Trends in Ohio Government Payments During the COVID-19 pandemic

Rabail Chandio, Ani L. Katchova, Anil K. Giri, Dipak Subedi, and Nick Paulson[1]
March 20, 2023

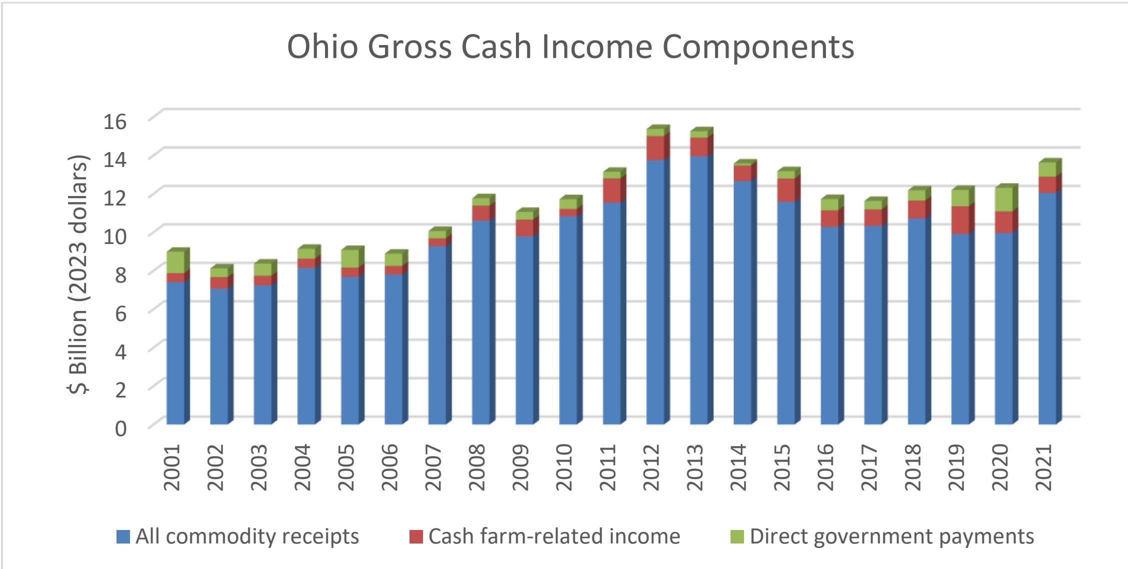
In 2021, net cash income for the US and Ohio farms were higher than the 21-year average. As expected, a major component of farm income was the government payments for various support programs, including the coronavirus pandemic support. This report provides details on how government payments evolved for farmers in Ohio and the US in the recent past after a record high in 2020.

USDA - Economic Research Service data released on Feb. 7, 2023, show Ohio producers had a record high net cash income of $4.65 billion in 2021 coming from a gross cash income of $13.63 billion in inflation-adjusted 2023 dollars. In inflation adjusted dollars, both the net and gross cash incomes were higher than the 21-year averages of $3.1 billion and $11.5 billion, respectively. Net cash farm income encompasses gross cash farm income (cash receipts from farming as well as farm-related income and government payments) minus cash expenses. It does not include noncash items—including changes in inventories, economic depreciation, and gross imputed rental income of operator dwellings—reflected in the net farm income measure. Therefore, a major contributor to the high net and gross cash incomes in 2020 and 2021 was not only high commodity prices leading to higher cash receipts but also the record high government payments.

Figure 1 shows the trends in gross cash farm income for Ohio since 2001 while also highlighting the contribution of farm-related income and government payments. In inflation-adjusted terms, the gross cash income reached a peak in 2013 at over $15 billion and had since been on a decline until 2017. As depicted, despite the retaliatory trade tariffs post 2018, the gross cash income has been on a steady rise supplemented by the contribution of direct government payments.

---

[1] Rabail Chandio is a Ph.D. student and Ani L. Katchova is Professor and Farm Income Enhancement Chair at the Department of Agricultural, Environmental, and Development Economics at The Ohio State University, Anil K. Giri is Research Agricultural Economist and Dipak Subedi is Agricultural Economist at the Economic Research Service, USDA. Nick Paulson is Professor and Gardener Hinderliter Professor in Farm Management in the Department of Agricultural and Consumer Economics at the University of Illinois, Urbana-Champaign.
The findings and conclusions in this paper are those of the authors and should not be construed to represent any official U.S. Department of Agriculture (USDA) or U.S. Government determination or policy. This research was supported in part by the USDA, Economic Research Service.

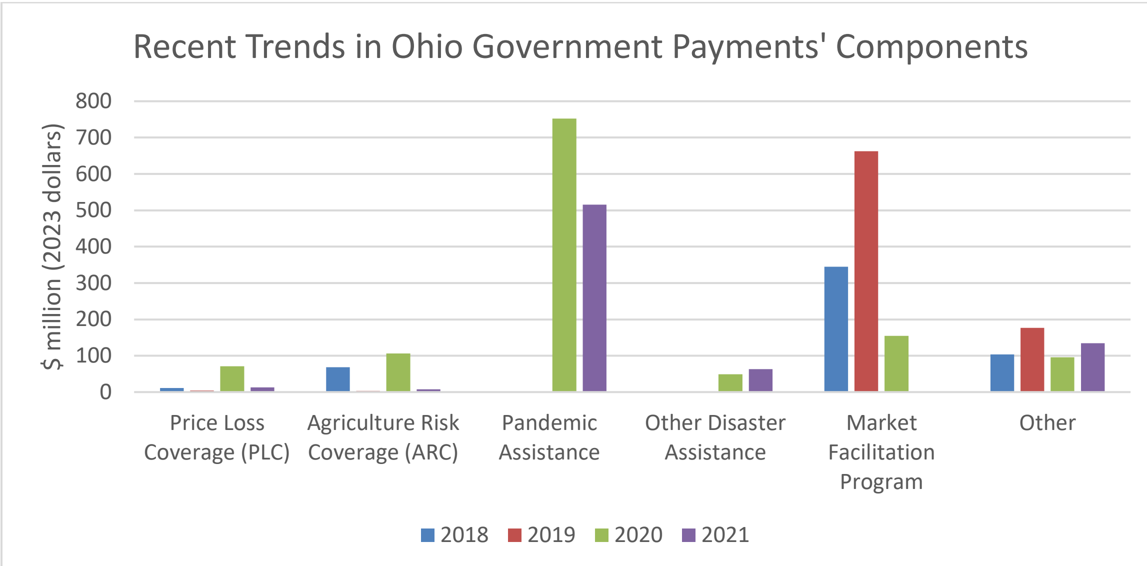


Source: USDA, Economic Research Service, Farm Income and Wealth Statistics as of February 7, 2023.

Figure 1: Ohio Gross Cash Income by Components

Figure 2 shows the recent trends in different components of government payments immediately before and during the pandemic. It is a graphical depiction of pandemic support payments that became the largest component of government payments in 2020 and 2021 leading to record-high government payments. Pandemic support came from both USDA and non-USDA programs. The non-USDA program that provided pandemic support was the economy-wide forgivable Paycheck Protection Program (PPP). An interesting observation from figure 2 is that during the first pandemic year, there was a substantial rise in Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC) support payments for covered commodities compared to almost no ARC and PLC payments in 2019. The payments from those two programs subsided again in 2021. The PLC program provides assistance for low prices while the ARC program assists farmers when revenues are low relative to an average in recent years. More specifically, the PLC program provides assistance if the effective market price falls below the effective reference price for a covered commodity, while the ARC program provides assistance if the county-level (ARC-CO) or farm-level (ARC-IC) revenues for a covered commodity fall below a historical benchmark (Giri et al., 2022).

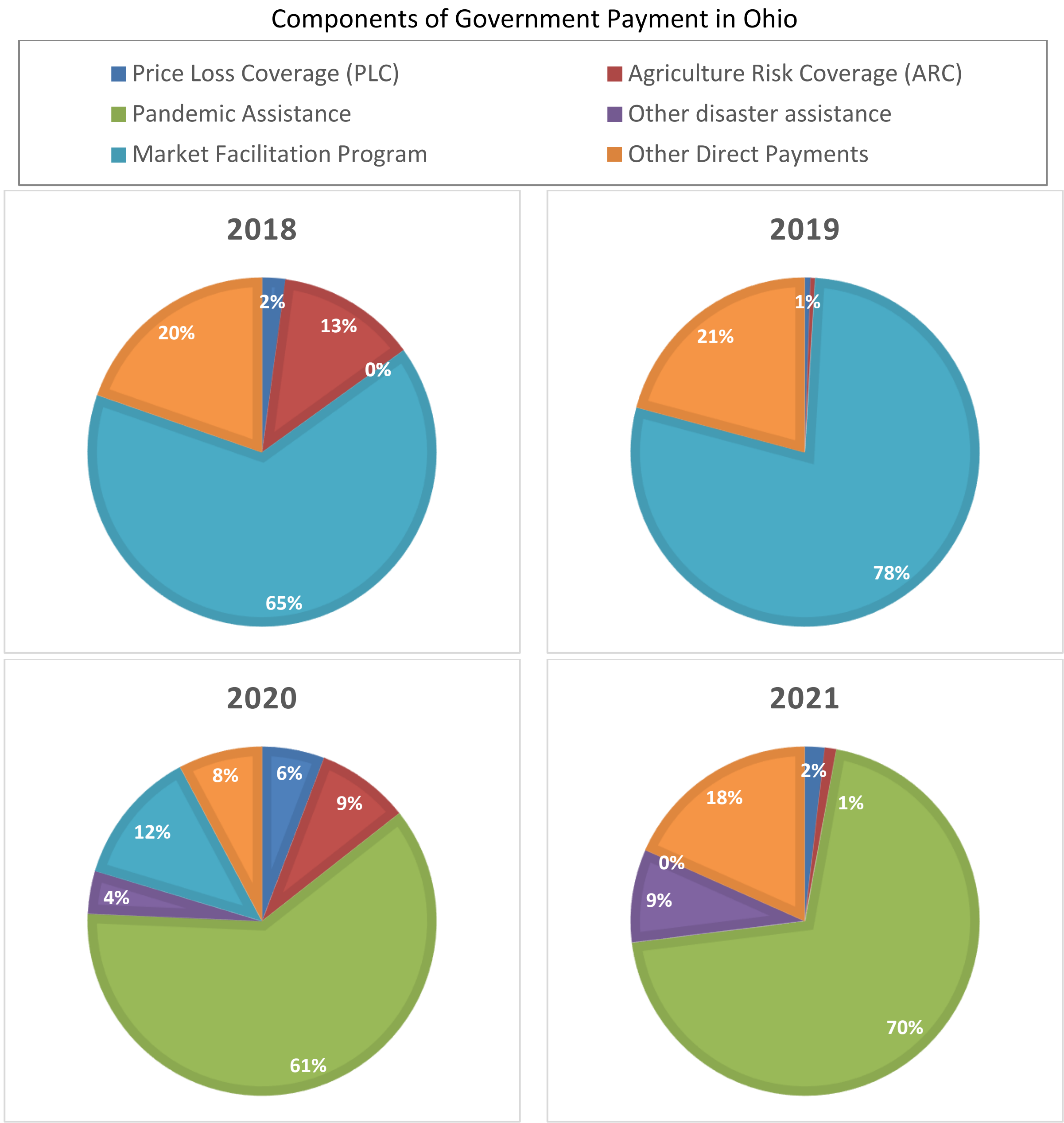
At the onset of the pandemic, the supply chain disruptions and uncertainty in the market signaled lower incomes and uncertain prices, creating the need for higher PLC and ARC payments to farmers in addition to COVID-support payments. As commodity prices rallied beginning in August 2020, the PLC and ARC programs triggered lower levels of total support in 2021. Moreover, ad-hoc disaster assistance payments remained the largest component of government payments in 2021. As the US agricultural sector entered a period of higher income with higher commodity prices, ARC and PLC program payments are expected to be lower for 2022.



Source: USDA, Economic Research Service, Farm Income and Wealth Statistics as of February 7, 2023.

Figure 2: Trends in Different Components of Ohio Government Payments

Figure 3 shows the breakdown of the same components of government payments made to Ohio's farm sector in percentage terms while separating the ARC and PLC for a complete comparative analysis. It depicts that the contribution of pandemic assistance programs increased from 0% in 2018 to 70% in 2021. The other disaster assistance, which includes payments from the Wildfire and Hurricane Indemnity Program (WHIP Plus), Emergency Relief Program (ERP), Quality Loss Adjustment (QLA) Program, and other farm bill designated disaster programs, also increased from minimal in 2018 to 9% in 2021. On the other hand, the substantial increase in pandemic assistance also coincided with a decreased contribution of PLC and ARC payments (due to higher commodity prices) to total government payments in 2020 and 2021. Combined, these programs consisted of 15% of payments in 2018, 1% of payments in 2019, 15% again in 2020, while amounting to 3% in 2021 at the end of the pandemic.



Source: USDA, Economic Research Service, Farm Income and Wealth Statistics as of February 7, 2023.

Figure 3: Percentage Contribution of Components of Ohio Government Payments

References

USDA-Economic Research Service, Farm Income and Wealth Statistics, https://www.ers.usda.gov/data-products/farm-income-and-wealth-statistics/data-files-u-s-and-state-level-farm-income-and-wealth-statistics/, data as of February 7, 2023.

Giri, A.K., T.M. MacDonald, D. Subedi, and C. Whitt. "Financial Assistance for Farm Operations and Farm Households in the Face of COVID-19." COVID-19 Working Paper, AP-090, USDA, Economic Research Service. https://www.ers.usda.gov/webdocs/publications/101712/ap-090.pdf?v=1641.8