incentives work

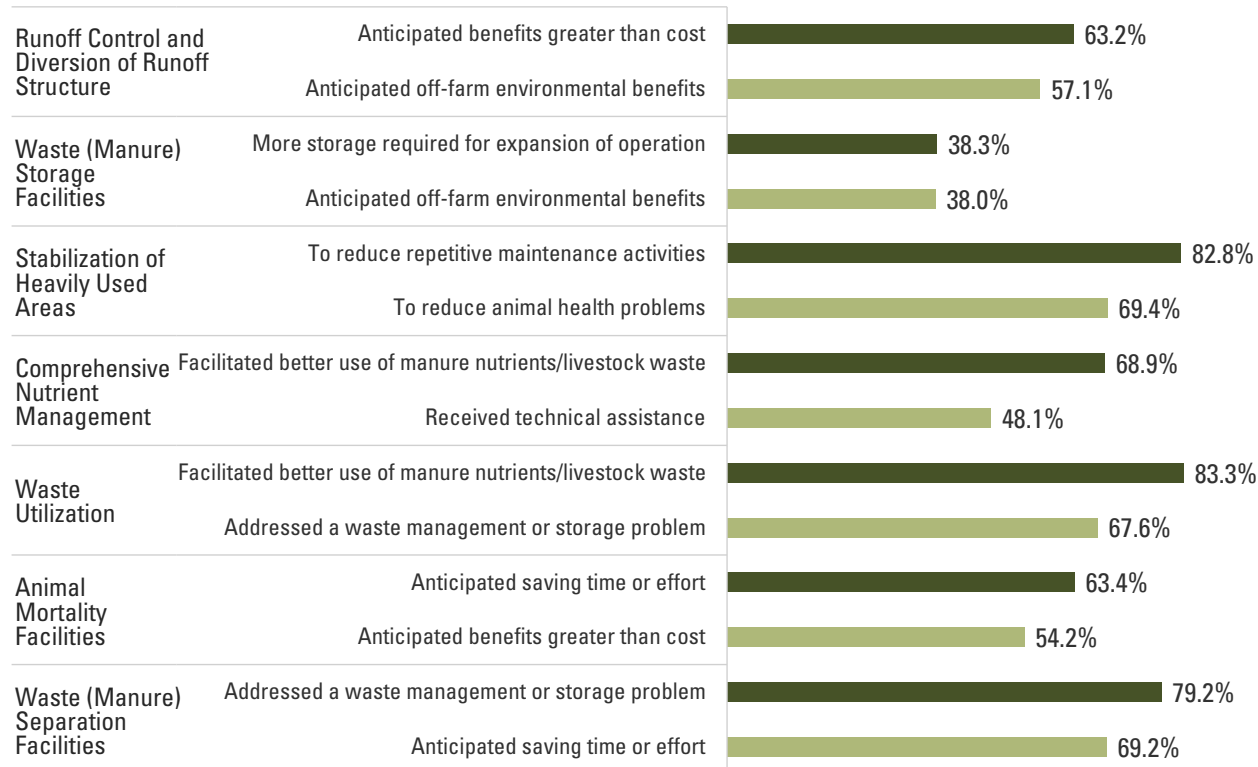
NRCS has keen interest in several questions regarding conservation practice adoption. Are incentives too low for some practices, thereby depressing adoption? Is NRCS paying too much for some practices that producers would adopt anyway? Is technical assistance sufficient in some cases for adoption to occur? Are some practices prone to dis-adoption when financial assistance stops? How important are incentives in achieving operation-wide adoption of conservation practices? Are taxpayer dollars being invested most wisely?

Economics is, at root, the study of how people use resources and respond to incentives. Most simply, an incentive is a means to urge individuals to do more of a good thing and less of a bad thing. Metaphors of carrots and sticks are often used. A “carrot” is a reward for good behavior and a “stick” is a negative consequence for bad behavior. Very often a single incentive strategy will include both.

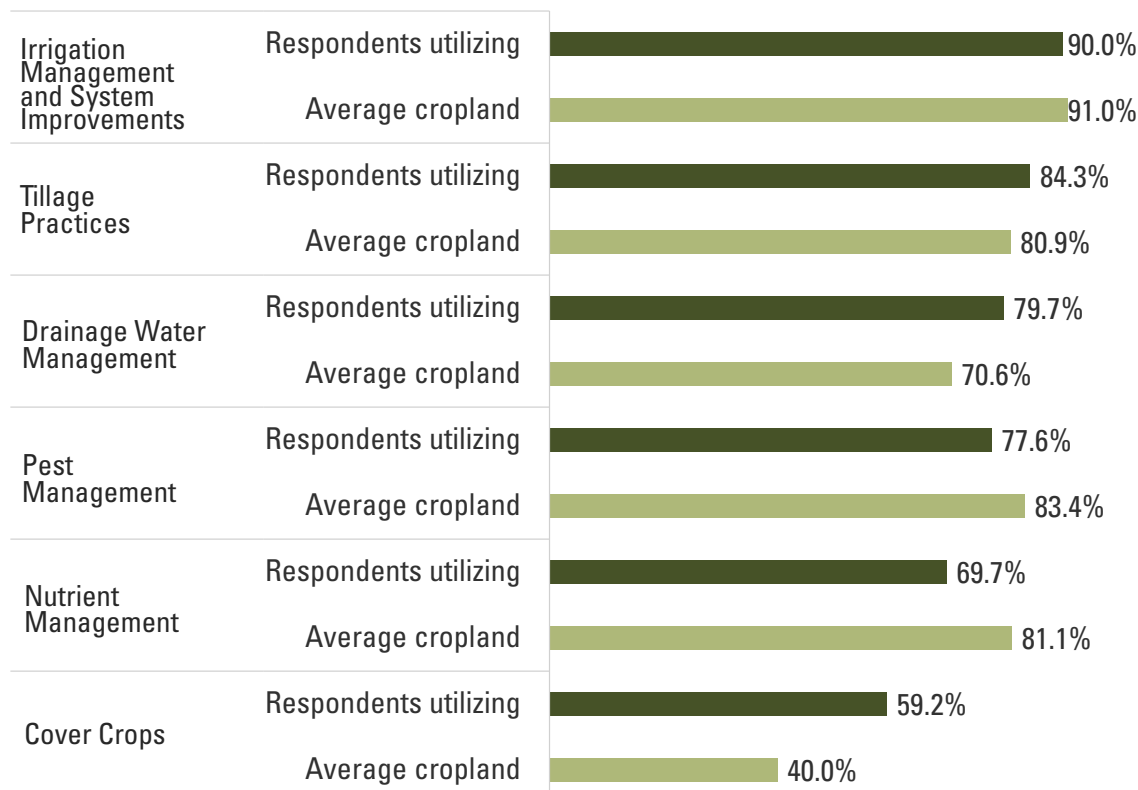
## Economic and peer pressure incentives

Going further, incentives can be economic, which some call extrinsic incentives. Extrinsic incentives involve providing a material reward (like money) for accomplishing a task, or threatening some punishment for failure to do so. Think tax incentives or benefits, financial incentives (e.g., a discount or a payment), subsidies, tax rebates, or negative incentives (e.g., a fine or a tax).

**Figure 2. Top two motivations for utilizing conservation practices, confined livestock respondents. Data source: USDA-NASS and USDA-NRCS.**



**Figure 3. Cropland Conservation Practices. Data source: USDA-NASS and USDA-NRCS.**





Intrinsic incentives, on the other hand, come from within and can be social where there is a gain or loss in reputation (being seen doing the “right” or “wrong” thing) or moral where there may be a clear or guilty conscience for doing, or not doing, something.

Incentives, particularly economic, do not necessarily come about naturally. Someone has to invent and enact them. They may require tinkering to get them right.

### **Incentives can backfire**

Incentives that appeal to economic underpinnings may “crowd out” motivation for intrinsic incentives. Consider a farmer who embraces adopting conservation practices and does so voluntarily. Now suppose the farmer is offered payment in return for this effort. How will the farmer respond to this economic incentive?

Motivational crowding out refers to the possibility that the farmer may simply stop doing the conservation practices that they

had once, more or less, happily done without payment and only continue existing practices or adopt new practices that have incentive payments.

Of the CPAMS respondents who reported using specific cropland conservation practices on their farm or ranch, on average cover crops were used on 40.0% of cropland with 59.2% of respondents utilizing (Figure 3). Cover crops are grasses, legumes, and other forbs that are planted for seasonal cover and other conservation purposes. They are used for managing soil fertility, soil quality, and controlling weeds, pests, and diseases.

Suppose NRCS wants to see increased use of cover crops and farmers won’t do it for the current incentive and assistance structure. NRCS can increase the incentives. All they need is a certain number of producers to be incentive- and assistance-sensitive enough to take them up on it. An incentive that entices larger operations to adopt a

practice will apply the practice on more acres faster. Once incentives get the ball rolling, other producers may jump on the bandwagon.

### **Economic incentives help spur innovation**

A salary cap in the National Football League, and a lack of one in Major League Baseball, doesn’t decrease football players’ athletic performance relative to baseball players. Most athletes are driven by the desire to win and be the best. Intrinsic incentives matter.

But if you remove economic incentives, you can inhibit innovation. There are cutting edge conservation practices that haven’t even been invented yet and some existing practices need further refinement. Economic incentives will play a critical role in bringing these practices to light, and into use. The research and development activities, and first-mover implementation by farmers, will be costly, but the resulting knowledge will benefit all.

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**Ag Decision Maker** is written by extension ag economists and compiled by Ann Johanns, extension program specialist, [aholste@iastate.edu](mailto:aholste@iastate.edu).

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