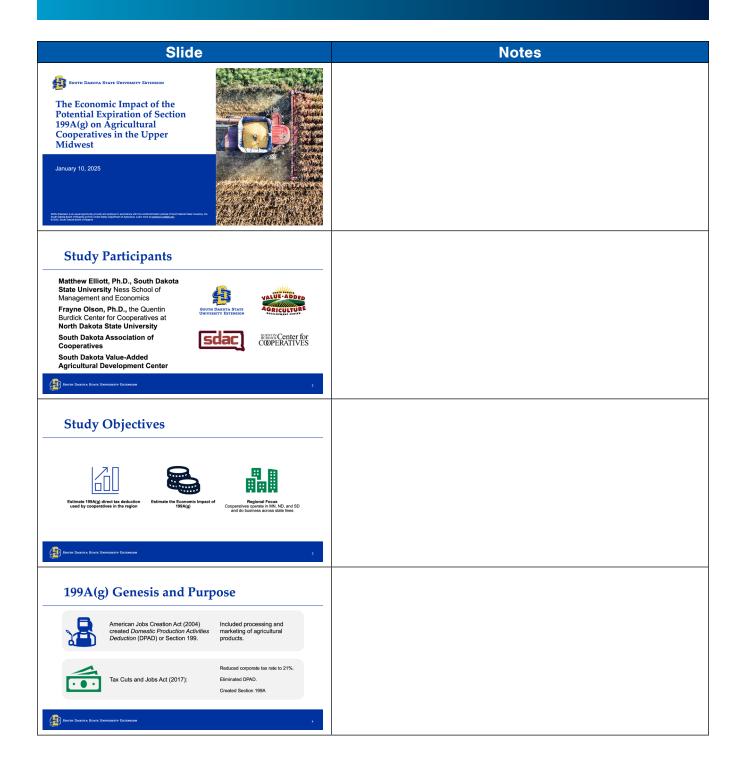
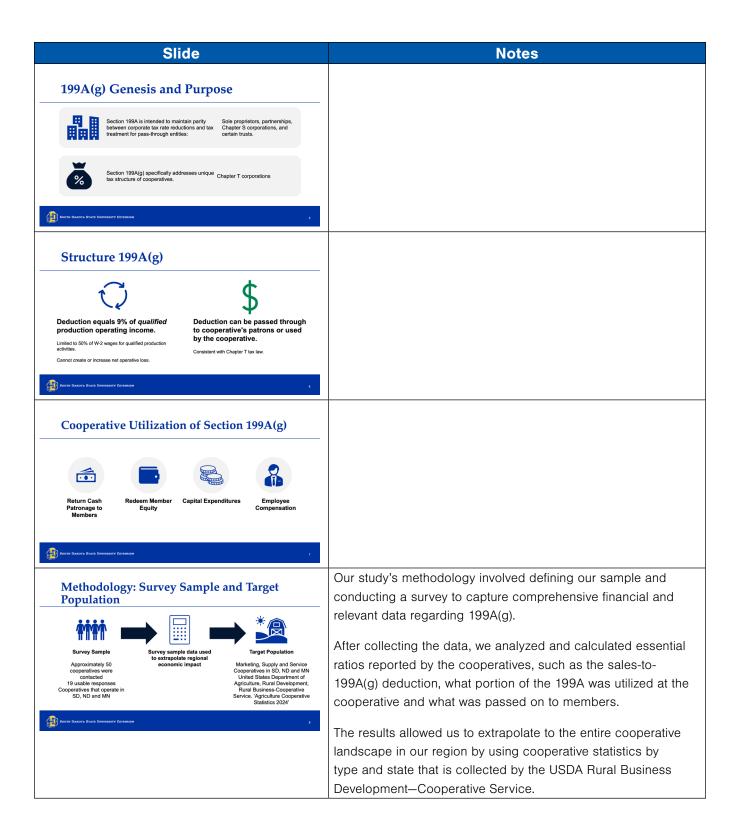


The Economic Impact of the Potential Expiration of Section 199A(g) on Agricultural Cooperatives in the Upper Midwest





Slide **Notes** Some key ratios from our survey data include the sales and Survey Sample Summary Data wages relative to the 199a(g) utilized by cooperatives and passed to members. \$25,833 \$23,135 \$28,498 Sales Employee Compensation \$1,230 Capital Expenditure \$238 \$360 \$363 For example, our survey sample reported sales from 2021 to Patronage Paid Patronage Distributed \$172 \$207 \$222 \$234 \$218 2023 from \$23.1 billion to \$28.5 billion. Member Equity Redeemed 199A(g) Utilized at Cooperativ \$19 \$85 \$24 199A(g) Passed to Members \$268 \$263 \$273 proximate sales in South Dakota \$3,246 \$4,206 \$4,072 From the sales and net returns, a majority of cooperatives using Approximate sales in North Dakota \$1,898 \$2,511 the 199A(g) provision. In fact, over the years, cooperatives have been increasingly using the 199a. For example, the survey sample 199a deduction ranged from \$62 million in 2021 to \$114 million in 2023. In addition, the amount of 199A(g) cooperatives have passed on to members ranged from \$268 million in 2021 to \$273 million in 2023. According to our survey sample data, the ratio of cooperative Survey Sample 199A(g) Generation and sales to 199A(g) deduction used by the cooperative or passed Utilization to members averages 1.4% across the 3 years. There was a low of 1.3% in 2022. Of that amount, approximately 75% was passed Total 199A(g) (millions) \$361 \$330 \$365 \$387 on to members, and 25% was used directly by the cooperative. 199A(g) as a percent of employee 30.1% 31.5% 29.7% 27.6% ercentage 199A(g) passed to members 81.3% 72.1% 70.6% 74.7% The estimated target population of marketing, supply and service **Target Population** cooperatives that may use the 199A deduction, according to the USDA, in 2022, was 182 cooperatives in Minnesota, with Marketing, Supply and Service Cooperatives in 2022 125,028 members and 27.2 billion in Sales. In North Dakota, Cooperatives \$27,249 Minnesota 125.028 129 cooperatives with 66,817 members had 11.3 billion sales. In North Dakota \$11,348 129 66,817 South Dakota \$9,801 54,700 South Dakota, there were 89 cooperatives with 54,700 members Source: United State Department of Agriculture, Rural Development, Rural Business-Coope Service. 'Agricultural Cooperative Statistics 2024' and 9.8 billion in sales. These statistics are provided by the USDA in their Agricultural Cooperative Statistics reports.

Slide **Notes** To estimate the total economic impact we estimate the **GDP** Multipliers multipliers of cooperatives and members in their economy. For example, the Direct GDP multiplier reflects the immediate Multipliers Cooperatives Me nhers Direct GDP Multiplier \$1.00 \$1.00 effect of spending 199a(g) deduction dollars in the regional Indirect GDP Multiplier \$0.94 \$0.54 economy. In terms of our cooperatives, this translates into the Induced GDP Multiplier \$0.50 \$0.34 Total GDP Multiplier \$2 44 \$1.88 immediate impact on the regional GDP when our cooperatives Source: IMPLAN 2022 Data for model region Notes: The direct GDP multiplier measures the GDP impact of an initial investment, the indirect multiplier reflects changes in GDP due to increased production from suppliers, and the induced multiplier accounts for additional GDP changes from increased consumer spending by those earning income from the initial and indirect activities. spend money - for instance, purchasing goods and services for operations, paying salaries to employees, or investing in capital. The indirect GDP multiplier, on the other hand, relates to the secondary impact caused by those who directly receive the money from cooperatives (like suppliers or employees) and spend it within the region. For instance, a supplier may use its income to pay its workers or buy more goods, affecting the economy. The induced multiplier is the tertiary wave of impact from the re-spending of the earnings by those indirectly affected. For example, a supplier employee spends his salary on local businesses, leading to a further ripple effect on the economy. Using our survey sample ratios, the target population data from 2022 Economic Impact of 199A(g) by USDA, and the multipliers we are able to calculate the economic Cooperatives and Members impact of 199A based on economic activities of cooperatives in our survey sample. For example, we can estimate the total 199A(g) Passed to Members 72.1% \$251.80 \$104.90 \$90.60 Indirect GDP Multipl \$135.10 \$48.60 \$0.54 Induced GDP Multiplie economic impact of the reported 199A deduction amounts Total GDP Multiplie \$1.88 \$472.50 \$196.80 \$170.00 using our sales to 199a deduction ratio. When we do this, in Indirect GDP Multiplier \$0.94 \$91.80 \$38.20 \$33.00 Induced GDP Multiplier \$0.50 \$48.50 \$20.20 \$17.40 2022, in Minnesota, we estimate 251.8 million in 199Ag went to **Total GDP Multiplier** \$2.44 \$237.70 \$99.00 \$85.50 members. That had a multiplier effect, adding 472.5 million in GDP to the state in 2022. In addition, cooperatives also use the 199A deduction, and we estimate that the amount in Minnesota is 97.4 million. That had an additional multiplying effect of 237.7 million to GDP in Minnesota. When we add up both the member and cooperative economic **Estimated 2022 Total Economic Impact in Region** impacts to state GDP we estimate that of the 349.2 million from the 199A(g) Deduction for Cooperatives dollars reported for 199Ag in 2022, we would have to have a South Dakota North Dakota Millions Minnesota total impact of 710.1 million to Minnesota's state GDP. 296.7 Total 199A(g) Utilized by Cooperatives and Passed to Members \$349.2 \$145.4 \$125.6 million to ND GDP, and 255.5 million to SD GDP. Total economic Indirect GDP Multiplier \$226.9 \$94.5 \$81.6 impact of the region is 1.26 billion dollars. Induced GDP Multiplier \$134.1 \$55.8 \$48.2 Total GDP Multiplier \$710.1 \$295.7 \$255.4

Slide		Notes
2022 199A(g) Economic Impact Minnesota: \$710.1 million in GDP North Dakota: \$295.7 million in GDP South Dakota: \$255.4 million in GDP Annual GDP generated in rural communication.		
multiplies in rural communities.	v	
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