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INSIDE . . .

UPDATES

The following Information Files have been updated on extension.iastate.edu/agdm:

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The following Video and Decision Tools have been updated on extension.iastate.edu/agdm:

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Farmers and other small entities may need to file beneficial ownership reports

By Kristine A. Tidgren, director, Center for Ag Law & Taxation, 515-294-6365 | ktidgren@iastate.edu and Charles Brown, extension farm management field specialist, 641-673-5841 | crbrown@iastate.edu

The Corporate Transparency Act is requiring additional reporting of small entities, including farmer-owned companies.

Farmers who operate as a corporation or an LLC or a limited partnership will need to pay close attention to a law passed at the beginning of 2021 implementing new reporting requirements in 2024.

The Corporate Transparency Act, created to curb illicit financial transactions and money laundering, requires most registered companies to complete "Beneficial Ownership Information Reports, https://www.fincen.gov/boi-faqs" in 2024. Congress tasked the Financial Crimes Enforcement Network (FinCEN), a bureau of the U.S. Treasury, to establish and maintain a national registry of beneficial owners.

In these online reports, companies must provide information about the company, as well as information about each beneficial owner.

Beneficial owners include anyone who owns at least 25% of the company, as well as anyone who has "substantial control" over the business. For each beneficial owner, the company must report the name, date of birth, home address and identifying number of an acceptable proof of identification, such as a driver's license. They must also upload an image of the identification document.

Companies that existed before the start of 2024 have until Jan. 1 of 2025 to file the form, while companies created or registered in 2024 will have 90 days after their creation to file. Any company that has already filed its first report will have just 30 days to report any updates, such as a new beneficial owner or a change in address.

This is a new law that FinCEN is enforcing this year and we need to get the word out to farmers and others who have registered companies. Existing farm companies have a whole year before the deadline, but we are encouraging people to file sooner rather than later, so they don't risk fines and penalties for being late.

What to know

A recent article on the Center for Agricultural Law and Taxation at Iowa State **helps explain the new law and what farmers are required to do**, https://www.calt.iastate.edu/blogpost/small-entities-must-file-new-beneficial-ownership-information-reports-2024.

There are many important parts to this law, including who exactly must file a report, and what they must include. This is a federal law and the goal is to help people understand what they are required to do.

The Corporate Transparency Act was part of the Anti-Money Laundering Act of 2020 in the National Defense Authorization Act for Fiscal Year 2021.

The law requires the Financial Crimes Enforcement Network – a bureau of the U.S. Department of the Treasury – to establish and maintain a national registry of beneficial owners of entities that are otherwise not subject to disclosure regulations.

Who must file?

The rule identifies two types of companies that must report: domestic and foreign. Domestic reporting companies are entities created by the filing of a document with a secretary of state or any similar office under the law of a state or Indian tribe.

This generally means that LLCs (including single-member LLCs), corporations and limited partnerships are required to file reports if they are not otherwise excepted from the reporting requirement. The law's 23 exemptions from reporting generally apply only to large entities that already disclose owner information in other ways.

Most tax exempt entities, however, are not required to file reports, regardless of size.

How to file

Companies and entities that are required to file the report must do so online, at: **https://boiefiling.fincen.gov/fileboir**.

If a required entity fails to file on time, penalties can be as high as $500 for each day in violation, with criminal penalties up to $10,000 and possible imprisonment.

We understand the frustration some farmers might feel about having to file another form, but it is a federal requirement. Our goal is to help people understand the things they must do, and this is one of those. The law was decided by Congress, and now that it is in effect, we want to educate Iowans so they can comply.

Cattle, sheep inventory cycles are changing

By Lee Schulz, extension livestock economist, 515-294-3356 | lschulz@iastate.edu

Cattle cycles stretch as far back as the seven fat, healthy cows and the seven scrawny, thin cows of Biblical times. The seven fat cows foretold seven years of good harvest. Everyone would have plenty to eat. However, the seven thin cows meant seven years of famine would follow. Sheep inventories are cyclical, too.

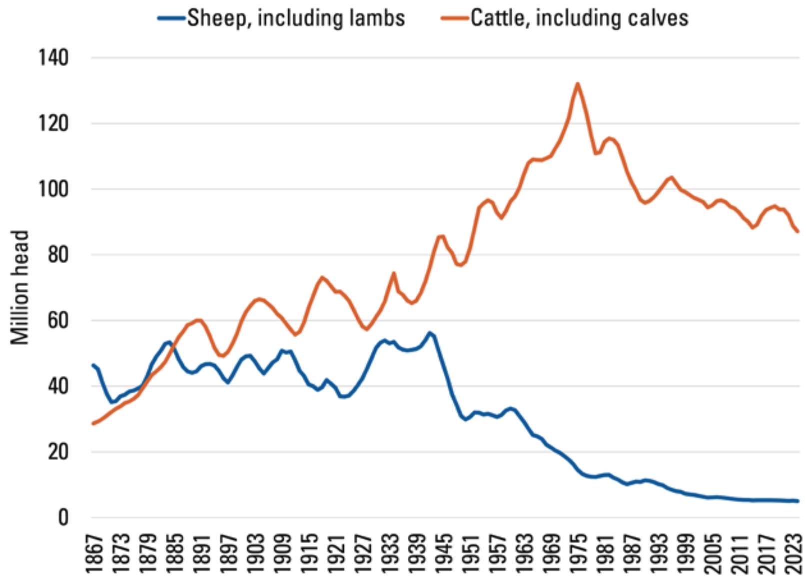
The Jan. 1, 2024 U.S. inventory of all sheep and lambs totaled 5.030 million head (Figure 1). This is the smallest sheep and lamb inventory ever. USDA provides the series back to 1867.

All US cattle and calves on Jan. 1, 2024 totaled 87.157 million head (Table 1). This is the smallest inventory of cattle and calves since 1951. The 28.223 million beef cows are the smallest since 1961. Despite fewer cows, beef production per cow continues to rise.

USDA's National Agricultural Statistics Service compiles inventory estimates based on producer responses to surveys. NASS survey procedures ensure that all producers, regardless of size, have a chance to be included in each survey.

Both cattle and sheep industries have distinct growth and liquidation cycles. Inventory cycles are measured from one trough to the next trough. The current cattle cycle and current sheep cycle began in 2014. Both entered their tenth year in 2024.

Figure 1. January 1 total United States sheep and cattle inventories. Data source: USDA-NASS.



Several factors drive cycles

Sheep and cattle have similar 9 to 14-year inventory cycles. Cycles result from lagged responses created by both biological and economic phenomena.

One might logically expect sheep to exhibit shorter inventory cycles than cattle because of shorter gestation (about 147 days for sheep versus about 283 days for cattle), multiple births or twinning and shorter time from birth to market. These production characteristics apparently do not create a shorter sheep inventory cycle. Weather abnormalities often initiate or modify livestock inventory cycles.

Inventory swings diminish, price swings do not

Cycle length in both species has generally shortened over time. Amplitude of cyclical inventory changes has also decreased. Several factors may contribute. Technological advances, especially in reproductive and feeding efficiency, speed production response to changes in prices. Enhanced market reporting and information gathering and dissemination may be improving producers' decision-making ability. Increased responsiveness of producers and markets to economic pressures brought about by increasing costs and volatile output prices may also contribute to shortened cyclical length and reduced amplitude.

Table 1. Cattle inventory by class and calf crop. Data Source: USDA-NASS.

	United States			Iowa		
January 1 inventory *	2023	2024	2024 as % of 2023	2023	2024	2024 as % of 2023
Cattle and calves	88,841.0	87,157.4	98.1	3,500	3,450	98.6
Cows and heifers that calved	38,336.8	37,579.8	98.0	1,090	1,050	96.3
Beef cows	28,939.3	28,223.0	97.5	850	810	95.3
Milk cows	9,397.5	9,356.8	99.6	240	240	100.0
Heifers 500 pounds and over	18,760.7	18,483.0	98.5	730	690	94.5
For beef cow replacement	4,929.6	4,858.3	98.6	115	100	87.0
For milk cow replacement	4,073.6	4,059.2	99.6	115	125	108.7
Other heifers	9,757.5	9,565.5	98.0	500	465	93.0
Steers 500 pounds and over	16,056.5	15,789.2	98.3	1,160	1,180	101.7
Bulls 500 pounds and over	2,029.0	2,020.7	99.6	60	60	100.0
Calves under 500 pounds	13,658.0	13,284.7	97.3	460	470	102.2
Feeder cattle outside feedlots	25,276.2	24,216.1	95.8	960.0	935.0	97.4
Cattle on feed	14,195.8	14,423.3	101.6	1,160	1,180	101.7
Calf crop **	34,439.5	33,593.0	97.5	1,050	1,000	95.2

* 1,000 head, **2022 and 2023.
Full report: https://downloads.usda.library.cornell.edu/usda-esmis/files/h702q636h/6108x003v/kk91h696g/catl0124.pdf

While the amplitude of cyclical inventory changes has decreased, the opposite has occurred with price movement. Cyclical behavior for prices is typically more erratic than for quantities. Historically, demand for cattle and sheep has been fairly inelastic, leading to cycles characterized by a greater percentage change in prices relative to quantities. Large changes in prices across the inventory cycle intensify financial uncertainty and boost risk for producers.

These price gyrations affect all segments of the industry. But the price swings may have different effects, and timing, on cow-calf producers than on stocker and backgrounding operators and still different effects on cattle feeders. The same goes for stock sheep producers and lamb feeders.

Improving efficiency in good times pays off in bad times

One key to thriving through price swings of inventory cycles is to increase efficiency during good times. Then, use this gained economic efficiency to build a financial reserve to survive the next downturn in prices.

No one can perfectly predict how high, or how low, prices will go and when the cycle will turn. The challenge for producers is to anticipate the price cycles and adjust their production accordingly.

Tough times call for focusing on management. However, in reality, producers often make their most important decisions–sometimes good decisions, sometime bad decisions–during good times.

Diversifying may help

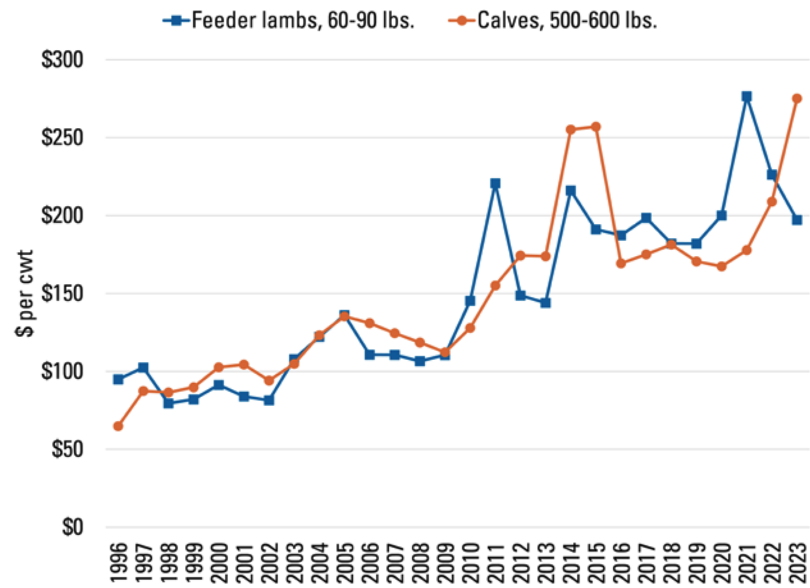
Cattle and sheep have historically competed for many of the same resources. These include grazing land, labor, facilities and transportation. Some multi-species grazing synergies exist with cattle and sheep. Cattle and sheep working the same ground can utilize the pasture, labor and other resources more fully. Both animals eat grass. But sheep eat more brush and forbs. They graze more selectively, and lower in the pasture stand.

Diversifying can make a farm less vulnerable. If the market price for one product, say cattle, falls or doesn't promptly respond to higher costs, then another product, say sheep, may compensate for the lower income. How much diversification may reduce income variability depends on the price and production correlations of the enterprises. If prices or production for both of the enterprises tend to move up and down together, diversifying gains little. The more production and/or prices of different products move in opposite directions, the more diversifying may reduce income variability.

Since 1996, South Dakota 60–90-pound feeder lamb prices have averaged $148/cwt (Figure 2). South Dakota 500–600-pound calf prices have also averaged $148/cwt. Calf and lamb price patterns since 1996 suggest feeder lamb prices often make highs when calf prices are weak and vice versa. This means adding sheep as an enterprise could potentially smooth out the highs and lows in income compared to only producing calves.

How much diversifying can smooth income depends on the proportion of income derived

Figure 2. South Dakota annual average calf and feeder lamb prices. Data source: USDA-AMS.



from each enterprise. If only a small proportion of income comes from one product, it can do little to support income if the primary product market collapses.

Diversification involves tradeoffs

Farms have reasons to specialize. The strongest is to trim costs. While synergies exist, cattle enterprises and sheep enterprises have distinct fixed costs. These costs need to be paid no matter how much or how little is produced. By focusing on just cattle, or just sheep, producers can up output and maximize return on the fixed cost investment.

Narrowing enterprise focus on a farm allows for more in-depth knowledge development and execution. How's the saying go, "Jack of all trades, master of none." Specializing can help hone production and marketing.

Running a specialized farm doesn't mean product offerings cannot be diversified. A cow-calf operation may choose to retain calves and market feeder cattle or retain calves all the way through finishing. No matter the reason for culling cows, cull cow marketing should be opportunistic. Cull cows should not necessarily be marketed the same way or at the same time every year.

Cybersecurity takes a community

By Madeline Schultz, Women in Agriculture Program Manager,
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"The internet is like a highway, it's built on anonymity," explained Doug Jacobson. "It will always be open to everyone." Doug is the Director of the Center for Cybersecurity Innovation and Outreach (CYIO) at Iowa State University. He was one of the guest speakers at the first Cybersecurity on the Farm Conference on January 11, 2024, IN Ames, IA. The event was hosted by the extension farm management team and women in ag program, www.extension.iastate.edu/womeninag/, in collaboration with CyIO, www.cyio.iastate.edu.

Cyber threats in agriculture

Safety features, like encryption, are built into the Internet highway, but you still need to keep yourself safe. "Multi-factor authentication is like a seatbelt, you might not like it, you might not know how it works, but it's easy to do and it keeps you safe," shared James Hoflen, an Advisor with the U.S. Cybersecurity and Infrastructure Agency, www.cisa.gov.

Doug and James kicked off the conference with a big-picture overview of cyber concerns. Among them is a significant shift in China's focus on getting themselves quietly into Iowa's agricultural Internet systems. They are getting in and waiting for an opportunity or reason. "They want to shut you down. It's a very significant threat," explained James.

The panelists stressed that bad actors are willing to spend a lot of time to get $200 to $300, so no single person or farm business is too small to be safe from cybersecurity threats. Generative AI (artificial intelligence) is a major concern. Bad actors can create new media from existing materials to trick you. For example, they can mimic the voice of someone familiar to you.

"It takes a community to solve cybersecurity issues," stated Doug. "When you see something, tell somebody. It's like a neighborhood watch." A business you work with, your community Internet provider, or the local law can use your information to see trends and create heightened awareness to protect others.

Strategies for securing financial data

Banks and other financial institutions work hard to keep the community safe. Scott Zurborg, SVP of Risk Management and Information Security Officer at Availa Bank, explained bad actors use sophisticated social engineering to get your information. A bad actor used the voice and phone number of a woman to talk to her son and steal money. "Don't act urgently, don't do things that don't make sense, do your research, call your bank yourself and go with your gut," cautioned Scott.

Banking is one of the most highly regulated industries in the US. "There are a lot of controls behind the scenes," stated Megan Wheelock, Information Security Officer for John Deere Financial. The financial industry uses highly vetted e-signature companies to support online document transfers. Beware if you are not expecting to sign an online document. "Trust, but verify," added Megan.

Lisa Irlbeck, Marketing Director and Community Education and Outreach Director at Availa Bank is working to educate the public about cybersecurity. "We see attempted fraud every day, we saw a need to become more involved in fraud in our community," said Lisa. She and her team are partnering with others in the community, developing resources, and offering cybersecurity programs in the community.

Business email compromise

As a panelist on Business Email Compromise (BEC), Susanna Stout, General Manager of Solentra Global was excited to be a part of the conversation on protecting businesses and customers. "Business email is so important to running a business," stated Susanna. "Email is the lifeline of data."

With potentially hundreds of emails in an individual employee's inbox, at some point someone will accidentally click on a malicious email. "The last statistics I saw is that 80 to 90% of cybersecurity breaches start with employee email," stated Jeff Franklin, Senior Information Security Officer with Heartland Business Systems, and professor of practice at Iowa State University.

Jeff explained the greatest threats to agribusinesses are cybersecurity and malware attacks. Companies need a holistic approach. This means there is no one silver bullet. Companies are putting new technology in place, educating people, and testing all their systems and processes. Strong processes are important because employees are short on time.

Eric Hoefing, Director of Technology and Development at Key Cooperative, explained his approach. "We do invest in several different things of hardware appliances and different software pieces to help protect our environment and our business to make sure that things are running securely," Eric said. "But email is that whole piece that allows for external connectivity, and we are only as strong as the weakest link."

For small businesses, the panelists advised using caution when replying to emails on your phone. Your phone may not give you all of the details, such as the email address of the sender. Small businesses can consider moving important information through secure document applications such as DocuSign and verifying with verbal communication or phone calls.

Online agricultural marketplaces

Bringing in a perspective on local foods and small farms, were panelists Megan Renkel, Downtown Farmers Market Manager; and Mark Pleis, owner of Pleis Farms, LLC and T.E. Alderman's.

While the downtown market has quite a few vendors who are cash-only, there is a debate about going cashless. Many of the vendors are going more towards cards and the market patrons are getting more comfortable with this.

It's now easier than ever to find a reliable card processor platform. "We're fortunate that we have great resources such as Small Business Development Centers that have people who can sit down with vendors and walk them through the options for cybersecurity and help them choose what is best for them," Megan shared.

Mark discussed some options for farmers wanting to sell online. "Word Press is the most widely used program out there, and unfortunately, that means it is also the most widely hacked," he said. However, it is still a valuable tool and can be managed safely. All web platforms need regular maintenance including applying software updates as soon as they are available.

There are many options for selling online, including sales platforms such as Shopify or Go Daddy. The downside of these is that a farm does not have its own presence. Mark advised, "Always use a trusted vendor, who is PCI compliant, to process credit cards. This helps protect the seller and buyer."

The conference brought cybersecurity experts together with the farming community to talk about how we can all increase our Internet safety together. To view conference videos and access resources on cybersecurity, visit www.extension.iastate.edu/agdm/info/cybersecurity.html.

Mixed messages on exports

By Chad Hart, extension crop market economist, 515-294-9911 | chart@iastate.edu

With many of the agricultural production storylines being continuations from the last couple of years, drought challenges in North and South America and the war in the Black Sea region, global crop production remains incredibly resilient. Global corn production surged higher and soybean production set another record. The competition for international sales has been fierce. And for most of 2022 and 2023, the US was losing market share, as our prices held above our competitors' and those ample global supplies provided plenty of lower cost alternatives, especially from Brazil.

Currently, the market is focused on the weather conditions in South America and their impact on South American production.

Table 1. World corn production. Source: USDA-WAOB.

Country or Region	2022-23 Estimate	2022-23 Change from January 12	2023-24 Forecast	2023-24 Change from January 12	2023-24 Change from 2022-2023
	Million tons				
World	1,155.9	0.3	1,232.6	-3.2	76.6
United States	346.7	--	389.7	--	43.0
Foreign	809.2	0.3	842.9	-3.2	33.7
Argentina	35.0	1.0	55.0	--	20.0
Brazil	137.0	--	124.0	-3.0	-13.0
Mexico	28.1	--	25.0	-0.5	-3.1
Canada	14.5	--	15.1	--	0.5
European Union	52.4	--	60.1	--	7.7
Serbia	4.3	-0.7	6.6	-0.4	2.3
FSU-12	47.7	--	53.7	0.1	6.0
Ukraine	27.0	--	30.5	--	3.5
Russia	15.8	--	17.0	--	1.2
South Africa	17.1	--	16.8	--	-0.3
China	277.2	--	288.8	--	11.6
India	38.1	--	35.5	0.5	-2.6

Table 2. World soybean production. Source: USDA-WAOB.

Country or Region	2022-23 Estimate	2022-23 Change from January 12	2023-24 Forecast	2023-24 Change from January 12	2023-24 Change from 2022-2023
	Million tons				
World	378.1	2.7	398.2	-0.8	20.2
United States	116.2	--	113.3	--	-2.9
Foreign	261.8	2.7	284.9	-0.8	23.0
Argentina	25.0	--	50.0	--	25.0
Brazil	162.0	2.0	156.0	-1.0	-6.0
Paraguay	10.1	0.3	10.3	--	0.2
Canada	6.5	--	7.0	--	0.4
India	12.4	--	11.0	--	-1.4
China	20.3	--	20.8	--	0.6

For the 2022 growing season, the South American drought had larger impacts in Argentina. For 2023, the drought shifted into Brazil. Tables 1 and 2 show the latest global estimates from USDA and the major adjustments were in South American crops. For corn, the general picture is for much larger global production, with drought recovery in Argentina sharply increasing corn production, making up for a decline in Brazilian production. The latest update shaved 118 million bushels off of Brazil's corn supply. However, increased corn production in Argentina is strong enough to lead to higher South American corn production despite the cut in Brazilian supplies. Combined, Argentina and Brazil are forecast to produce just over 7 billion bushels of corn this year, 276 million more than last year.

The global soybean situation is similar. Global production is higher, despite the fall in US production. The weather issues in Brazil forced USDA to downgrade soybean production potential by 37 million bushels. But as with corn, the Brazilian decline is more than made up for by the increase from Argentina (a reversal from last year). In fact, the growth from Argentina is enough to cover both the Brazilian and US declines. Combined production across Argentina, Brazil, and Paraguay is 7.95 billion bushels, up 705 million bushels from 2022-23.

Figure 1. Soybean export sales. Source: USDA-FAS.

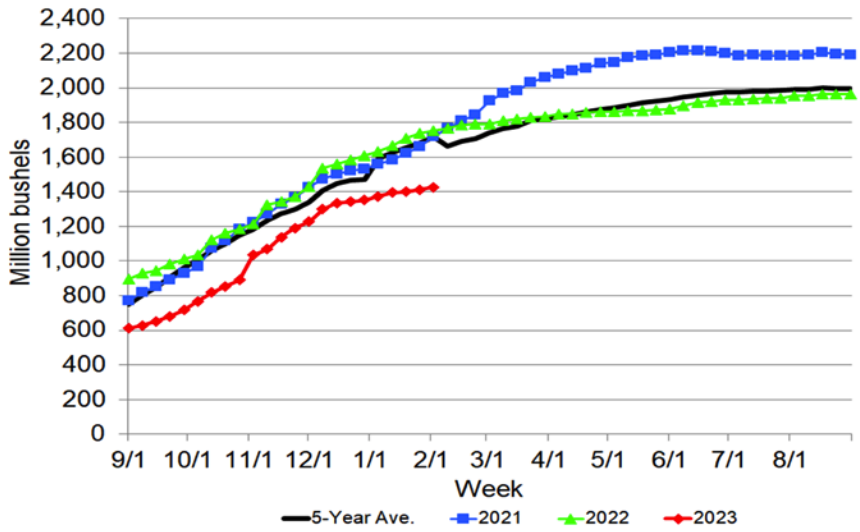
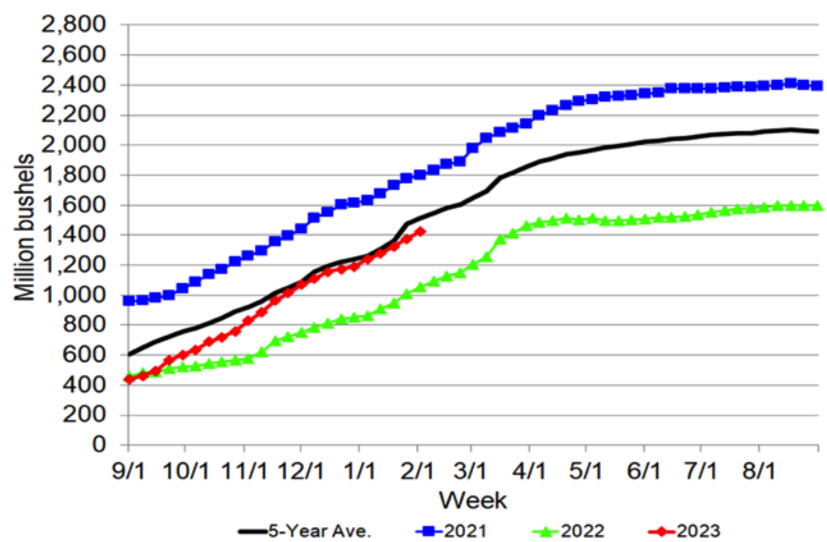


Figure 2. Corn export sales. Source: USDA-FAS.



The export markets have been the defining demand segment for both the corn and soybean markets over the past few years. Strong export demand led record shipments from the 2020 crops and record export values for the 2021 crops. However, drops in export demand over the past 18 months have led to falling prices for both commodities. Figures 1 and 2 show the export sales pace currently and compare it across the past few years. In both graphs, the blue line (square markers) shows the sales pattern for the 2021 crop, when both corn and soybeans set records for export value. The green line (triangle markers) shows the pattern for the 2022 crop, when the export losses built up. The red line (diamond markers) shows the sales for the 2023 crop thus far and the black line displays the five-year average pattern for export sales.

For soybeans, the weakness in export sales appeared roughly a year ago. Within roughly six weeks, our export pace fell from being on par with the previous year to being 300 million bushels behind. Sales fell in China, Mexico, Japan, Taiwan, and Egypt, among our major customers. That drop in sales has continued for the 2023 crop, pulling our soybean export sales pace below average. USDA's current outlook shows soybean exports remaining below average, not only for the 2023 crop, but also 2024. While we have seen some additional sales into the European Union and Indonesia, the driving factor is the lack of sales to China. Currently, US soybean sales into China are down 300 million bushels from last year. Without a change there, soybean exports will remain below average for some time.

For corn, export sales fell off at the start of the 2022 marketing year and didn't recover. The drop in sales during 2022 put us well below the 5-year average. However, corn exports started to rebound with the beginning of the 2023 marketing year. That rebound has brought corn export quantities back up to roughly the five-year average. Compared to last year, corn export sales are up nearly 350 million bushels. Mexico has increased purchases by 150 million bushels. Japan is up by over 100 million. Colombia, South Korea, and Canada are also up substantially. But China is the trailing market here as well. Corn sales into China are down 100 million bushels currently. USDA's current projection has 2023 exports keeping pace with the five-year average at 2.1 billion bushels and 2024 exports slightly higher at 2.15 billion.

For 2023-24 season-average prices, USDA held firm with corn at $4.80 per bushel, but lowered soybeans to $12.65 per bushel, a 10 cent decline. The pullback in exports throughout the 2022 marketing year set the stage for lower prices for the 2023 crops. USDA's early outlook for the 2024 crops shows production being larger than usage, translating to building ending stocks and lower prices. For the 2024-25 season-average prices, the estimates are $4.40 per bushel for corn and $11.30 per bushel for soybeans. Currently, futures point to the 2024-25 season-average prices being in the $4.50 range for corn and the $11.20 range for soybeans. So the markets are generally in line with USDA, but are slightly more optimistic for corn and slightly more pessimistic for soybeans. Those slight differences are likely based on the export trajectories of the two crops. Any additional boosts in export potential will support prices. Many things can change over the next 18 months (to the end of the 2024-25 marketing year). The droughts in both North and South America continue. La Niña is forecast to replace El Niño. Biofuel development presses forward, especially for renewable diesel and sustainable aviation fuel. But given the current outlook, both crops are looking at a breakeven year at best.

Listen to the **February 2024 Crop Market Outlook video**, https://youtu.be/OEbApbt1MJU, for further insight on outlook for this month.

Landowner education program

Iowa State University Extension and Outreach is launching a new program to help Iowa landowners improve soil health on their farmland. This unique learning experience will bring together experts on conservation, agronomy, financial, and legal topics. Landowners will have the opportunity to learn from ISU experts and from each other as part of a small learning group. All knowledge levels welcome! We are recruiting now with events starting in June, 2024. More information can be found on the website including a short assessment to understand if the program will be a good fit for you: https://naturalresources.extension.iastate.edu/programs/landowner-education.

Ag Decision Maker is written by extension ag economists and compiled by Ann Johanns, extension program specialist, aholste@iastate.edu.