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**How did the COVID-19 pandemic and tariff emergency payments impact
the Indiana Department of Local Government Finance's (DLGF)
Return to Owned Farmland and Agricultural Land Base Rate?**

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Executive Summary:

- The Indiana Department of Local Government Finance (DLGF) Agricultural Land Base Rate Formula determines the base rate using the "Return to Owned Farmland." The "return" includes direct transfer payments to farmers for farm revenue support, conservation, and ad hoc disaster payments.
- Between 2019 and 2021, the U.S. Department of Agriculture (USDA) made substantial payments to farmers for emergencies (e.g., the COVID-19 pandemic and tariff-related Market Facilitation Payments).
 - "Market Facilitation Payments" accounted for 73 to 86% of the total amount paid to farmers.
- As a result, those payments have inflated the "Return to Owned Farmland" used in the DLGF Agricultural Land Base Rate Formula.
 - Excluding COVID-19 pandemic payments would reduce the return by \$60 in 2020 and \$36 in 2021.
 - Excluding Market Facilitation Payments would reduce the return by \$29 in 2018, \$60 in 2019, and \$15 in 2020.
- Excluding the COVID payments would reduce the DLGF agricultural base rate by \$76 in 2022 and 2023 and by \$78 in 2024 and 2025. Excluding the Market Facilitation Payments would reduce the base rate each year from 2019 to 2025 by \$36 in 2019 to \$130 in 2024. Excluding both payments would reduce the base rate by \$36 in 2019 to \$171 in 2025.

For eligible farmers in Indiana, the U.S. Department of Agriculture (USDA) will make direct payments as a part of farm bill programs. However, USDA has also provided large payments to farmers in response to unique events (e.g., the tariff dispute with China from 2018 to 2020 and the COVID-19 pandemic from 2020 to 2023).

This paper quantifies the direct transfer payments made to Indiana crop farmers by payment type from 2013 to 2023. Then, the impact such payments had on the Indiana Department of Local Government Finance's (DLGF) calculated "Return to Owned Farmland" and the effect on the "Agricultural Land Base Rate" from 2013 to 2025.

Table 1 reports the total transfer payments made to Indiana crop farmers by type and year from 2013 to 2025. The table is divided into two parts: 2013 to 2017 and 2018 to 2023. As a general disclaimer, the data for 2024 is not currently available.

Table 1. Direct Payments Made to Indiana Crop Farms from 2013 to 2017 (\$ Million) Part 1.

	----- \$ Million -----				
	2013	2014	2015	2016	2017
Farm Program Payments - Covered Commodities	\$197	\$1	\$148	\$542	\$295
Tobacco Transition Payments	\$5	\$5	\$0	\$0	\$0
Conservation	\$76	\$71	\$70	\$73	\$78
Supplemental Ad Hoc Disaster Assistance (not COVID)	\$48	\$30	\$2	\$9	\$1
Market Facilitation Payments (Tariff Response)	\$0	\$0	\$0	\$0	\$0
USDA COVID Pandemic Response Payments	\$0	\$0	\$0	\$0	\$0
Miscellaneous Payments	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Transfer Payments (excluding dairy)	\$326	\$107	\$221	\$624	\$373
Total without Market Facilitation Payments					
Total without USDA COVID Pandemic Payments					
Total without USDA Market Facilitation Payments and COVID Pandemic Payments					

Source: USDA: ERS and DLGF Resource Materials.

Table 1. Direct Payments Made to Indiana Crop Farms from 2013 to 2017 (\$ Million) Part 2.

	----- \$ Million -----					
	2018	2019	2020	2021	2022	2023
Farm Program Payments - Covered Commodities	\$58	\$7	\$210	\$9	\$0	\$0
Tobacco Transition Payments	\$0	\$0	\$0	\$0	\$0	\$0
Conservation	\$88	\$78	\$83	\$76	\$77	\$81
Supplemental Ad Hoc Disaster Assistance (not COVID)	\$1	\$37	\$62	\$88	\$81	\$24
Market Facilitation Payments (Tariff Response)	\$366	\$753	\$185	\$0	\$0	\$0
USDA COVID Pandemic Response Payments	\$0	\$0	\$780	\$464	\$7	\$18
Miscellaneous Payments	\$0	\$0	\$0	\$0	\$0	\$0
Total Transfer Payments (excluding dairy)	\$513	\$875	\$1,320	\$638	\$165	\$123
Total without Market Facilitation Payments	\$147	\$123	\$1,135			
Total without USDA COVID Pandemic Payments			\$540	\$174	\$158	\$105
Total without USDA Market Facilitation Payments and COVID Pandemic Payments	\$147	\$123	\$355	\$173	\$158	\$105

Source: USDA: ERS and DLGF Resource Materials.

- Farm program payments are price and revenue support payments that ebb and flow with commodity prices and revenue. The payments depend on the formula used to calculate the underlying payment rates. The formula and programs may change when the farm bill is reauthorized. The farm program payments declined from \$210 million in 2020 to \$0 in 2023. USDA made larger farm program payments from 2015 to 2017 as the corn and soybean prices transitioned lower from record levels.
- From 2004 to 2014, USDA made tobacco transition payments to tobacco farmers and tobacco quota owners. These payments helped quota owners and renters adjust to eliminating the 1938 tobacco farm program.
- Conservation payments are contractual and paid to landowners over a 10- to 15-year period, depending on the program. The payment amounts are typically fixed during the contract period and are not dependent upon commodity market prices or harvested yield. The payments depend on the economic benefit of the conservation practice being adopted.
- The Market Facilitation Program responded to trade disruption from the trade dispute with China from 2018 to 2020. The payments compensated grain farmers for the lower market prices caused by the reduced exports. The tariff market facilitation program payments contributed \$753 million of the total \$875 million received (86%) in 2019.
- The USDA pandemic response payments from 2020 to 2022 were a response to the COVID crisis. The ad hoc payments totaled \$780 million in 2020 and \$464 million in 2021. The program payments continued into 2022 and 2023, paying \$7 million and \$18 million, respectively.
- From 2013 to 2023, farmers also received non-COVID ad hoc payments and miscellaneous payments. Rounding may mask payments as zero as they are small in value when reported in millions.
- The total payments to farmers ranged from \$107 million in 2014 to \$1.3 billion in 2020. If the tariff payments were excluded, then the maximum payment would be \$1.1 billion. If the COVID emergency payments were excluded, then the maximum payment would be \$875 million in 2019. Excluding both emergency payments would make the maximum transfer of \$624 million in 2016.

Table 2. The Percentage of the Total Payments Made Directly to Indiana Crop Farms Each Year by Program from 2013 to 2017
Part 1

	----- Percent of Total -----				
	2013	2014	2015	2016	2017
Farm Program Payments - Covered Commodities	60%	0%	67%	87%	79%
Tobacco Transition Payments	2%	5%	0%	0%	0%
Conservation	23%	66%	32%	12%	21%
Supplemental Ad Hoc Disaster Assistance (not COVID)	15%	28%	1%	2%	0%
Market Facilitation Payments (Tariff Response)	0%	0%	0%	0%	0%
USDA COVID Pandemic Response Payments	0%	0%	0%	0%	0%
Miscellaneous Payments	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%

Source: USDA: ERS and DLGF Resource Materials.

Table 2. The Percentage of the Total Payments Made Directly to Indiana Crop Farms Each Year by Program from 2018 to 2023 (Part 2).

	----- Percent of Total -----					
	2018	2019	2020	2021	2022	2023
Farm Program Payments - Covered Commodities	11%	1%	16%	1%	0%	0%
Tobacco Transition Payments	0%	0%	0%	0%	0%	0%
Conservation	17%	9%	6%	12%	47%	66%
Supplemental Ad Hoc Disaster Assistance (not COVID)	0%	4%	5%	14%	49%	19%
Market Facilitation Payments (Tariff Response)	71%	86%	14%	0%	0%	0%
USDA COVID Pandemic Response Payments	0%	0%	59%	73%	4%	15%
Miscellaneous Payments	0%	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%

Source: USDA: ERS and DLGF Resource Materials.

- From 2013 to 2017, farm program payments made up 60% to 87% of total payments to Indiana crop farmers but have declined to zero by 2022 due to lower commodity prices.
- Conservation payments in 2023 account for the largest share of payments made to crop farmers, at 66% of the total.
- USDA COVID payments were 59% and 73% of the total payments in 2020 and 2021, respectively.
- The tariff response market facilitation program payments made in 2018 and 2019 comprised 71% and 86% of the total payments made to crop farmers in those years.
- The non-COVID supplemental ad hoc disaster payments represented 49% of the total payments in 2022 but were only 19% in 2023.

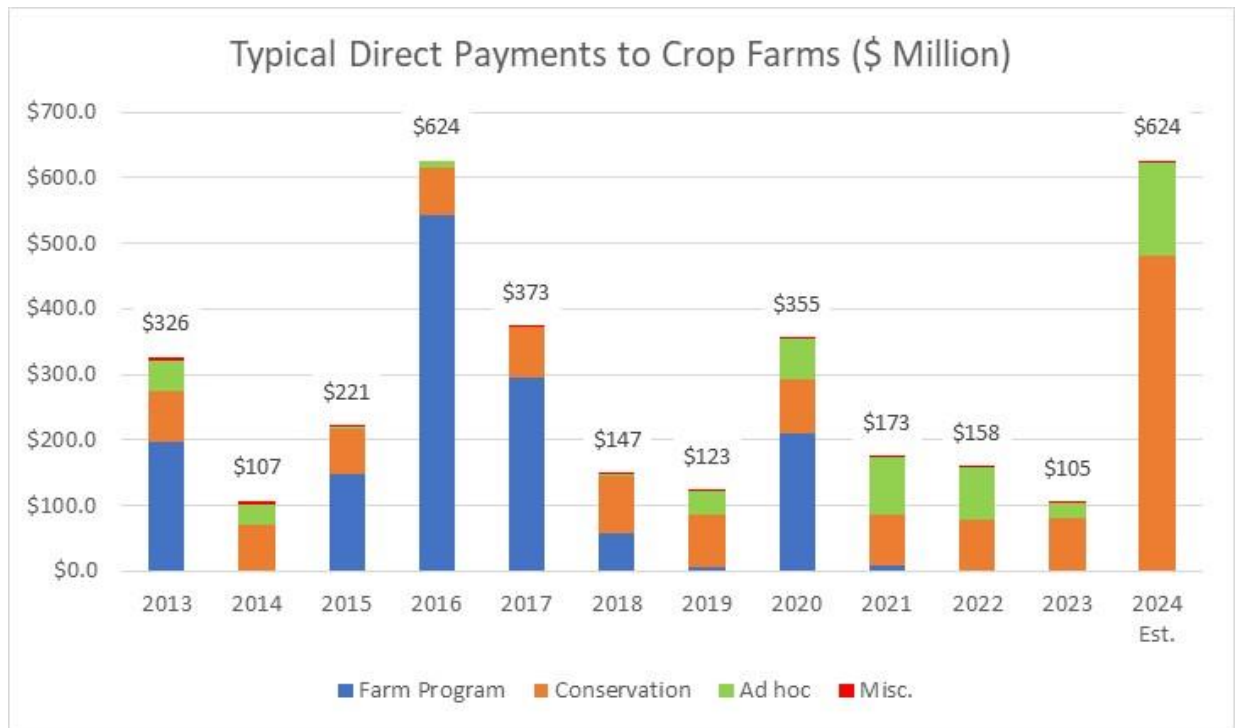


Figure 1. USDA Payments Made to Farmers from Typical Legislation from 2013 to 2024 (Estimated) in Million Dollars.

- Figure 1 shows the USDA's typical direct payments to crop farmers based on continuing legislation like the farm bill. The USDA: FSA administers the farm bill price support payments (blue). Due to higher prices, these price support payments have virtually disappeared since 2021.
- The farm bill also provides conservation-based payments (orange) to farmers who sign a multi-year contract defining production practices that will improve soil or water conservation. The USDA: NRCS administers this program. Conservation was the most common payment received by Indiana grain farmers in 2024.
- Ad hoc and miscellaneous payments are also made in response to natural disasters or other events directed by Congress.
- These typical payments to Indiana crop farmers ranged from \$105 million in 2023 to a projected \$625 million in 2016.
- Note: The author estimated the 2024 payments based on national projections adjusted by Indiana's average share of total USDA payments made from 2013 to 2023. The total amount corresponds to the Department of Local Government Finance's (DLGF) estimated payments of \$50 per acre for 2024.

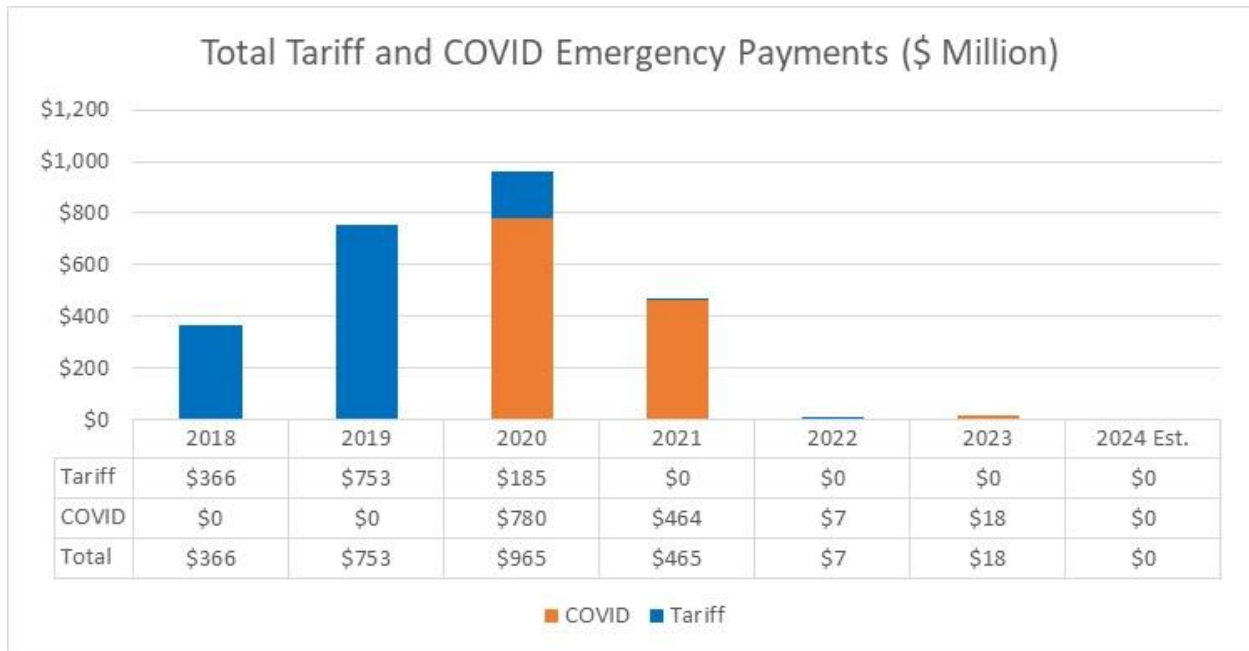


Figure 2. USDA Payments Made to Farmers in Response to the COVID and Tariff Emergencies from 2018 to 2024 (Estimated) in Million Dollars.

- USDA made two emergency payments to Indiana crop farmers from 2018 to 2023. The tariff war with China triggered the creation of Market Facilitation Program payments from 2018 to 2021. As the tariff dispute ended, the COVID crisis hit the country in 2020, with payments made to farmers from 2020 through 2023.
- The total Market Facilitation Program payments received by Indiana crop farmers were \$366 million in 2018 and increased to \$753 million in 2019. After the tariff dispute ended, Indiana farmers received \$185 million in 2020.
- Farmers received \$780 million in COVID payments in 2020 and \$464 million in 2021 to help the industry through the pandemic. These COVID payments declined to \$7 million in 2022 and \$18 million in 2023.
- Both programs were no longer making payments by 2024.

Table 3. DLGF Return to Owned Land (\$/Acre) and the return Excluding the COVID Payments and Tariff Payments Per Acre in the DLGF Base Rate Calculations (\$/Acre).

	----- Return to Owned Land -----		
	DLGF Base Scenario	DLGF - COVID	DLGF - Tariffs
2018	\$51	--	\$22
2019	\$6	--	-\$54
2020	\$141	\$81	\$126
2021	\$343	\$307	--
2022	\$319	\$318	--
2023	\$262	\$261	--
2024	\$116	--	--

Source: USDA: ERS and DLGF Resource Materials

Note: The – represents no change in the Returned to Owned Land in the DLGF Base Scenario.

- The Return to Owned Land, including the per-acre COVID and Market Facilitation payments, is reported in Table 3 under the DLGF Base Scenario column.
- The DLGF-COVID column shows the per-acre Return to Owned Land without the USDA COVID payments. In 2020, it is reduced to \$81 per acre from \$141 in the Base Scenario.
- The DLGF-Tariffs column shows the Return to Owned Land without the USDA Market Facilitation Program payments. Excluding these payments would trim the Return to Owned Land to \$22 per acre from the Base Scenario of \$51 in 2018. The return in 2019 is reduced from \$6 per acre under the Base Scenario to -\$54 per acre.

Table 4. Estimated Changes to the DLGF Agricultural Base Rate from Excluding COVID Payments, Tariff Payments, and Both Payments in Calculating the DLGF Base Rate from 2019 to 2024 (\$/Acre).

----- \$/Acre -----				
Base Rate Year	Base Rate	----- Change in Base Rate by Excluding -----		
		COVID Payments	Tariff Payments	COVID and Tariff Payments
2019	\$1,560	\$0	-\$36	-\$36
2020	\$1,280	\$0	-\$111	-\$111
2021	\$1,290	\$0	-\$111	-\$111
2022	\$1,500	-\$76	-\$130	-\$205
2023	\$1,900	-\$76	-\$130	-\$206
2024	\$2,280	-\$78	-\$130	-\$207
2025	\$2,390	-\$78	-\$94	-\$171

Source: USDA: ERS and DLGF Resource Materials

- Excluding the COVID payments from the DLGF Return to Owned Land would reduce the base rate by \$76 in 2022 and 2023 and \$78 in 2024 and 2025. The average of the previous six years, excluding the highest-value year, provides relief to the base rate even after the payments stop.
- Excluding the tariff payments would reduce the base rate each year from 2019 to 2025. The base rate would be \$36 lower in 2019, \$111 lower in 2020 and 2021, \$130 lower in 2022 through 2024, and \$94 lower in 2025.
- If both payments were excluded, the base rate would be \$171 per acre lower in 2025. It is reduced each year from 2019 to 2024 due to overlapping payments and averaging the previous six years, excluding the highest value.