Shortliner

FARM EQUIPMENT MANUFACTURERS ASSOCIATION

Our Members Bring Choice, Value & Innovation To Agriculture Volume 70 Number 14 June 3, 2020

Bill Would Expand Use of Funds, Allow More Time on Forgivable Loans

The House last week passed bipartisan legislation to provide struggling small businesses with more flexibility while using loans provided through the Paycheck Protection Program, in the latest effort by lawmakers to help limit the economic impact of the coronavirus pandemic.

The bill passed easily by a vote of 417-1.

The legislation expands the terms of the loans from the Paycheck Protection Program, which was created by the $2.2 trillion coronavirus relief package that Congress and the Trump administration enacted in late March.

Lawmakers say that additional changes are needed following complaints from small businesses that they're not able to take advantage of the loans under the current terms, particularly those that still face coronavirus-imposed safety restrictions. They are not in a position to rehire all their employees in the time currently required to qualify for loan forgiveness.

The bill would give small businesses up to 24 weeks, up from the current eight weeks, to use the loans and extend the deadline for rehiring workers from June 30 to the end of this year.

It would also allow small businesses to spend more of the money on non-payroll costs. The current terms of the loans require recipients to use 75 percent of the funds on payroll and up to 25 percent on other costs to qualify for loan forgiveness. But the legislation would change the ratio to at least 60 percent on payroll and up to 40 percent on rent, overhead and other costs.

The bill is awaiting consideration in the Senate, which has its own version of legislation to make changes to the small business loans. That version is largely similar to what the House has passed, but it only extends the timeframe for small businesses to spend the funds to 16 weeks instead of 24. The Senate may consider that legislation this week.

Source: The Hill s

Employers Learn More About Conditions for Forgiving PPP Loans

The Small Business Administration has released more information about loan forgiveness through the Payroll Protection Program. Advisors from KCoe offer these take-aways from the Interim Final Rule (IFR) issued in late May.

- Economic Injury Disaster Loans (EIDL) grants will reduce loan forgiveness.
- Qualified payroll costs now include:
  - Wages paid to furloughed employees
  - Bonus and hazard pay
  - Owner-employees' retirement and health contribution costs
- Self-employed individuals and general partners' forgivable "compensation equivalent" is limited to $15,385 in total, across all businesses. Health insurance and retirement contributions are not eligible.
- Utility costs can be prorated over the borrower's eight-week covered period. For example, if a borrower's covered period ends June 26, and its June electric bill covers service from June 1 to June 30, and it is paid on its regular due date, the portion of the bill that covers service through June 26 is eligible.
- Salary reduction and reduced hours: If a salary reduction is attributable to a reduction in hours, the reduction affects the borrower's FTE (full-time equivalent) count and does not cause a wage reduction (preventing a double penalty for a single event).
- In some cases, a change in FTEs does not reduce the forgivable amount of the loan, including:
  - If an employee was laid off or furloughed and declines a written offer to be restored to their position with full pay;
  - An employee is fired for cause;
  - An employee voluntarily resigns;
  - An employee requests a reduction in hours.

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About Shortliner

The *Shortliner* is published 20 times a year for members of the Farm Equipment Manufacturers Association. If you have questions, comments, or need to update your mailing address or your preferred method for receiving the newsletter, email Shortliner@FarmEquip.org.

This newsletter is also available in an online version at **FarmEquip.org**/Shortliner.

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China May Pause Ag Purchases as Tensions Escalate

Conflicting signals emerged Monday in the trade relationship between the U.S. and China.

Some news outlets reported that the Chinese government had told major state-run agricultural companies to pause purchases of some American farm goods, including soybeans, after tensions escalated between the world's two biggest economies over the weekend.

Those same news outlets later in the day reported that China bought at least three cargo loads of U.S. soybeans on Monday.

Even in those reports, China promised "firm countermeasures" in response to what it characterized as U.S. attempts to harm Chinese interests.

President Donald Trump said on Friday he was directing his administration to begin the process of eliminating special treatment for Hong Kong, ranging from extradition treatment to export controls, in response to China's plans to impose new security legislation in the territory.

In response to that, initial reports from unnamed Chinese government officials were that the country would pause state purchases of large-volume U.S. corn and cotton. Those reports also said Chinese buyers had cancelled an unspecified number of pork orders from the U.S.

As the dust settles on events of the past few days, the agriculture industry is left to wonder what it might mean for the phase one trade deal.

As part of the deal, which was signed in January, China pledged to buy an additional $32 billion worth of U.S. agriculture products over two years above a baseline based on 2017 figures.

China has bought U.S. soybeans, corn, wheat and soy oil this year to fulfill its commitment under the trade deal. Beijing has also stepped up purchases of U.S. pork, after the deadly African swine fever decimated its pig herd.

The uncertainty has filtered through to the commodities markets, with China opting to buy Brazilian soy instead of American beans.

Sources: Reuters, Bloomberg s

USDA, Federal Prosecutors Investigate Meatpacking Industry

A national meat-supply crunch driven by the coronavirus pandemic is beginning to ease, though meat and grocery suppliers expect the effects to linger for months.

Even as meatpacking plants reopen and some supermarkets reduce limits on meat purchases, consumers are paying more for ground beef and other staples across the country, and grocery distributors struggle to fill orders.

The price run arrived as farmers were receiving well-below-average payments for livestock.

The average retail price for fresh beef in April was $6.22 per pound—26 cents higher than it was the month before, according to the Bureau of Labor Statistics. At the same time, at the end of April, the average price for a steer was below $100 per hundred pounds; the five-year average for that same week was about $135 per hundred pounds, according to the USDA.

As a result, the attorneys general for 11 Midwestern states have urged the Justice Department to pursue a federal investigation into market concentration and potential price fixing by meatpackers.

In a letter to U.S. Attorney General William Barr, the state attorneys general noted that the domestic beef processing market is highly concentrated, with the four largest beef processors controlling 80 percent of the industry. Those processors are Tyson Foods, JBS, National Beef, and Cargill.

Mark Watne, president of the North Dakota Farmers Union, said the industry has rarely seen such obvious market abuses by the meatpacking industry.

"They're posting record profits, while ranchers are suffering significant market price losses," Watne said. "The situation definitely smells rotten, and it not only hurts ranchers, but consumers, too."

In more recent data, retail prices for beef were 21.7 percent higher and pork was up 17.7 percent year-over-year for the week ended May 23, according to Nielsen. Retail chicken prices climbed 10.5 percent for the same period.

Sources: The Detroit News, Wall Street Journal, Politico s

Members with More Than One Business: IRS Explains PPP

The Internal Revenue Service, in a comprehensive FAQ document available at FarmEquip.org/PPPfaq, offers clarification on the use of the Payroll Protection Program in cases in which owners have more than one company.

In Question 80, the IRS declares that in a case where two or more companies are aggregated and treated as a single employer because they are under common ownership, and one company receives a PPP loan, all companies within the aggregated group are prohibited from claiming the employee retention credit.

The aggregation rule, explained in Question 25 online, treats all companies under common ownership as a single employer for purposes of the credit.

Source: National Law Review

PPP Forgiveness Continued from Page 1

- Salary and wage reductions are calculated on a per-employee basis. The first 25 percent of salary reduction is excluded from the forgiveness reduction calculation. For example, if a borrower reduces a full-time employee's weekly salary from $1,000 per week during the reference period to $700 per week during the covered period. In this case, the first $250 (25 percent of $1,000) is exempted from the reduction. The borrower's forgiveness application will list $400 as the salary/hourly wage reduction for that employee ($50/week multiplied by eight weeks).

The SBA may review any PPP loan for eligibility, accuracy of the loan amount, the borrower's use of funds, and accuracy of the forgiveness calculation.

The audit process may be conducted using lenders as an intermediary, or the SBA may request additional information directly from the borrower.

Failing to respond to an inquiry from SBA may result in a determination that the borrower was ineligible for the loan, received an incorrect loan amount, or received an incorrect forgiveness amount. If the SBA determines the borrower was not eligible for the loan, it may pursue action against the owner to recover the funds.

Sales Fall in Deere's Q2

EARNINGS

COVID-19 has led Deere & Co. to project $1 billion less in projected income for the current fiscal year.

After Deere's first quarter, the company forecast in February it could bring in between $2.7 billion to $3.1 billion in net income for its fiscal year 2020. As COVID-19 sprawled and became a global pandemic in March, Deere pulled back that forecast.

It disclosed its second quarter earnings May 22, which included a new net income projection of between $1.6 billion and $2 billion.

"We are still operating in a very uncertain environment, given the COVID-19 pandemic," said Ryan Campbell, Deere's chief financial officer.

Worldwide net sales and revenue decreased by 18 percent compared to the same quarter last year.

Net sales in the agriculture and turf division fell by 18 percent quarter-to-quarter. Sales in the division are forecast to decline by 10 to 15 percent for FY 2020.

The loss of potentially $1 billion in net income is a microcosm of how the pandemic is impacting the agriculture supply chain and farmers.

CEO John May said that given "current circumstances, we see it as an obligation to continue investing in precision technologies that support customers and keep them running."

Sources: Quad City Times, Canada News Wire

Survey Confirms Manufacturers Stay Course Amid Pandemic

Production in the manufacturing sector fell 18.5 percent between February and April, and the manufacturing workforce declined by at least 1.3 million.

Against that backdrop, the National Association of Manufacturers (NAM) conducted its quarterly Manufacturers' Outlook Survey from May 4 to 15. Despite the challenges, the survey found that operations continue at the vast majority of manufacturers.

Among findings:

Most manufacturers—67 percent—continued operations. Thirty-two percent of manufacturers temporarily halted part of their operations.

More than one in five manufacturers adapted operations to produce personal protective equipment; 67 percent re-engineered processes to elevate health safety measures.

Even in the context of rising unemployment, 50.5 percent of manufacturing leaders who responded to the survey say they anticipate trouble in attracting and retaining employees in the next 12 to 18 months.

Respondents identified ways in which they were most affected by the pandemic. At the top of the list: business travel.

Eighty-six percent reported limiting it, followed by requiring flexible work arrangements (78.3 percent), supply chain disruptions (59.5 percent), unplanned production stops (49.6 percent), furloughing workers (39.8 percent) and pay cuts (22.2 percent).

As Normalcy Returns, Adopt Visitor Policies

While few member companies stopped operating during stay-at-home orders these past months, it was not business-as-usual.

You rarely welcomed visitors, in part because there were few visitors to welcome.

As business resumes, the folks who travel to other companies are asking permission to visit, and the companies who accept visitors are introducing protocols.

Association partner Sentry Insurance offers these tips:

- If visitors are not involved with essential operations, reschedule the meeting.
- For others, introduce a pre-screening process that includes these questions:
    - Have you traveled outside the local community in the past 14 days?
    - Have you had close contact with people who've tested positive for COVID-19?
    - Are you experiencing any unexplained health symptoms?

Once inside, visitors should also continue social distancing practices and wear protective gear in keeping with your policies and state requirements.

Sentry offers more guidance on pages 7 and 8.

ASABE Revises Front Loader Standard

The American Society of Agricultural and Biological Engineers (ASABE) has completed a revision to ANSI/ASAE S583.2, Safety for Agricultural Front-End Loaders.

The standard, which specifies safety requirements for the design and construction of agricultural front-end loaders to be mounted on tractors, was revised to update the normative references, add a definition for a quick-attach loader, and make the use of the terms "attachment" and "allowable attachment" consistent throughout the document.

The updates also improve understanding of other test and performance requirements.

During this project, ASABE and the CSA Group (formerly Canadian Standards Association) worked together to harmonize their versions of their respective front-loader safety standards.

ASABE members with standards access and those with site-license privileges can download the full text at elibrary.asabe.org. Others can obtain a download for a fee directly from the library or by contacting ASABE headquarters at OrderStandard@asabe.org.

Members of this Association who are not members of ASABE can receive at no cost the compilation of industry standards produced by ASABE—a $650 value.

Last Call: Benchmark Survey Gets One More Week

We get it. You have, um, bumped into a few unexpected things this year. Ordinary tasks have been set aside. This is why we have decided to offer one final extension for members to complete the Business Profile & Financial Performance Survey.

You should have received an email Tuesday from mchaffin@industryinsights.com. That's Matt Chaffin, who is the Association's designated third-party representative conducting this confidential survey for members.

The new deadline is June 9. Participants will receive their report cards and industry data in early July.

The Association has made significant investment in this survey because members told us they value the information. And, the more companies that participate, the richer the data becomes.

Please take a moment to complete the survey, and remember, you can submit documents directly to Industry Insights to save yourself time. The CPAs who review them will shred them.

Results offer participants insight into plant profitability, productivity, and financial management. You will receive a customized company report and an industry-wide report.

Get answers to your questions from Chaffin at (614) 389-2100, or contact Kristi at the Association at (314) 878-2304 or Kristi@FarmEquip.org.

Farmers Show Improved Willingness to Spend in Survey

Results released Tuesday from Purdue University and the CME Group show that farmers' moods improved slightly in May, and they were more willing to make capital investments.

The Ag Economy Barometer improved by seven points compared to the May report. The reading of 103 still lags behind the optimism farmers felt in February.

In an indication of the volatility of national and world events, the current-year May reading is virtually identical to the May 2019 reading, in spite of a dramatic rise in the intervening months.

The Farm Capital Investment Index, which assesses producers' willingness to make big investments, rose to 50 in the May survey from a reading of 38 the month before.

Commentary from the survey administrators cautioned however that while the capital investment index represents a "substantial one-month improvement," it still registers 30 percent below the February survey.

More than 70 percent of producers who responded said they are either "very worried" or "fairly worried" about coronavirus' impact on their farm's profitability. More than 60 percent said they expect farmers' equity positions to decline over the next year.

Ag Auction Group Reports Strong Spring

The Steffes Group, which sells agriculture equipment at auction, reported a strong spring for sales of tractors, combines, and sprayers.

The company conducted 170 auctions from January through April, many of which were exclusively online.

President Scott Steffes said buyers are looking for well-maintained equipment.

"The market is discriminating," he said. "Well-maintained equipment with low hours commanded a strong premium. We sold the highest-priced tractor in the history of our company this spring, a late model John Deere RX."

Older machines also did well.

"Most surprising was sharp rises in tractors 15 years and older, showing great care, good tires and a pedigree," according to the Steffes report.

Land sales remain strong while showing a bit of vulnerability.

"Buyers have shown up and sales have been impressive and yet we're starting to see, perhaps, a little chinking in what has been exceptionally strong armor," the report said. "It probably reflects more of a hesitation in a consistently rising market, and we've only seen it in areas where weather has greatly affected crop production. Premium land still commands premium prices in all our markets."

Steffes Group provides services throughout the Upper Midwest, including Iowa, North Dakota, South Dakota, Minnesota, Wisconsin, Montana, Illinois and Nebraska.

Source: Farm Progress

Business Booms at Small Meat Processors

As coronavirus outbreaks shut down or reduced production at major U.S. and Canadian meat processing plants, farmers scrambled to find alternatives, and consumers feared grocery stores would run out.

As is the case with much around the coronavirus, this shift created winners and losers. Small, independent slaughterhouses found themselves booked through the spring of 2021.

Business picked up so dramatically at these small operations that they turned away farmers and rationed sales.

"People are going mad trying to fill their freezers," said Tom Keller, who owns a processing operation in Litchfield, Ohio, where they have limited sales of ground meat to five pounds per person.

In March, Keller's plant slaughtered 104 cattle, twice the rate a year earlier.

In Alberta, Canada, farmers and consumers are reacting to reduced production at plants owned by Cargill and JBS SA. Feedlots are being turned away by the big plants, which have a backlog of cattle.

The development has led to a more-than-doubling of the number of pigs processed at least one smaller operation in Alberta in March and April.

Source: Reuters

Get the Most from Membership: Update Your Directory Listing

Among services the Association offers members are digital and print tools for staying connected—the membership directory.

The online directory is as current as you make it. When you have staff changes or add products, we update our password-protected web resource as soon as you tell us.

That digital resource, which allows you to search by company, individual, and product, has a companion piece in a book the Association publishes every other year.

That book is in production now. The person at your company defined as the Association's primary contact recently received (or soon will) an email from Rachel Boehm asking you to update your listing.

The data you provide feeds into our website and ultimately the book.

The Association receives requests for this 200-page plus collection of information that offers contact information by member category, geography, and the categories mentioned above.

Questions? Call (314) 878-2304.

Association Focuses on Fall Convention in Orlando

Disney Parks last week announced a phased reopening to its theme parks. This reawakening in Orlando seemed like the right time to update members on our plans to be in that city for the 2020 Marketing & Distribution Convention.

"We fully expect to have a meeting," said Association Vice President Vernon Schmidt. "We are of course committed to members' safety and wellness, but we consider that a collaborative effort with the hotel and each attendee. More importantly, we are singularly focused on creating an experience that is rich in content and provides opportunities for you to grow your business.

"That means working through how to create dynamic networking events and high-energy speaker sessions in the context of worldwide safety measures," Schmidt said.

The Association also is exploring how to integrate a digital component for folks who prefer it. And, because this virus has introduced a whole new level of unpredictability, the Association will offer 100 percent refunds up to the day before the convention begins, which will be Oct. 26.

The convention is Oct. 27 to 29 at the Hilton Orlando Lake Buena Vista.

"We understand everyone feels a higher level of risk," Schmidt said. "This no-risk registration is our way of eliminating some of the worry for members and expressing to you how much we value your presence in Orlando."

While registration for this annual meeting will not open until mid-July, we encourage members to save the dates and start looking at historically low airfares.

The phased reopening at theme parks begins July 11. Plans are to limit attendance, control guest density, and align with guidance on physical distancing.

In Memoriam: Jim Hawkins

The Association has learned of the passing of Jim Hawkins, former president and CEO of Weasler Engineering and an ever-present participant at Association conventions. Hawkins died in late March.

Ethanol Production Jumps in May But Trails 2019

The U.S. Energy Department said ethanol production during from May 15 to May 22 increased from 663,000 to 724,000 barrels per day. The higher amount is still down 32 percent from a year ago and represents 145 million bushels of lost corn demand per month.

Nominate an Executive to Serve on Board of Directors

Each year at the Marketing & Distribution Convention, manufacturing members elect directors to serve three-year terms on the Association Board of Directors. During the months preceding the election, a committee works to assemble a slate of candidates for the full membership to consider.

The Association is now accepting nominations for executives from regular member companies to stand for election in Orlando in October.

Those who are elected directors in October will begin their three-year terms immediately.

Nominees should serve in leadership positions in their organizations and have demonstrated a history of engagement in Association work and the farm equipment industry.

Directors are central to the work of identifying legislative priorities, growing membership, raising the Association's visibility, and stewarding its resources to assure it remains financially strong.

If you would like to nominate someone for a director position, contact Mike Kloster, chairman of the Nominating Committee for Directors. His email address is mikek@worksaver.com.

A committee will review nominees and recommend a slate at the annual business meeting.

Preparing to reopen your facility

Being required to close your facility for even a short time can be challenging. But upon reopening, it's crucial not to let your eagerness to establish a sense of normalcy prevent you from taking important steps to protect your facility. The hypothetical example below illustrates the risks of restarting a facility without taking proper precautions.

THE LOSS

A business fully reopened its facilities following the lifting of a months-long civil order. Two days after reopening, the facility sustained a catastrophic fire after an overloaded circuit breaker failed, igniting wiring and nearby combustibles. The fire resulted in $4.25 million in losses, including the total loss of the building, inventory, and machinery, along with business interruption. The business also incurred more than $200,000 in uninsured costs, including deductibles, re-staffing expenses, claim management costs, and a sustained decline in sales.

THE LESSON

The business fully reopened without developing a plan. They failed to inspect electrical panels, wiring, HVAC, plumbing, and security systems, and neglected end-of-day inspections. A subsequent investigation also revealed that, at the time of startup, employees had noticed lights dimming and a faint burning smell, but because they weren't involved in a defined restart program, they didn't share this information with supervisors.

While this description isn't based on a specific individual or entity, the details reflect characteristic facts from multiple actual claims.

PREVENTIVE STRATEGIES

Consider implementing the following practices as you reopen your facility:

- Monitor local and national guidelines regarding sanitation and disinfecting. Distribute personal protective equipment (PPE). As guidelines evolve, modify your facilities to support testing incoming staff.
- Establish a plan to safely and gradually restart machinery and operations. Train employees responsible for these operations to reinforce safe practices.
- Stagger your startup schedule to allow restarted operations to be observed, managed, and corrected before restarting other elements.
- Have a qualified electrical contractor inspect your facility before restarting, particularly if your facility is more than 25 years old and/or you haven't had the electrical system inspected in the past five years.
- Inspect the facility before starting and after ending operations each day, until the effects of changes are resolved, to identify any issues following the shutdown.
- Ask for employee feedback before, during, and after restarting your operations.

WE'RE HERE TO HELP

We're committed to helping you protect your business and your employees by providing resources that can help you manage loss-producing situations.

You can find additional safety resources by visiting sentry.com. You can also reach our Safety Services team at 800-443-9655.

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Avoid discrimination allegations as your staff returns

As you've dealt with the COVID-19 pandemic, you may have temporarily reduced your staff. And while helping them return should be a positive experience, it can be potentially fraught with unexpected risks. The hypothetical example below illustrates one of them. To help you avoid the risk of a discrimination problem, we've included some ideas for you to consider as you plan your employees' return to work.

THE LOSS

Following a civil order related to the COVID-19 pandemic, a business shut down for six weeks. Upon reopening, they brought staff back in phases—essential employees first, followed by sales, administrative, and service employees. The business's self-defined employee categories meant many younger employees returned first, unintentionally creating the perception of age discrimination. The company was served with an age discrimination lawsuit, with legal fees and settlement costs exceeding $500,000, along with more than $55,000 in uninsured expenses.

THE LESSON

The business's leaders failed to recognize their risk for age discrimination allegations. Working with an employment attorney or human resources professional could've helped them establish a more objective employee categorization system.

This description is a hypothetical and isn't based upon any specific individual, entity, or set of facts.

You can find additional safety resources by visiting sentry.com. You can also reach our Safety Services team at 800-443-9655.

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PREVENTIVE STRATEGIES

Consider the following ideas, among others, in the context of your business circumstances:

- Review your plan with an employment attorney or human resources professional.
- Use legitimate, non-discriminatory business criteria to create a preliminary return-to-work plan for your employees. Once you've determined the plan, analyze it (preferably with an employment attorney or human resources professional) to ensure it doesn't create unintended discrimination risks, and make appropriate changes to the plan to reduce or eliminate those risks.
- Once you've defined your approach, consider communicating the value points you're basing these decisions on (skills, experience, etc.), but avoid specifics on scores or ratings.
- Be responsive to employees' concerns, questions, and comments.
- Develop basic procedures and response planning strategies that could help you manage a similar event in the future.
- Monitor local and national guidelines regarding sanitation and disinfecting. As guidelines evolve, modify your safety plan based upon your specific circumstances.

WE'RE HERE TO HELP

We're committed to helping you protect your business and your employees by providing resources that can help you manage loss-producing situations.

sentry.com